

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: Democratic Services
committee.services@tmbc.gov.uk

5 April 2023

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 Council Chamber, Gibson Drive, Kings Hill, on Monday, 17th April, 2023 commencing at 7.30 pm.

Members of the Committee are required to attend in person. Other Members may attend in person or participate online via MS Teams.

Information on how to observe the meeting will be published on the Council's website.

Yours faithfully

JULIE BEILBY

Chief Executive

A G E N D A

1. Guidance on the Conduct of Meetings 5 - 6

PART 1 - PUBLIC

2. Apologies for absence

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| 3. | Notification of Substitute Members | 7 - 8 |
| 4. | Declarations of interest | 9 - 10 |

Members are reminded of their obligation under the Council's Code of Conduct to disclose any Disclosable Pecuniary Interests and Other Significant Interests in any matter(s) to be considered or being considered at the meeting. These are explained in the Code of Conduct on the Council's website at [Code of conduct for members – Tonbridge and Malling Borough Council \(tmbc.gov.uk\)](https://www.tmbc.gov.uk/code-of-conduct-for-members).

Members in any doubt about such declarations are advised to contact Legal or Democratic Services in advance of the meeting.

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| 5. | Minutes | 11 - 14 |
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To confirm as a correct record the Minutes of the meeting of Audit Committee held on 16 January 2023.

Matters for Recommendation to the Council

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| 6. | Audit Committee Annual Report | 15 - 22 |
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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 be presented to Council to support this assurance.

Matters for Recommendation to the Cabinet

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| 7. | Risk Management | 23 - 42 |
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The report provides an update on the risk management process and the Strategic Risk Register.

Decisions to be taken under Delegated Powers

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| 8. | Informing the Audit Risk Assessment for Tonbridge and Malling Borough Council 2022/23 | 43 - 50 |
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As part of their risk assessment procedures, the Council's external auditor asked Management Team to consider and formally respond to a set of questions. The Audit Committee are asked to consider and endorse the responses.

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| 9. | Internal Audit Charter | 51 - 58 |
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The report seeks approval of the Internal Audit Charter.

10. Internal Audit and Fraud Plan 2023/24 59 - 66
- The report seeks approval of the Internal Audit and Fraud Plan for the year 2023/24.

Matters submitted for Information

11. Treasury Management Performance Update 67 - 78
- The report provides details of investments undertaken and the return achieved in the first eleven months of the current financial year.

12. Internal Audit and Counter Fraud Update 79 - 90
- The report provides an update on the work of both the Internal Audit function and the Counter Fraud function.

13. Grant Thornton 2022/23 Audit Plan 91 - 118
- The report introduces the 2022/23 Audit Plan received from the Council's external auditor in respect of the audit of the Council's financial statements.

14. Urgent Items 119 - 120
- Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

Matters for consideration in Private

15. Exclusion of Press and Public 121 - 122
- The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

PART 2 - PRIVATE

Matters submitted for information

16. Insurance Claims History 123 - 128
- The report informs Members of the nature and volume of liability and property damage insurance claims submitted for the year ending 31 March 2023.

17. Urgent Items 129 - 130
- Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

MEMBERSHIP

Cllr Mrs F A Kemp (Chair)
Cllr N Foyle (Vice-Chair)

Cllr T Bishop
Cllr R I B Cannon
Cllr N J Heslop

Cllr P M Hickmott
Cllr J R S Lark
Cllr M R Rhodes

GUIDANCE ON HOW MEETINGS WILL BE CONDUCTED

- (1) All meetings of the Borough Council will be livestreamed to YouTube here, unless there is exempt or confidential business be discussed:

<https://www.youtube.com/channel/UCPp-IJISNgoF-ugSzxjAPfw/featured>
- (2) There are no fire drills planned during the time a meeting is being held. For the benefit of those in the meeting room, the fire alarm is a long continuous bell and the exits are via the doors used to enter the room. An officer on site will lead any evacuation.
- (3) Should you need this agenda or any of the reports in a different format, or have any other queries concerning the meeting, please contact Democratic Services on committee.services@tmbc.gov.uk in the first instance.

Attendance:

- Members of the Committee/Advisory Board are required to attend in person and be present in the meeting room. Only these Members are able to move/ second or amend motions, and vote.
- Other Members of the Council can join via MS Teams and can take part in any discussion and ask questions, when invited to do so by the Chairman, but cannot move/ second or amend motions or vote on any matters. Members participating remotely are reminded that this does not count towards their formal committee attendance.
- Occasionally, Members of the Committee/Advisory Board are unable to attend in person and may join via MS Teams in the same way as other Members. However, they are unable to move/ second or amend motions or vote on any matters if they are not present in the meeting room. As with other Members joining via MS Teams, this does not count towards their formal committee attendance.
- Officers can participate in person or online.
- Members of the public addressing an Area Planning Committee can participate in person or online. Please contact committee.services@tmbc.gov.uk for further information.

Before formal proceedings start there will be a sound check of Members/Officers in the room. This is done as a roll call and confirms attendance of voting Members.

Ground Rules:

The meeting will operate under the following ground rules:

- Members in the Chamber should indicate to speak in the usual way and use the fixed microphones in front of them. These need to be switched on when speaking or comments will not be heard by those participating online. Please switch off microphones when not speaking.
- If there any technical issues the meeting will be adjourned to try and rectify them. If this is not possible there are a number of options that can be taken to enable the meeting to continue. These will be explained if it becomes necessary.

For those Members participating online:

- please request to speak using the 'chat or hand raised function';
- please turn off cameras and microphones when not speaking;
- please do not use the 'chat function' for other matters as comments can be seen by all;
- Members may wish to blur the background on their camera using the facility on Microsoft teams.
- Please avoid distractions and general chat if not addressing the meeting
- Please remember to turn off or silence mobile phones

Voting:

Voting may be undertaken by way of a roll call and each Member should verbally respond For, Against, Abstain. The vote will be noted and announced by the Democratic Services Officer.

Alternatively, votes may be taken by general affirmation if it seems that there is agreement amongst Members. The Chairman will announce the outcome of the vote for those participating and viewing online.

Audit Committee – Substitute Members (if required)					
	Conservative	Liberal Democratic	Green	Ind. Kent Alliance	Note
1	Jill Anderson	Paul Boxall			
2	Chris Brown	Frani Hoskins			
3	Steve Hammond	Anita Oakley			
4	Brian Luker	Michelle Tatton			
5	Howard Rogers	David Thornewell			

Members of Cabinet cannot be appointed as a substitute to this Committee

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Agenda Item 4

Declarations of interest

Members in any doubt about such declarations are advised to contact Legal or Democratic Services in advance of the meeting

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TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 16th January, 2023

Present: Cllr Mrs F A Kemp (Chair), Cllr N Foyle (Vice-Chair), Cllr T Bishop, Cllr R I B Cannon, Cllr N J Heslop, Cllr P M Hickmott, Cllr J R S Lark and Cllr M R Rhodes.

Virtual: Councillors M D Boughton, V M C Branson, W E Palmer and H S Rogers participated via MS Teams and joined the discussion when invited to do so in accordance with Council Procedure Rule No 15.21.

PART 1 - PUBLIC

AU 23/1 NOTIFICATION OF SUBSTITUTE MEMBERS

There were no substitute Members required for this meeting.

AU 23/2 DECLARATIONS OF INTEREST

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

AU 23/3 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 26 September 2022 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO THE CABINET

AU 23/4 AUDITOR'S ANNUAL REPORT

The report of the Management Team introduced the Auditors Annual Report (attached at Annex 1) prepared by Grant Thornton UK LLP in respect of the Borough Council's overall arrangements for securing economy, efficiency and effectiveness in the use of resources.

No significant weaknesses in arrangements had been identified but a number of improvements had been recommended to the risk management process and the performance management framework. These were detailed in 1.2.4 and 1.2.5 of the report.

RECOMMENDED: That

- (1) the Auditor's Annual Report (attached at Annex 1) for 2021/22 be approved; and

- (2) the management comments to the improvement recommendations (detailed in 1.2.4 and 1.2.5) be noted and endorsed.

***Referred to Cabinet**

AU 23/5 RISK MANAGEMENT

Members reviewed the Risk Management Strategy and accompanying Risk Management Guidance attached at Annexes 1 and 2 respectively.

The report of the Management Team also provided an update on the risk management process and the Strategic Risk Register (attached at Annex 3). Two additional risks had been added to the Register since the last review in September 2022. These related to the implementation of the Agile software system covering Planning, Housing and Environment Health and Local Elections in May 2023. The implementation of Agile had been identified as a red risk due to the potential costs of renewing the existing software in the event of a delayed start date.

RECOMMENDED: That

- (1) the Risk Management Strategy and accompanying Risk Management Guidance be commended to the Cabinet for adoption by the Council; and
- (2) the updates to the Strategic Risk Register since the last iteration be noted with particular emphasis on those risks categorised as Red.

*** Referred to Cabinet**

AU 23/6 TREASURY MANAGEMENT UPDATE AND TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2023-24

The report of the Director of Finance and Transformation provided details of investments undertaken and return achieved in the first eight months of the current financial year and introduced the Treasury Management and Annual Investment Strategy 2023/24 (attached at Annex 5).

In addition, the report made reference to non-treasury management practices and the required procedures to ensure compliance with the Treasury Management and Prudential Codes of Practice and Statutory Guidance on Local Government Investments.

RECOMMENDED: That

- (1) the treasury management position as at 31 December 2022 be noted; and
- (2) the Treasury Management and Annual Investment Strategy 2023/23 (attached as Annex 5) be adopted.

***Referred to Cabinet**

DECISIONS TAKEN UNDER DELEGATED POWERS**AU 23/7 ACCOUNTING POLICIES**

The Accounting Policies proposed for the 2022/23 Financial Statements were presented for consideration and endorsement. It was noted that, other than a few minor textual amendments, no changes were required.

RESOLVED: That the Accounting Policies (set out in Annex 1 to the report) be endorsed and used in the preparation of the 2022/23 Financial Statements.

AU 23/8 ANNUAL REVIEW OF WHISTLEBLOWING POLICY

The report informed Members of the outcome of the annual review of the Borough Council's Whistleblowing Policy and Procedure. The external Whistleblowing Policy, which provided the public and those providing services to the organisation to raise concerns, was also presented.

As a result of the review, the procedures duplicated in the policy had been removed. In addition, some of the language had been changed in the policy to encourage staff to speak out. A copy of the Whistleblowing Policy and Procedure were attached at Annexes 1 and 2. The external Whistleblowing Policy was attached at Annex 3.

RECOMMENDED: That the Whistleblowing Policy (attached at Annex 1) and Procedure (attached at Annex 2) and the external Whistleblowing Policy, be approved.

MATTERS SUBMITTED FOR INFORMATION**AU 23/9 INTERNAL AUDIT AND COUNTER FRAUD UPDATE**

Members were provided with an update on the work of both the Internal Audit function and the Counter Fraud function. Progress against the 2022/23 Plan was also reported and noted.

A summary of the current status of all audits on the 2022/23 Plan, including a summary of findings where finalised was attached at Annex 1 to the report. Planned amendments to Quarter 4 included the

implementation of the new voter identification system and attendance at the Agile System Project Board in an advisory capacity leading up to its implementation.

RESOLVED: That the report be noted.

AU 23/10 EXCLUSION OF PRESS AND PUBLIC

There were no items considered in private.

The meeting ended at 8.15 pm

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

17 April 2023

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 planned 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 July 2022 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 2022. 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 In July 2022 the Committee considered and endorsed management responses to Informing the Audit Risk Assessment 2021/22 in respect of the audit of the financial statements.

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 2022/23 was presented to the Audit Committee in April 2022 and they were able to consider the content prior to recommending approval.
- 1.3.4 In July 2022 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 2022 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 As part of the Public Sector Internal Audit Standards (PSIAS), Internal Audit is required to maintain a Quality Assurance and Improvement Programme (QAIP), which is overseen by the Audit Committee. The QAIP summarises all of the measures in place to enable an evaluation of the internal audit activity's conformance with the PSIAS. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement and learning for the team.
- 1.3.7 The PSIAS require an independent external quality assessment (EQA) to be undertaken at least every five years. The most recent independent EQA was undertaken in February to March 2021 and an improvement plan developed in response to the recommendations raised in the assessment.
- 1.3.8 The Audit Committee was given a report in July 2022 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.
- 1.3.9 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 April 2022 meeting of the Audit Committee.
- 1.3.10 The Internal Audit Charter gives the Audit and Assurance Manager (on behalf of the 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.
- 1.3.11 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 2023.
- 1.5.4 The Risk Management Strategy requires Management Team to escalate any relevant risks to the Strategic Risk Register (SRR) for reporting to this Committee with changes highlighted. The SRR is considered to be a 'live' document and is updated, as often as is required, by the Management Team. An update of the current strategic risks and how they are being managed is reported to each meeting of the Committee.
- 1.5.5 The strategy states that Audit Committee Members will receive risk management training during their term of office. This training was delivered by Zurich Municipal (the Council's Insurers) in October 2019 following the May 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 2022. 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 Auditor's Annual Report for the year ended 31 March 2022 on the Authority's overall arrangements for securing economy, efficiency and effectiveness in its use of resources was presented to the Audit Committee at their meeting in January 2023 where no significant weaknesses in arrangements were identified, but a number of improvement recommendations made.
- 1.7.3 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.
- 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 2023 it reviewed the Whistleblowing Policy including an external policy to support the public who may witness wrongdoing and recommended they be endorsed by the General Purposes Committee.
- 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 2022/23 include amounts to be recovered and increased annual liability due to fraud and error. Details of amounts to be recovered, increased annual liability and civil penalties issued for the year 2022/23 can be found in the internal audit and counter fraud update report elsewhere on this agenda.
- 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 2021/22 at the meeting of September 2022. 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 issued an unqualified audit opinion on the financial statements.

1.10.4 This was followed by the Auditor's Annual Report in January 2023 on the Authority's overall arrangements for securing economy, efficiency and effectiveness in its use of resources where no significant weaknesses in arrangements were identified, but a number of improvement recommendations made.

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.

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 2023 Members of the Audit Committee reviewed the Treasury Management and Annual Investment Strategy for 2023/24 and recommended to Cabinet it be adopted by 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 on the Statement of Accounts, Risk Management and Treasury Management was provided following the May 2019 Local Elections. Further training needs addressed as and when required.

1.14 Conclusion

- 1.14.1 The evidence in the preceding paragraphs explains how the Audit Committee has overseen the core functions of an Audit Committee as defined in the CIPFA Guidance.
- 1.14.2 As stated at 1.1.2 the CIPFA Guidance identifies 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.' This report acts to provide that independent assurance to Council.

1.15 Legal Implications

- 1.15.1 The Audit Committee role is based upon the CIPFA Guidance and meets the requirements of the Accounts & Audit (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: Ann Kemp

Nil

Councillor Ann Kemp
Chair of the Audit Committee

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

17 April 2023

Report of the Management Team

Part 1- Public

Matters for Recommendation to Cabinet

1 RISK MANAGEMENT

An update on the risk management process and the Strategic Risk Register.

1.1 Introduction

- 1.1.1 The Risk Management Strategy sets out the Council's risk management objectives and details the roles and responsibilities of officers, Members and the Council's partners in the identification, evaluation and cost-effective control of risks.
- 1.1.2 The Council's risk management arrangements are designed to ensure that risks are reduced to an acceptable level or, where reasonable, eliminated thereby safeguarding the Council's assets, employees and customers and the delivery of services to the local community. Examples of risk include budget deficit, cyber/data loss, environmental and reputational.
- 1.1.3 The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements, i.e. Constitution, Procedural Rules, etc. These arrangements will serve to ensure that the Council does not expose itself to risks above an acceptable level.
- 1.1.4 The current Risk Management Strategy was endorsed by this Committee in January and subsequently adopted by Full Council on 21 February 2023.

1.2 Risk Management Escalation Process

- 1.2.1 Effectively risks are assessed/scored in terms of their likelihood/impact.
- 1.2.2 Any risk evaluated as 'High Risk' (score of 15 or above) will be deemed by the Council to be beyond 'risk tolerance' and to have exceeded its 'risk appetite' and will be escalated immediately. Such risks should be added to the service's risk register and discussed at the earliest opportunity within the Service Management

Team (SMT) to inform a decision as to whether this should be escalated to Management Team by the respective Service Director. Management Team should then consider whether the risk is significant enough for inclusion in the Strategic Risk Register and action this if relevant. A record should be maintained of risks discussed at both SMTs and Management Team and the outcome of those discussions.

- 1.2.3 Similarly risks identified as “Medium Risk” may be escalated to the appropriate SMT for advice and to ensure they are kept fully aware of the current risks being faced. Risks determined as “Low Risk” should be managed within the service team. It is recommended that SMTs consider periodic review or moderation processes for Service Risk Registers to ensure they are happy with the scores risks have been given and confirm whether there are ‘Medium’ or ‘Low’ risks they wish to consider further.

1.3 Strategic Risk Register

- 1.3.1 The Strategic Risk Register (SRR) is considered to be a ‘live’ document and is updated, as often as is required, by the Management Team. An update of the current strategic risks and how they are being managed as at the time of writing is appended at **[Annex 1]**.

- 1.3.2 The risks categorised as **RED** at the time of the January meeting is given below.

- 1) Financial position/budget deficit
- 2) Economic Stability
- 3) Corporate Strategy and Savings and Transformation Strategy
- 4) Local Plan
- 5) Organisational Development including recruitment and retention/skills mix
- 6) Compliance with legislation (*with particular reference to the new Voter ID legislation and requirements which where emerging*)
- 7) Homes for Ukraine Scheme
- 8) Waste Services
- 9) Implementation of the Agile software system

- 1.3.3 Since January, the risk of Voter ID has been moved into the “Elections” risk heading and the risk is no longer felt to be red.

- 1.3.4 Also, since January the assessed risk on Waste Services with proposed longer term changes in service delivery has been revised.

1.3.5 Therefore, at the time of writing this report the risks categorised as RED are:

- 1) Financial position/budget deficit
- 2) Economic Stability
- 3) Corporate Strategy and Savings and Transformation Strategy
- 4) Local Plan
- 5) Organisational Development including recruitment and retention/skills mix
- 6) Homes for Ukraine Scheme
- 7) Implementation of the Agile software system

1.3.6 Members are asked to note the updates in red font since the last iteration of the Register.

1.4 Ongoing Risks and Risks Identified by Service Management Teams and Management Team

1.4.1 To give Members some reassurance as to the effectiveness of risk management outcomes from the risk management escalation process are reported to the meetings of this Committee unless that is there is something that needs to be brought to Members' attention in the interim.

1.4.2 A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to this Committee in January is appended at **[Annex 2]**.

1.5 Legal Implications

1.5.1 There is a Health and Safety requirement for effective risk management to be in place and the Strategy supports this requirement.

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

1.6 Financial and Value for Money Considerations

1.6.1 Financial issues may arise in mitigating risk which will be managed within existing budget resources or reported to Members if this is not possible.

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

1.7 Risk Assessment

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

1.8 Equality Impact Assessment

- 1.8.1 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.

1.9 Policy Considerations

- 1.9.1 Risk management is relevant to all areas of the Council's business.

1.10 Recommendations

- 1.10.1 Members are asked to **NOTE** the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as **RED**.

Background papers:

contact: Sharon Shelton

Nil

Sharon Shelton

Director of Finance and Transformation on behalf of the Management Team

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Review Date
1	Safeguarding and PREVENT	S, R	<p>Significant impact should a child, young person or adults at risk come to harm, including radicalisation and child sex exploitation, and TMBC are unable to demonstrate appropriate processes were in place.</p> <p>Coronavirus has increased support to vulnerable individuals.</p>	01/04/2017	3	4	12	<p>The responsibility for safeguarding is with the Chief Executive, rather than an individual service and a review implemented.</p> <p>Audit Review undertaken, identifying areas of weakness to be address, progress to date with positive direction noted.</p> <p>Training delivered to all Hackney Carriage and Private Hire Drivers.</p> <p>Secure Database in place, with secure access, for recording of safeguarding concerns and referrals onto other agencies</p> <p>Community Hub telephone contact line remains available and support can be re-established for any urgent need or in the event of further lockdowns and/or tighter restrictions.</p>	3	4	12	<p>Continue to refer Safeguarding concerns to appropriate agencies where necessary and also raise with partners at the weekly CSU meetings. Undertake actions from the latest Safeguarding Audit and update Safeguarding Policy.</p>	Safeguarding Policy	Chief Executive	As required
2	Financial position/budget deficit	F, R	<p>Financially unstable organisation. Failure to deliver a balanced budget, detrimental impact on quality of service, increased intervention.</p> <p>Failure to maximise New Homes Bonus (for as long as it exists).</p> <p>Coronavirus pandemic had significant economic implications for the Council, businesses and residents.</p> <p>Current economic climate due to escalating inflation has significant economic implications for the Council, businesses and residents</p>	01/04/2017	4	4	16	<p>The Council provides an annual statement (as a minimum) on the following areas;</p> <p>Treasury Management and Investment Strategy.</p> <p>Robustness of estimates and adequacy of reserves.</p> <p>Effective monitoring control procedures.</p> <p>Savings and Transformation Strategy (STS) reviewed and updated.</p> <p>Unqualified Audit and Value for Money Opinion contained with Annual Audit Letter.</p> <p>Medium Term Financial Strategy (MTFS) updated and shared regularly with Cabinet to keep members aware of current financial situation.</p> <p>Business Rates income monitored. Decision taken with partners for TMBC to re-join the Kent pool for 2023/24</p> <p>Local government finance settlement for 23/24 better than expected. However beyond 24/25 uncertainty remains</p> <p>Energy prices liability with Leisure Trust being managed as a service fee - funding provided from Budget Stabilisation Reserve</p>	3	3	9	<p>Areas of potential savings yet to be identified and prioritised, with commitment to delivery of those selected.</p> <p>Commissioning of service reviews via MT to identify potential areas of transformation and savings.</p> <p>Review of key strategic assets to be completed, including office accommodation.</p> <p>O&S Committee establish work programme to continue to identify potential savings.</p> <p>Continue to provide regular reports to Cabinet and work to identify potential sources of saving/income generation.</p> <p>Continued tight rein on essential spend only to protect Council finances.</p> <p>Fair Funding Review awaited, as is Business Rates Retention Review. Noted via Policy statement December 2022 that fair Funding or Business Rates reset will not be in the next 2 years. Respond to consultations when available.</p> <p>Three key financial risks were highlighted to Members: namely Waste, Homelessness and Local Plan. All three have significant financial implications for the Council in different ways. Consultants were engaged in respect of Homelessness to find ways of reducing cost and finding more efficient ways of delivering the mandatory function. Discussions with Waste contractor continue with regards to performance and garden waste. Resubmission of local plan has been reported to Members and decisions made about way forward. The additional costs were factored into budget reports from 22/23.</p> <p>Use of reserves likely over Medium Term in order to support revenue budget but it is imperative that savings are identified and delivered.</p> <p>MT considering the employment of a fixed term transformation resource to assist with identification and delivery of efficiencies</p>	Vision- to be a financially sustainable Council. Taking a business-like approach.	Director of Finance and Transformation	May-23

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3	Economic Stability	F	<p>Financial impact and effect on the economy as well as uncertainty around current EU legislation, i.e. what replaces it, could have a significant financial impact and lead to legislative changes impacting on finance and resources. A number of key threats to business continuity including: border delays and congestion impacts on the Kent road network creating difficulties for local businesses, TMBC staff and potential air quality issues; loss of KCC staff e.g. welfare/social services support; potential loss of TMBC waste contract workforce, general increase in costs as imports become restricted.</p> <p>Coronavirus pandemic has significant economic implications for businesses and residents.</p> <p>Current high rates of inflation likely to have wider impact on community and businesses</p>	01/04/2017	4	4	16	<p>Kent-wide working to understand, plan for and react to pressures.</p> <p>Regular review of;</p> <p>MTFS reflecting economic factors</p> <p>Treasury Management and Investment strategies.</p> <p>All staff equipped to be able to work from home and deliver public services. Staff working under transitional working arrangements until Sept 2022 when future of office space/working arrangements will be determined</p> <p>Delivery of Household Support funds in liaison with KCC</p>	3	4	12	<p>Council continuing to work with Kent Resilience forum and County Partnership groups as needed</p> <p>Keep Business Impact assessments under review.</p> <p>Business continuity planning updated to ensure smooth running of services to public.</p> <p>Further government energy support schemes being delivered by Council from March 2023</p> <p>Household Support Fund tranche 3 approved by Cabinet December 2022 rolled out</p>	N/A - external risk.	Chief Executive / Director of Finance and Transformation/ Management Team	May-23
4	Corporate Strategy and Savings and Transformation Strategy	F, R, S	<p>Failure to meet objectives and/or make savings, including those arising from the planned West Kent Waste Partnership. Impact on quality of service, budget overspends, salami slicing, etc. staff motivation impacted and increased risk of fraud or error.</p> <p>Coronavirus pandemic has significant economic implications for the Council, businesses and residents.</p>	01/04/2017	4	4	16	<p>STS reviewed and updated in line with review of MTFS. With regular reports to update MT and Members</p> <p>Following the Peer Challenge Review (PCR), a draft Corporate Strategy was produced and benefited from staff consultation in November 2022 and Cabinet and O&S consideration ahead of going out to public consultation in Jan-Feb 2023. The findings from this consultation, along with aligned KPIs and draft Action Plan went to Cabinet in March 2023 and is scheduled to go to O&S in April 2023. It is currently envisaged that this will go back to Cabinet and O&S in May 2023.</p> <p>Businesses - all Covid-19 grant schemes and Welcome Back Fund initiatives were successfully completed by the end of March 2022.</p> <p>Budget report to Cabinet Feb 22 included update of MTFS and STS. Approved Feb 22. During Budget setting Feb 22, Members reminded of the need to firstly deliver on the already identified savings initiatives within the timescales set in the MTFS. MTFS being updated further to reflect current inflationary pressures which are potentially widening the funding gap. Further reports made to Cabinet. Budget for 23/24 underway</p>	3	3	9	<p>Areas of potential savings to be formally identified and prioritised, with commitment to delivery of those selected.</p> <p>Commissioning of in service reviews via MT to identify potential areas of transformation and savings. MT considering employment of fixed term transformation resource to assist in identification and delivery of efficiencies</p> <p>Strategic asset management review to deliver new income .</p> <p>O&S programme to be supported in order to deliver savings to contribute to STS.</p> <p>Delivery of the savings targets is PARAMOUNT for the financial stability of the Council.</p>	The current Corporate Strategy - to be a financially sustainable Council focusing on ensuring good value for money, continuously reviewing how our services are provided and funded, focusing our available resources where they will have most beneficial impact, and maximising commercial opportunities. Taking a business-like approach.	Chief Executive / Director of Finance and Transformation/ Management Team	May-23

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5	Local Plan	F, R	Lack of sound legal footing for Plan through inadequacies in evidence base, legal advice or process, including duty to cooperate. Leading to widespread public concern, or risk of failure at Examination. External factors or widespread planning reforms leading to delays to timetable, reputational risks around plan-making and impacts on development management processes through protracted period with no up-to-date plan. Absence of corporate or external co-ordination leading to a lack of infrastructure to support future development.	01/04/2017	4	4	16	Members are updated via informal email updates and reports to the Housing & Planning Scrutiny Select Committee Reg 18 concluded in late 2022 Members examining options for progression - HPSSC March 2023, with an aim to have a revised LDS to Members in June/July 2023 Proposed informal engagement with members on emerging spatial strategy in Spring 2023	3	3	9	Regular review of Government policy announcements that may impact on delivery, including housing standard methodology and WMS relating to Planning Ongoing engagement with Counsel Ongoing engagement with Members Regular analysis of budget position Regular analysis of programme - within Policy team on a weekly basis, reporting to Head of Planning/DPHEH bi-weekly.	Local Plan assists in economic growth, delivering the supply of future housing and addressing affordability. Procedures set by National Government	Director of Planning, Housing and Environmental Health	Jun-23
6	Organisational development inc. staff recruitment and retention/skills mix. Impact of loss of capacity caused by recruitment difficulties upon delivery of corporate objectives. Increase in rate of inflation and consequent pressure on level of pay award.	F, R, S	Lack of resources or the right skills to deliver required outcomes, loss of key professionals/senior officers due to pay constraints and pressures, reduced staff morale and quality of work, leading to financial loss, reputational damage and detrimental impact on staff wellbeing.	01/04/2017	4	4	16	Review of staff resources and skills via service reviews. Organisational structure reviews are part of S&TS to achieve efficiency, coordinated service delivery and reflect changing legislative and policy requirements and priorities.	3	4	12	Succession planning along with Development of further skills and expertise through strategies such as shared services and specialist Commissioning. Engagement of external consultants and specialists where required. Resilience and rationalisation of existing structures. Recruitment and retention strategy to be reviewed by MT. Pay award for 2023/24 5% for all staff, from April 2023. Backdated 5% to Jan 23 for scales 1-6 Structural reviews approved by Members on an ongoing basis. HR staff recruited with specialist experience in recruitment. This was demonstrated with a revised methodology for the recruitment of the DPEHH and Head of IT. Transitional arrangements to encourage development opportunities where appropriate. Workforce Strategy approved by General Purposes Committee in June 2022	HR Strategy Savings and Transformation Strategy	Director of Central Services and Deputy Chief Executive/ Chief Executive	May-23
7	Health and Safety	F, R, S	Significant reputational impact should a service user, officer, member or contractor come to harm and TMBC are unable to demonstrate appropriate processes were in place.	01/04/2017	3	4	12	Lone working policy and service based practices to be continuously monitored. Health and Safety considered by management at weekly SMT meetings. Staff involvement with Health & Safety Group Ongoing review undertaken to react to potential key risk areas. Organisational learning and response to national events. Incident and near miss reporting. Coronavirus information being given to staff regularly based on public health advice and guidance and, where appropriate, Risk Assessments to be shared with staff and Union.	2	3	6	Embedding and dissemination of good practice through staff briefings. Corporate Health and Safety Group (chaired by DPHEH) identifying cross organisational issues with feedback to Management Team and Health and Safety Officer. All services have reviewed all their Health & Safety local Procedures in particular Lone working and service specific risk assessments. Staff survey on H&W completed spring 2021, results reviewed and a future survey will be incorporated into general staff survey approach Corporate Health & Safety Policies and procedures are up to date and reviewed regularly which all staff can access. Continuing focus on risk assessment process including reviews as a result of Coronavirus pandemic. Further staff wellbeing survey to focus on working at home and wellbeing.	Staff wellbeing and customer care underpin the Council's fundamental service and corporate objectives	Director of Planning, Housing and Environmental Health	Mar-23

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8	Compliance with legislation inc. new GDPR requirements	F, R	Failure to meet legislative requirements or statutory obligations may result in loss of personal data, financial penalties and/or damage to the Council's reputation.	01/04/2017	3	4	12	<p>The Council has a nominated Data Protection Officer.</p> <p>Assessment of Legal implications included within all reports to Members. GDPR requirements are addressed by two officer groups, Information Governance Group and Procurement OSG, which includes Legal representation.</p> <p>CPD and Professional Monitoring offered to all staff</p> <p>The Council has undertaken both Corporate Governance and GPDR reviews / audits.</p> <p>Legal Services give sign off of key corporate projects</p>	2	3	6	<p>The Council continues to disseminate new legislative requirements to both Officers and Members. Officers ensure that professional update training is undertaken. Members received GDPR training in July 2018, with all officers completing e-learning on GDPR by May 2018.</p> <p>Revised constitution approved by Members in July 2019. Further amendments submitted since that date to Council as and when required. Governance changes approved in April 2022 led to further revisions to Constitution.</p> <p>Additional GDPR and Cyber Awareness Training undertaken by all staff and members, completion date of October 2019.</p>	c	Director of Central Services and Deputy Chief Executive	As required

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9	Cyber Security	F, R	Loss of data and legislative breach, leading to financial penalties and reputational impact.	01/04/2017	3	4	12	<p>The Council has; Information Security Policy deployed via Policy Management System.</p> <p>Implemented network security measures including access controls.</p> <p>Considered cyber insurance. Established an Information Governance Group. Appointed a Member Cyber Champion.</p> <p>Rolled out Cyber awareness training to all staff and Members via eLearning.</p> <p>Deployed 'Next generation' Palo Alto firewall technology for improved visibility and control. Deployed software solution to identify potential confidential data held on file servers. Deployed DLP software at email egress point.</p> <p>Implemented secure email in accordance with NCSC guidelines. Maintained dual level firewall security with the KPSN gateway being primary and the Council's own firewalls secondary. Implemented Solarwinds Security Event Manager.</p> <p>1 member of IT team obtained Certified Information Systems Security Professional (CISSP) qualification October 2020.</p> <p>Implemented cloud backup and DR facilities to improve resilience; and embedded cyber security into DR and BCP processes.</p> <p>Continued to monitor Cybersecurity alerts via LGA Cyber Security email; through membership of NLAWARP and CISP; and attending information sharing events such as Kent Connects Information Security Group.</p> <p>Cloud based web and email filtering has been deployed to improve availability and resilience.</p> <p>Completed firewall ruleset review following migration to Cloud to ensure our configuration is in line with best practice guidelines.</p> <p>Carried out phishing simulation exercise as first phase of awareness training for staff and members, to highlight areas of risk and to identify training needs. Subsequent online training sent out to all staff and members.</p> <p>Carried out phishing training quiz for all staff as second phase of phishing awareness campaign. Quiz was extended to Members although take-up has not been as successful. Further training to be targeted.</p> <p>Developed and deployed wallpaper/ lock screen to all TMBC laptops and PCs, with cyber security reminder to further reduce risk by increasing awareness.</p> <p>Head of IT appointed Senior Information Risk Owner (SIRO) from October 22. This role has responsibility for information and data risk and protection.</p> <p>Obtained Cyber Essentials accreditation in November 2022, demonstrating that our technical controls are designed to defend against the most common cyber threats.</p>	3	3	9	<p>The Council has; Prioritised the resources (both financial and staff) to ensure relevant updates and security mitigations are carried out in a timely manner.</p> <p>Scheduled annual IT Health Check (ITHC), quarterly PCI scans, and monthly vulnerability scans, feeding into remediation plans. July 2022 PCI scan passed. Investigating and resolving detected security issues from latest ITHC 8/8/22 - 12/8/22. Next ITHC August 2023.</p> <p>Regular email messages are sent out to all staff and Members on cyber security vigilance.</p> <p>Continuing to investigate emerging threats and cyber alerts, communicating with 3rd party suppliers to check compliance/obtain security updates and implementing mitigations as required to reduce likelihood of compromise.</p> <p>Training for IT staff on security aspects of Cloud environment is underway.</p> <p>Investigating further improvements to DR capability with specific regard to recovery from cyber incidents.</p> <p>Ensuring new staff have been invited to undertake training cyber security training. Further training and audits will follow to ensure the Council is as aware and prepared as possible to respond to potential cyber attacks.</p> <p>Evaluated NCSC approved cyber security training for Members. Procurement underway.</p> <p>NCSC approved cyber security training has been evaluated and made available via the Council's new LMS.</p> <p>A further and more in-depth phishing training package, to highlight specific risks and increase staff awareness, has been deployed to all staff and progress is currently being monitored. Completed by 50% of staff as at 6/3/23.</p> <p>Continued ongoing development training to ensure that knowledge is kept up to date.</p> <p>We are currently working towards Cyber Essentials Plus accreditation to independently verify the Council's cyber defences and highlight areas for improvement.</p>	IT Strategy	Director of Finance and Transformation	Jun-23

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10	IT Infrastructure	F, R	Failure to adequately invest resulting in inability to keep pace with technological change, leading to systems that are not fit for purpose to meet organisational need.	01/04/2017				<p>IT Strategy has been reviewed, updated and extended to 2023 (previously 2018-2022) with linkage to MTFs and Savings and Transformation and Digital Strategy.</p> <p>Invest to save opportunities and funding identified and projects have been initiated.</p> <p>Digital Strategy - developed and approved by Members in July 2019.</p> <p>Replacement of legacy business systems and greater use of digital alternatives (cloud based) projects have been initiated.</p> <p>Disaster Recovery solution (cloud based) has been implemented.</p> <p>All staff are able to work remotely via laptops and secure 'always-on' VPN.</p> <p>iPads and required software rolled out to Councillors, MT Members, Senior Management and in-field Staff.</p> <p>Data quality policy has been introduced to ensure improvement and efficiency can be achieved.</p> <p>Introduced Microsoft Teams for virtual meetings for members and staff.</p> <p>Implemented hybrid media conferencing solutions for on-site and remote workers.</p> <p>Multi-factor authentication solution enabled for remote access to O365 to improve security and business continuity.</p> <p>Migrated Telephony to the Cloud to improve business continuity and functionality.</p> <p>Multi-media Cloud based Contact Centre management solution implemented to improve functionality, availability and business continuity.</p> <p>Migrated production environment from on-premises to Cloud to improve and sustain business continuity and service availability.</p> <p>New CMS solution and website implemented to improve digital engagement for residents and businesses.</p> <p>Implemented cross-region Cloud backups for the new Cloud production environment to improve resilience.</p> <p>Implemented 'My TMBC' mobile app facilities to enable proactive and responsive engagement with residents and businesses in parallel with the Council's new website.</p> <p>Implemented corporate/enterprise document management system.</p> <p>VPN migrated to Cloud and Multi-factor authentication implemented for remote access over VPN to improve security and business continuity.</p> <p>All staff migrated to Office 365 to improve flexibility and reliability.</p>	3	4	12	<p>Active engagement of Officer and Member Groups in the implementation of digital agenda and changes to the Website format and content.</p> <p>Mobile working solution for in-field workers currently being developed and undergoing field testing.</p> <p>Further development of corporate/enterprise document management system and expansion in usage across the Council is being planned.</p> <p>Further development of the multi-media Cloud Contact Centre solution, to exploit state of the art technology and features to improve customer experience in line with current industry standards, is currently in development. Use of AI bots for automation of switchboard is anticipated to go live March/April</p> <p>Following a review of backup processes and Disaster Recovery arrangements for Cloud production environment, evaluation of potential solutions and a POC, procurement of an immutable backup solution is underway to improve resilience to cyber-attack.</p> <p>Varonis 365 POC for GDPR requirements taking place in Q3.</p> <p>Review of wired and wireless network infrastructure, in line with planned Gibson Building accommodation changes, has commenced.</p> <p>Planning migration from Server 2012 R2 in line with EOL notification. To be completed by end of Q2 2023/24.</p> <p>MFD equipment and associated print management software re-procurement is underway. Delivery anticipated Q4/Q1.</p> <p>Implementation of Agile Applications cloud based solution as a replacement for IDOX DMS, Uniform and TLC is underway to provide a cost-effective and modern service delivery platform.</p> <p>Review of end user IT equipment is underway to inform future device policy.</p> <p>Digital Strategy and IT Strategy currently under revision.</p>	IT Strategy	Director of Finance and Transformation	Jun-23

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11	Business Continuity and Emergency Planning	F, R, S	Failure to provide statutory service or meet residents' needs resulting in additional costs, risk of harm and reputational impact. Impact/pressures on services and resources. Failure to ensure proper safeguards to prevent or to respond adequately to a significant disaster/event e.g. terrorist attack at a large scale public event or fire.	updated January				The Council has in place; Business Continuity Plan. Corporate Business Continuity Risk Register Emergency Plans Disaster Recovery Plans Inter-Authority Agreements Mutual Aid Agreement Partnership agreement with Kent Resilience Team. Emergency Planning Support Officer. Duty Emergency Coordinator System and Duty Officer System introduced to provide greater resilience. Covid Secure rest centre plan has been developed	3	4	12	Emergency planning documentation undergoing constant review and key aspects exercised on an annual basis. Increase % of staff trained in roles identified in the Emergency Plan Training organised by Kent Resilience Team . Business Continuity working group established to review and update existing Plan. Updated plan to be considered by Management Team and tested by a training exercise. Duty Officer rota in place to support Duty Emergency Coordinators out of hours. All staff fully trained before commencing duties. Out of Hours Manual reviewed and regularly updated. DSSLTS sits on Kent Resilience Forum Strategic Board. Actions taken in response to the Covid 19 pandemic will be reviewed and lessons learnt for the future. Any approved changes will be reflected in the Corporate Business Continuity Plan. Business Continuity Group including all members of Management Team meets twice weekly to oversee and coordinate response to pandemic. Annual Emergency planning review to be reported to Management Team. Pandemic response dealt with as emergency through Kent Resilience Forum. Reports regularly presented to Cabinet. More detailed reports covering Review Reorientation and Recovery presented to relevant Advisory Boards. Training courses are being delivered in a Covid safe manner for roles within the Emergency Plan. Recruitment into roles in the Emergency Plan is on-going. Emergency Planning Officer's hours increased to full time during pandemic. Virtual Emergency Management systems are being developed to allow a virtualised Emergency Control Room and data handling.	Business continuity underpins the delivery of the Council's essential services	Director of Street Scene, Leisure & Technical Services	May-23
12	Devolution	F, R, S	Uncertainty about future operating models and changes / opportunities in responsibilities or service provision leading to financial pressures, impact on quality of services, reputational damage.	01/04/2017				Continual scanning of national / regional and Kent wide agenda by CE / Corporate Services manager. Participation in county wide debate via Joint Kent Chief Execs and Kent Leaders meetings. Update DEC 18 - County wide devolution discussions have been formally ceased. Horizon scanning and continued participation in Kent Leaders and CE meetings is ongoing. County Deal discussions are invited and Kent Leaders are giving preliminary considerations albeit that there is no agreed view at this stage.	3	3	9	White Paper on Devolution is to be published in the Autumn. Analysis of this will be a priority action. This is now replaced by the anticipated "Levelling Up" prospectus in 2022	External risk/national issue	Chief Executive	As required
13	Partnerships inc. shared services	F, R, S	Reliance on partners to deliver key services, including private sector companies. Could include specific partnership or shared service models such as the Leisure Trust and risks around service delivery and impact on staff morale / retention if base moves from TMBC. Potential resistance to shared services / partnerships impacting on ability to deliver Savings & Transformation Strategy. Private sector partnerships failing having consequences for service delivery. Coronavirus pandemic has significant economic implications for the Council, businesses and residents.	01/04/2017				Regular liaison meetings with partners. Partnership Agreements in place and reviewed as appropriate. Good communication with staff. Officers maintain awareness of issues relating to private sector partners and plans formulated for service delivery in the event of failure via business continuity. Contractors and partners are impacted by the pandemic. The Council is liaising and supporting major partners to ensure that key services can continue. Discussions with TMLT on a weekly basis. Budget established to support during lockdown and reopening under social distancing/Covid conditions. Partnership work and liaison with key voluntary sector groups will continue via the Local Strategic Partnership meetings and community development meetings in priority wards.	3	3	9	Strengthening of the West Kent Partnership, including joint delivery of economic initiatives through the UKSPF and REPF. New Waste Services Contract in partnership with Urbaser, TWBC and KCC commenced 1st March 2019. Formal Inter Authority Agreement and Partnership Agreement in place. Ground Maintenance Contract extended in light of good performance of contractor. KCC will be undertaking Audit and Fraud function from 1 October 2021 on a newly agreed delegated functions arrangement. As previously report to Audit Committee and Cabinet, this arrangement will provide greater resilience and breadth of experience/knowledge. The Council is working within guidance issued by Cabinet Office "Guidance on responsible contractual behaviour in the performance and enforcement of contracts impacted by the Covid-19 emergency" and Procurement Policy Notes to support contractors and suppliers. The Council will continue to administer the grants to key voluntary sector bodies, with progress to be reported annually. Additional Government grants as a result of the response to the pandemic (Emergency Assistance Grant and Covid Winter Grant) will be promoted to local voluntary sector organisations and applications for funding will be agreed.	Savings and Transformation Strategy	Chief Executive	As required

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Review Date
14	Welfare reform inc. Housing need	F, R, S	<p>Safeguarding impact on TMBC residents due to reduction in benefits, introduction of UC and increase in applications for DHP, etc. Failure to adequately understand and meet housing needs and return unsuitable properties to use leading to increase in homelessness or occupation of unsuitable homes. Financial impact of increased emergency accommodation and failure to maximise new homes bonus.</p> <p>Coronavirus pandemic has significant economic implications for the Council, businesses and residents.</p> <p>Ukrainian refugee temporary resettlement program - We are awaiting full guidance on Local Authority responsibilities. Kent Resilience Forum are acting as lead.</p>	01/04/2017	4	3	12	<p>Cross sector working (e.g. welfare reform group) to identify issues and solution.</p> <p>Providing advice to residents on welfare and housing issues, or signposting to relevant providers.</p> <p>Working with partners to identify land and funding opportunities.</p> <p>Working with Registered Provider Partners to ensure needs of residents are being met.</p> <p>Working with owners to bring long term empty properties back into use.</p> <p>New initiatives for Temporary Accommodation, including purchase of flats and properties to be converted.</p> <p>commissioned consultancy work in respect of Homelessness function (TA)</p> <p>Concessionary charges for key services. EQIA assessment of key decisions included in all Board reports.</p> <p>HRA implications assessed and GPC agreed new posts to deliver service which have been recruited to.</p> <p>Universal Credit rolled out Nov 18 for Tonbridge & Maidstone Job Centres. Signposting now to UC rather than HB for new working age claimants.</p> <p>CTR Scheme approved for 23/24. Government council tax support of up to £25 being credited to bills for those on lower incomes</p> <p>Household Support fund tranche allocated by KCC Dec 22 and payments in train</p> <p>Councils asked to administer further energy support schemes on behalf of government</p> <p>New housing panel in place to work alongside RPs in considering best use of available properties. TMBC joined British Red Cross as a partner for severe hardship cases</p>	3	3	9	<p>Improved working with TA providers leading to more guarantees of available accommodation and developing a TA Procurement Strategy</p> <p>Improved working with main housing provider to identify trends/specific cases across borough to jointly agree approach to preventing homelessness using housing provider mechanisms, DHP payments and homeless prevention funding where needed.</p> <p>New temporary accommodation purchased in Pembury Rd. HMO refit works concluding and looking at management options for late 2022</p> <p>Continue to facilitate Welfare Reform group and widen participation from external partners so as to ensure best support for those affected by welfare reforms in T&M.</p> <p>work with Kent councils collaboratively to ensure grants and support targeted to those most in need</p> <p>Complete delivery of newest energy rebate schemes</p> <p>Deliver District responsibilities of Ukrainian resettlement scheme.</p> <p>Deliver payments in respect of latest Household support fund in liaison with KCC,</p>	Promoting Fairness - acting transparently at all times and being accountable for what we do, and promoting equality of opportunities. Embracing Effective Partnership Working - achieving more by working and engaging effectively with a wide range of local partners from the private, public, voluntary and community sectors.	Director of Finance and Transformation/ Director of Planning, Housing and Environmental Health	Jun-23
15	Political factors including stability of political leadership and decision making	F, R	Decisions required to achieve objectives including corporate strategy and savings and transformation may not be made and therefore required savings not achieved.	01/04/2017	3	3	9	<p>Significant focus on temporary accommodation and in borough provision as well as framework agreement with private providers.</p> <p>Close liaison with Leader, Deputy Leader and Cabinet in developing the Savings & Transformation Strategy.</p> <p>Clear and comprehensive reports to support Members in making appropriate decisions to support the S&TS.</p>	3	3	9	Member briefings and training sessions.	Underpins delivery of overall strategy and Savings and Transformation.	Chief Executive	As required

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Review Date
16	Flooding	F, R, S	Impact on resources to support emergency planning, financial impact due to damage, loss of resources, etc. Residents and staff put at risk of harm. Impact on key flood risk areas - Tonbridge, Hildenborough, East Peckham and Aylesford.	01/04/2017	3	4	12	Working with partners through the Medway Flood Partnership (including EA/KCC/LEP) to secure funding and implement flood defence schemes which will reduce risk of future flooding, including LEHES and property resilience works at East Peckham. Assistance provided to Parish/Town Council's to help develop local Flood Plans. Team of Volunteer Flood Wardens in place.	3	4	12	Work with partner organisations via Kent Resilience Forum and the Medway Flood Partnership continuing. Council Officers dial into Severe Weather Advisory Group meetings. Regular attendance at KRF training sessions. Ongoing support for Tonbridge Flood Group. Funding allocated in Council's Capital Plan to support works to Leigh Flood storage area which will be completed by 2025. £20,000 from Business Rates Retention Pilot Reserve approved for Natural Flood Management Schemes in the Borough (Leybourne Lakes and Ightham Mote)	Emergency Plan Contingencies Act 2004 Kent Emergency Response Framework West Kent Partnership and Medway Catchment Partnership	Civil Director of Street Scene, Leisure & Technical Services	May-23
17	Homes for Ukraine Scheme	F, R, S	Districts are required to undertake home assessments for potential host households to support Ukrainian refugees fleeing the conflict. Increased workload expected as likelihood of breakdown in housing arrangements as we have exceeded the 6 month mark. Requests for rematches are increasing and there is a risk of homelessness and duty to place in T.A. therefore work needs to be undertaken to facilitate rematches and/or support into private rented sector. This is an escalating risk given the longevity of the hosting arrangements.	01/09/2022	4	4	16	Some reserve host families have been identified but larger families pose a bigger risk.	3	4	12	Additional support into Private Rented Sector. Review of current arrangements for support and navigation for Ukrainian's into more sustainable housing and work are being reviewed with KCC with a view to more direct intervention.		Chief Executive	As required
18	Waste/ Recycling Contract	F, R, S	Failure to provide new service and deliver described outcomes in accordance with contract timescales and health and safety obligations. Significant reputational risk. Risk of challenge from tenderers. Failure to achieve financial targets for garden waste and performance payments scheme linked to changes in collection and disposals methods explained below and links to finance above. Coronavirus pandemic has significant economic implications for businesses and residents. Future sustainability of contract. Risk associated to the outcome of current government consultations on three waste aspects (Collection Consistency, Garden Waste and Extended Producer Responsibilities). Potential for alteration to levels and mechanisms for Council income associated to these areas including, but not restricted to, KCC Performance Payments and Garden Waste Subscriptions, this links to the Council's long term financial stability	01/07/2018	3	4	12	Partnership arrangement with TWBC, with allocation of key tasks. Internal Project Group reporting regularly to MT and Members. Joint Member meeting established with TW's to guide strategic approach External advice sought from specialists on key decisions including Legal. New inter authority agreement with KCC encourages improved recycling performance and shares risks and rewards. IT, Communications and Operations identified as crucial work streams and individual working groups established to manage and implement these work areas. Waste services have been affected by pandemic and national HGV shortage. Agreed with contractor to temporarily ceasing collection of garden waste, Saturday freighter and bulky waste booking system for a period of time to allow focus on recycling and general waste. Garden Waste and bulky booking has resumed. With regard to garden waste collections, residents will have subscriptions extended to compensate. New GW subscriptions were reinstated on 4.04.22. Street cleansing was not suspended but has been impacted as other services have taken priority. Council recently approved supplementary payments, financial support in relation to vehicle leasing. This will enable re-rounding to progress leading to improved service. Consultations currently being monitored through the KRP and updates being channelled through the Kent Chief Executives meetings	3	3	9	Continuation of Partnership working with TW's and monitoring through established Steering Group. Continuation of Member working group to steer strategic approach. Contract monitoring and the firm use of remedies to improve performance including the contractual default procedure. CE's continuing to liaise with Urbaser to discuss future sustainability of the contract. Monitor and phase roll out to flats and any impact of other frontline collections. Reports on progress submitted to appropriate meetings/committees	Delivery of cost effective service to meet customer needs.	Director of Street Scene, Leisure & Technical Services	Sep-23
19	Implementation of Agile system	F, S	Service impacts from level of staff time required to develop the Agile product for use as operating system.	01/11/2022	4	4	16	Programme of liaison meetings with Agile in place including Board and weekly catch ups	2	2	4	Further escalation of issues to Agile CEO	Digital Strategy	Director of Planning, Housing and Environmental Health	May-23

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Review Date
			Significant level of concern from staff about implementation process results in a lack of confidence in implementation, which will adversely impact service delivery and record keeping					Internal meetings with staff, managed by IT Project Coordinator Issues log in use Issues escalated to Agile management				Weekly review of project plan and considerations of service impacts required to meet go live programme - to be reported into MT on a regular basis			

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Review Date
20	Elections	R	Failure to comply with legislation, miscounts and significant reputational impact.	14/12/22	3	4	12	<p>Ensure experienced staff are in place, corporate team reviewing activity and monitoring progress.</p> <p>Local and Parish Elections are being held May 2023. High risk due to changes being introduced from Elections Bill. Mitigations include experienced Team undertaking training in new requirements, regular review and implementation meeting with RO and all DROs. Acquisition of training module for all elections staff. Regular review of all guidance as issued.</p>	2	4	8	<p>Broadening of staff skills and experience to build resilience.</p> <p>Discussions on core staffing for Elections and use of more IT modules to reduce workload and progress digital transformation. Increase in temp staff resources to mitigate demand.</p> <p>MT horizon scanning on any increased chance of snap General Election. RO and DRO's assessing risks. Risk has diminished at the moment.</p>	Statutory requirement	Chief Executive	May-23

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Ongoing Risks and Risks Identified by Service Management Teams and Management Team

	Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
Chief Executive and Central Services	Larkfield Leisure Centre	All showers are currently open. Last set of samples in August came back all clear bar one reading, which is to be resampled.	Ongoing	Ongoing. Following negative sampling results, biocide levels are being decreased and the effects monitored. If positive samples occur then it may result in a financial risk in terms of having to undertake further works on site
	Homes For Ukraine Scheme	Moved to Strategic Risk Register		
	UKSPF Programme	Having had our T&M Investment Plan approved by DLUHC, implementation of projects required over the next few years (up to March 2025)	Ongoing.	Need to keep under review to ensure that delivery on track so that future years funding is not compromised (based on annual funding award)
	Gibson Building	Cabinet agreed in Sept 2022 that the main offices of the Council should remain located at Kings Hill and that Officers should investigate the feasibility of progressing option 4 set out in the report.	Ongoing.	Need to keep under review to ensure that changes in office accommodation deliver value for money and deliver identified savings.
	Elections	Introduction of Elections Bill changes, including Voter ID	Ongoing.	Cost implication, which is unknown at present and also possible impact on staffing levels, with staff not wanting to work due to increased responsibility. New software and programmes, everything is changing this time and taking a lot longer to undertake.
Finance and Transformation	Elections	Changes to Ward and Parliamentary boundaries	Ongoing.	Increased work load to implement changes and more complex for running future Parliamentary elections, due to sharing constituencies with other authorities.
	IT Security (formerly COCO Compliance)	Review of IT Infrastructure identified several areas of weakness for IT standards compliance	Ongoing	Number of risk removed, expected that remaining risks, once removed, will allow full compliance.
	Economic Stability	Economic issues surrounding Council Finances	Ongoing	Part of Strategic Risk Register.
	Council Tax and NNDR Billing	Potential delay in distribution of Bills due to on going Postal Worker strike issues	Ongoing	Bills are prepared early in March in order to ensure timely delivery to households.
	Recruitment of staff	Recent resignations will cause vacancies in several sections, and therefore could lead to service delays	Ongoing	Reports to GP approving staffing changes and recruitment has commenced to vacant posts.
	Computer Server failure	Weekend failure of server for Revenues and Benefits Software.	Removed	Rebuild of server ongoing (Monday 20th). Risk to public perception as no access to Citizen Access and updation of system data prior to year end roll over. System Restored 21st March
	Supported Accommodation	Change in KCC approach for care need could have impact on ability to recover Housing Benefit Subsidy	Ongoing	Meetings arranged to assess full impact to district councils

Ongoing Risks and Risks Identified by Service Management Teams and Management Team

		Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
Page 40 Planning, Housing and Environmental Health	Temporary Accommodation (TA)	TA consultancy review undertaken Dec 2021, actions implemented in 2022. Cost of living crisis potentially impacting on maintaining average levels of TA.		Ongoing	TA costs remain high, as does level of need.
	Temporary Accommodation (TA)	Personal injury claims		Ongoing	Updated inspection regime being developed by officers.
	Food & Safety	Increased risk of food complaints/poisoning. Additional resources to manage backlog of inspections.		Ongoing	During the Covid-19 crisis the ceasing/reduction in the food hygiene inspection regime may result in food safety issues. There will also be a backlog of food safety inspections due to restrictions on visiting/businesses closed. Agreed catch up programme in place utilising COMF funding.
	Increased number of planning appeals/inquiries	Application determination timescales not being met, more speculative development, creates reputational risks and increases likelihood of appeals		Ongoing	Volume and complexity of applications coming forward in parallel with local plan progression and given current uncertainties in timescales for adoption. MT agreed agency planning funding for short term. Head of Planning conducting service review summer 2022
	Staffing challenges in Planning services	Ongoing recruitment and retention difficulties in the sector and in T&M specifically. Several recruitment campaigns carried out.		Ongoing.	MT has agreed that the Workforce Strategy will look at recruitment and retention in Summer 2023.
	Local Plan	Reg 18 carried out in Autumn 2022. Changes to NPPF and proposed changes to system via LURB published December 2022. Assessing options for delivery of a Local Plan.		Ongoing	Members to make a decision on a revised Local Development Scheme in Summer 2023

Ongoing Risks and Risks Identified by Service Management Teams and Management Team

	Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
Page 41 Street Scene, Leisure and Technical Services	Legionella	Problem identified in LLC Dry change showers.	Ongoing	See issues covered under Central Services.
	Bridge inspections	Bridges on Council owned land identified as service risk. Internal Officer Group established and bridge audit progressed. Identified as Service Pressure Aspiration. Revenue budget approved to inspect and repair bridges over 2 years and annual inspections to be progressed. Structural assessments being undertaken.	Ongoing	Second year programme of work currently being progressed. Further survey undertaken and report to be analysed. Remembrance Garden and Maintenance bridges reassessed to check if structurally stable. Remembrance Garden bridge confirmed safe for 5-7 yrs, Maintenance bridge confirmed safe for 3-5 years. Structural assessment being undertaken re Haysden Country Park bridge replacement.
	Bluebell Hill Car Park	Ongoing anti-social behaviour	Ongoing	Gate installed and locked over the weekend to restrict access to the site. Anti social behaviour continues and Cabinet will consider the potential closure of car park, which will provide opportunity for longer term review of asset.
	Pay & Display machines	Continual issues with contractor, G4S in terms of money collection.	Ongoing	Considering alternative options as very few companies in market place willing to undertake work.
	TAGA dispute	Allotment holder taking legal action against TAGA.	Ongoing	Leisure Services seeking Legal Services advice regarding potential to support TAGA which is a voluntary run organisation operating allotments on the Councils behalf.
	Utilities costs	Significant energy price increases at leisure centres is resulting in financial cost to the Council under the risk sharing agreement in the Management Agreement with the Trust.	Ongoing	Trust providing regular updates via Strategic/Service Fee meetings - cost of swim charges increased to help contribute to additional cost, energy saving initiatives being investigated and implemented and central government being lobbied. Government recently announced support package within the Budget statement.
	Tonbridge Swimming Pool / Larkfield Leisure Centre	Low supply of chemicals for treating pools available across Europe. May lead to closures.	Ongoing	Trust exploring all opportunities to secure supply. Alternative means of cleansing investigated by Property Services and order placed for new system. Funded through BRREP and contribution from Leisure Trust.
	Tonbridge Castle	Resident complaint regarding resurfacing material for path not being suitable for wheelchair access.	Complete	Risk assessment undertaken. Loose stone cleared and signage added.. Additional coat of bonding applied to path. DDA audit being undertaken. Formal complaints procedure completed through all 3 stages - referred to Ombudsman.
	Business Continuity & Emergency Planning	The current structure of the LRF and legislation has been added to. The Kent Resilience Forum is undergoing a review with significant changes to how the Kent Resilience Team will provide support and guidance to Local Authorities. The UK Government has also recently published a new 'UK Government Resilience Framework'. Further guidance is expected but the theme is around increasing locally led resilience and planning at the LA level.	Ongoing	Need to track new guidance and review how we contribute and participate in the Kent Resilience Forum. We also need to be able to ensure that we maintain a fit-for-purpose organisation to enable suitable response.

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

17 April 2023

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 INFORMING THE AUDIT RISK ASSESSMENT FOR TONBRIDGE AND MALLING BOROUGH COUNCIL 2022/23

The purpose of this report is to contribute towards the effective two-way communication between Tonbridge and Malling Borough Council's external auditors and the Audit Committee, as 'those charged with governance' in respect of the audit of the financial statements.

1.1 Background

1.1.1 Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and specify matters that should be communicated.

1.1.2 This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

1.2 Communication

1.2.1 As part of their risk assessment procedures our external auditor is required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud
- Related Parties
- Going Concern
- Litigation and Claims

- Laws and Regulations

1.2.2 This is by way of a series of questions on each of these areas for Management to consider and formally respond. The questions and responses can be found at **[Annex 1]**.

1.2.3 The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

1.3 Legal Implications

1.3.1 Under International Standards on Auditing (UK), auditors have specific responsibilities to communicate with the Audit Committee.

1.4 Financial and Value for Money Considerations

1.4.1 Failure to provide the requisite information could result in additional work being required to be undertaken by the external auditor and increased cost.

1.5 Risk Assessment

1.5.1 Failure to provide the requisite information could cast doubt on the internal control environment and the integrity of the financial reporting and governance arrangements.

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, **endorse** the responses to the questions set out at **[Annex 1]**.

Background papers:

Council policies and records

contact: Paul Worden
Richard Benjamin

Sharon Shelton
Director of Finance and Transformation

Inquires of Management

Inquiry	Management response
General Inquiries of Management	
What do you regard as the key events or issues that will have a significant impact on the financial statements for the period end?	Prevailing economic conditions on high levels of inflation.
<p>Have you considered the appropriateness of the accounting policies adopted by Tonbridge and Malling Borough Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	The accounting policies to be used for the 2022/23 financial statements were considered and approved by the Audit Committee in January 2023. No events or transactions have occurred since that date to change or adopt new accounting policies.
Is there any use of financial instruments, including derivatives? If so, please explain	As part of its day to day treasury management activity the Council will hold financial instruments such as fixed term deposits and certificates of deposit during the year. The Council currently also has sums invested in three property investments and three multi-asset diversified funds.
Are you aware of any significant transaction outside the normal course of business? If so, what are they?	None to the best of our knowledge.
Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	None to the best of our knowledge.
Are you aware of any guarantee contracts? If so, please provide further details	The Council is acting as guarantor for the pension liability of Tonbridge and Malling Leisure Trust to permit its entry into the Kent County Council Superannuation Fund.
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None to the best of our knowledge.
Other than in house solicitors, can you provide details of those solicitors utilised by Tonbridge and Malling Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Although the authority has engaged some solicitors over the year none have been of a material financial nature.
Have any of the Tonbridge and Malling Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	None to the best of our knowledge.

Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	None
Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	None
Fraud	
What is your assessment of how the 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 2022/23.
What is the process for identifying and responding to the risks of fraud in the entity, including any identified specific risks of fraud and risks of fraud likely to exist	The Internal Audit planning process carries out a risk assessment in order to score against fraud error and targets those areas where the risk is considered highest.
How do the Council's risk management processes link to financial reporting?	<p>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.</p> <p>The zero tolerance culture of the organisation towards fraud is reinforced by the Anti-Fraud, Bribery and Corruption Policy 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. As part of the planning process for the Annual Internal Audit Plan and for individual engagements, the Chief Audit Executive and individual auditors consider the risk of fraud and where appropriate, this will be included in scope. 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. Under the Anti-Fraud, Bribery and Corruption Policy, management is responsible for putting into place appropriate controls to manage those risks. No instances of alleged or suspected internal fraud were raised</p>
Do you have knowledge of any actual, suspected or alleged fraud affecting the entity	<p>There are no instances of internal fraud as far as we are aware and no other significant concerns in 2022/23 have been reported to Management Team.</p> <p>The zero-tolerance culture of the organisation towards fraud is reinforced by use of Anti-Fraud, Bribery and Corruption Policies supported by a Whistleblowing Policy with outcomes being reported to Members.</p>

	Any reported allegations of fraud will be investigated and dealt with according to the relevant policies.
Communications, if any, to those charged with governance regarding their processes for identifying and responding to the risks of fraud in the entity	Management Team reviews and submits a Strategic Risk Register for member consideration at Audit Committee, the Committee also receive reports from the Head of Internal Audit and Counter fraud on issues arising from fraud.
Communication, if any, to employees regarding their views on business practices and ethical behaviour	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. In addition, ran an email awareness campaign as part of the Counter Fraud Awareness Week in November 2019. 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.
Whether any fraud has been raised by employees or other parties	
<p>How do you assess the overall control environment for Tonbridge and Malling Borough Council, including:</p> <ul style="list-style-type: none"> • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	To the best of our knowledge there are no areas where there is a potential for override of controls or inappropriate influence over the financial reporting process.
Are there any areas where there is potential for misreporting? If so, please provide details	None to the best of our knowledge.
<p>From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	The Council acknowledge the inherent risk of fraud and corruption occurring within the organisation, however, while some posts may be more at risk of fraud than others, due regard of the risk is made in the control measures in place.
Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details	None to the best of our knowledge.

How do you mitigate the risks associated with fraud related to related party relationships and transactions?	See earlier responses
Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	There were no issues raised during the year 2022/23.
Have any reports been made under the Bribery Act? If so, please provide details	None
Related Parties	
The identity of the entity's related parties, including changes from the prior period.	There are no changes in respect of related parties from the prior period; Central Government; elected Members; Chief Officers; and appointment of Councillors to local outside bodies.
What controls does Tonbridge and Malling Borough Council have in place to identify, account for and disclose related party transactions and relationships?	Members and Officers are required to relationships through register of interest, these are available on the Council's website for members and the Central Services Director for Officers.
What controls are in place to authorise and approve significant transactions and arrangements with related parties?	Where a member or officer has a related interest they are required, under the constitution, to exclude themselves from the decision making process.
The nature of the relationships between the entity and these related parties.	These form part of the notes to the statement of accounts
Whether the entity entered into any transactions with these related parties during the period	These form part of the notes to the statement of accounts
Going concern	
Whether events or conditions, that individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern were identified?	In order to assess the levels of Going Concern the Council has both a Medium-Term Financial Strategy covering a 10 year period and a Savings and Transformation Strategy, both of which are reported to members on regular intervals. These documents enable both officers and members to assess the long-term viability of the authorities finances and what savings levels are needed to ensure that Council remains a Going Concern. There are no doubts to cause concern at this stage
Litigation and Claims	
Has management identified possible litigation and 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.
What arrangements does management have in place to identify, evaluate and account for litigation or claims?	Any issues identified are escalated to the Corporate Management Team.

Laws and Regulations	
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Tonbridge and Malling Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the [type of body]'s regulatory environment that may have a significant impact on the [type of body]'s financial statements?</p>	<p>The Director of Central Services and Deputy Chief Executive fulfils the statutory Monitoring Officer role including the requirement to report any legislative breaches. Internal Audit considers compliance with legislation and statutory regulations in the work they undertake and report accordingly to Management Team and the Audit Committee. In addition, all Member decision items include a section to draw out any legal implications pertaining to the subject matter.</p>
<p>How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>See above</p>
<p>Is management aware of any non-compliance with any laws and regulations?</p>	<p>None to the best of our knowledge.</p>
<p>Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>No</p>

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

17 April 2023

Report of the Chief Audit Executive

Part 1- Public

Delegated

1 INTERNAL AUDIT CHARTER

The purpose of the report is to seek approval of the Internal Audit Charter.

1.1 Introduction

1.1.1 The Public Sector Internal Audit Standards (PSIAS) are mandatory for internal audit practice in the public sector. Under the PSIAS, the purpose, authority and responsibility of Internal Audit must be formally defined in a Charter.

1.1.2 The Charter is reviewed periodically and is then presented to Management Team and the Audit Committee for approval. The Charter was last approved in April 2022.

1.2 Internal Audit Charter

1.2.1 The Charter defines the purpose, authority and responsibility of Internal Audit within the organisation and affirms Internal Audit's ability to operate in accordance with mandatory elements of the Professional Practices Framework. It also confirms our independence, defines reporting arrangements and authorises our access to all systems, records, personnel and assets that we deem necessary in order to undertake our work.

1.2.2 A review of the Charter has been completed against the professional standards and the following amendments have been made regarding:

- Authority - mended to reflect the person fulfilling the roll of Chief Audit Executive as not longer the Audit and Assurance Manager but the Head of Internal Audit for Kent County Council

1.2.3 The Charter is attached at **[Annex 1]**.

1.2.4 The Charter was approved by Management Team on 21st March 2023: final approval rests with the Audit Committee.

1.3 Legal Implications

- 1.3.1 Section 151 of the Local Government Act 1972 requires the Council to “make arrangements for the proper administration of their financial affairs”. Further to this, the Accounts & Audit Regulations require a relevant body to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”
- 1.3.2 The Internal Audit Charter is therefore an integral part of ensuring compliance with these requirements.

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.

1.5 Risk Assessment

- 1.5.1 The Internal Audit Charter establishes the purpose, authority and responsibility of the Council’s internal audit function. It is, therefore, vital that the Council periodically reviews the Charter to ensure that the internal audit function is effective in delivering its responsibilities and that the Charter itself is compliant with mandatory and associated guidance.
- 1.5.2 The Internal Audit Charter has been prepared with due consideration to proper practice, as set out in the PSIAS. It is, therefore, considered that adequate action has been taken to minimise the risk that external assessment could consider the Charter to not meet proper practice.

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 **note** and **approve** the attached Internal Audit Charter.

Background papers: Nil

contact: Richard Benjamin

Jonathan Idle
Chief Audit Executive



INTERNAL AUDIT CHARTER

Purpose and mission

The purpose of TMBC's Internal Audit section is to provide independent, objective assurance and consulting services designed to add value and improve TMBC's operations. The Internal Audit activity helps TMBC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Authority

The Accounts and Audit Regulations specifically require relevant bodies to "undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." As such, compliance with the Public Sector Internal Audit Standards and the Application Note to the Standards produced by the Chartered Institute of Public Finance & Accountancy (CIPFA) is mandatory.

The Standards set out requirements for the work of Internal Audit to be led by a Chief Audit Executive (CAE); at Tonbridge & Malling Borough Council this role is fulfilled by the Head of Internal audit for Kent County Council. The Standards also set out the roles and responsibilities of 'senior management' and 'the board'; at Tonbridge & Malling 'senior management' is defined as the Council's Management Team and 'the board' is defined as the Audit Committee.

The Internal Audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's functions, records, physical properties, and personnel (officers and Members) that it deems necessary in order to undertake its work. All employees are required to assist the Internal Audit activity in fulfilling its roles and responsibilities. The Internal Audit activity will also have free and unrestricted access to the Audit Committee, including in private meetings without management present where relevant.

Professionalism and Professional Standards

The Internal Audit activity will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework along with the Application Note to the Standards produced by the Chartered Institute of Public Finance & Accountancy (CIPFA). The mandatory elements constitute the definition of Internal Audit, the Core Principles, the Code of Ethics and the Standards for the professional practice of Internal Auditing. The Internal Audit activity will also have regard to the Committee on Standards in Public Life, and to the Seven Principles of Public Life, and will adhere to the Council's policies and procedures and the Internal Audit Manual.

Organisational Relationships

The CAE will report functionally to the Audit Committee and administratively to the Chief Financial Services Officer.

The role of Audit and Assurance Manager is fulfilled by way of a shared resource with Kent County Council (KCC). KCC will provide a suitably qualified and experienced person to fulfil this



INTERNAL AUDIT CHARTER

role in agreement with the Director – Finance and Transformation. Changes to personnel will be reported to the Audit Committee and Management Team.

The CAE will communicate and interact directly with the Audit Committee, inside and outside of the formal meetings of the Committee as appropriate.

Relationship with the Director – Finance & Transformation (Section 151 Officer)

The CAE has direct access to the Director – Finance & Transformation as Section 151 Officer.

Relationship with the Monitoring Officer

The CAE has direct access to the Director – Central Services as Monitoring Officer.

Relationship with the Chief Executive & Head of Paid Service

The CAE has direct access to the Chief Executive (also the Head of Paid Service).

Relationship with Management Team

The CAE is able to report in their own right to the Council's Management Team, which consists of the Chief Executive and four Directors including the Council's Section 151 Officer and Monitoring Officer.

Relationship with the Audit Committee

The CAE has direct access to the Chair of the Audit Committee and is able to report in their own right to the Audit Committee. The role of the Committee includes monitoring of the performance of the Internal Audit function. This is primarily achieved through consideration of interim and annual Internal Audit reports. It is also achieved through reporting of the QAIP and performance measures. Additionally, the CAE will prepare and present an annual risk based audit plan to the Audit Committee for approval and give an annual opinion on governance, risk management and internal control.

Relationship with External Audit

The CAE will liaise with External Audit to:

- co-ordinate the overall audit effort;
- ensure appropriate sharing of information;
- reduce the incidence of duplication of effort;
- foster a co-operative and professional working relationship.

In particular the CAE shall:

- discuss the annual Internal Audit plan with the External Auditor to facilitate external audit planning as required;
- make all Internal Audit working papers and reports available to the External Auditor on request;
- receive copies of relevant External Auditor communications.



INTERNAL AUDIT CHARTER

Independence and Objectivity

The Internal Audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of independence and objectivity.

Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair Internal Auditor's judgement. This does not preclude Internal Audit from providing consultancy services to areas of the organisation that it may later audit; threats to independence at individual engagement level will be managed by the CAE through, for example, consideration of rotation.

The CAE has accountability for the Counter Fraud section and, as such, cannot provide independent assurance over this function. Instead, there will be alternative arrangements put in place to provide assurance against this function., the outcomes of which will be reported to Management Team and the Audit Committee.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements. Each member of the team will make a declaration of any interests (or potential interests) or of 'no interest' on an annual basis and any interests will be taken into account when allocating audit work across the team. The CAE will confirm to the Audit Committee, at least annually, the organisational independence of the Internal Audit activity. The CAE will also disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and communicating results.

The conduct of an audit or the provision of advice by an Internal Auditor does not in any way diminish the responsibility of line management for the proper execution and control of their activities.

Scope

The scope of Internal Auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives. The scope of internal audit includes all activities and services provided or undertaken by TMBC. This extends to where these are provided by third parties, under contract or other agreement, where TMBC provides services on behalf of other organisations or where TMBC works in partnership with other organisations. Internal audit assessments include evaluating:

- Whether risks relating to the achievement of TMBC's strategic objectives are appropriately identified and managed.
- The consistency of operations or programs with established objectives and goals and effective performance.
- Effectiveness and efficiency of operations and employment of resources.
- Compliance with significant policies, plans, procedures, laws, and regulations.
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information.



INTERNAL AUDIT CHARTER

- Resources and assets are acquired economically, used efficiently and protected adequately.

Responsibility

The CAE is responsible for:

- Submitting to Audit Committee, at least annually, a risk-based internal audit plan for review and approval.
- Reviewing and adjusting the internal audit plan as necessary in response to changes in TMBC's risks, operations, programmes, systems, and controls.
- Communicating to Management Team and the Audit Committee the impact of resource limitations on the internal audit plan and any significant interim changes to the internal audit plan.
- Ensuring each engagement of the internal audit plan is executed in accordance with professional standards.
- Following up on engagement findings and corrective actions, and reporting periodically to senior management and the Audit Committee any corrective actions not effectively implemented.
- Ensuring the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensuring the internal audit department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensuring trends and emerging issues that could impact TMBC are considered and communicated to senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establishing and ensuring adherence to policies and procedures designed to guide the internal audit department.
- Ensuring conformance of the internal audit activity with the *Standards*

Internal Audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. It may also evaluate specific operations at the request of the Audit Committee or management, as appropriate.

Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to the Council's Management Team, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.

The CAE is also responsible for the Council's counter fraud activity including maintenance of the Anti-Fraud, Bribery & Corruption Policy which sets out arrangements for all suspected or detected fraud, corruption or impropriety to be reported to Internal Audit.



INTERNAL AUDIT CHARTER

The Internal Audit and Counter Fraud service is provided by way of agreement with Kent County Council under an Inter Authority Agreement.

The objective of this partnership is to provide a high quality Internal Audit service with added resilience, and to share best practice in order to provide a consistent high quality service across the two councils.

The Internal Audit team is based at remotely and consists of the CAE, one part-time Senior Auditor and audit contractors as and when required to deliver the annual Plan. The partnership working arrangement with Kent County Council provides the opportunity for Internal Auditors at both councils to conduct audits at either council where it is practical and beneficial to do so. The Internal Auditor assigned to each audit review is selected by the CAE based on their knowledge, skills, experience and discipline to ensure that the audit is conducted properly.

Internal Audit Plan

At least annually, the CAE will submit to the Audit Committee an Internal Audit plan for review and approval, including risk assessment criteria. The Internal Audit plan will include timing as well as budget and resource requirements for the next financial year. The CAE will communicate the impact of resource limitations and significant interim changes to the Council's Management Team and the Audit Committee.

The Internal Audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of the Council's Management Team and the Audit Committee. Prior to submission to the Audit Committee for approval, the plan will be discussed with the Council's Management Team. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

Reporting and Monitoring

A written report will be prepared and issued following the conclusion of each Internal Audit engagement and will be distributed as appropriate. Internal Audit results will also be communicated to the Audit Committee.

The Internal Audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The Internal Audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

Internal Audit reports quarterly to the Audit Committee on Internal Audit's progress against the Plan including summaries of reports finalised in the relevant time period. Results of the follow up programme are reported twice yearly.



INTERNAL AUDIT CHARTER

The internal audit department will maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity. The Programme will include an evaluation of internal audit's conformance with the Standards and of whether internal auditors apply The IIA's Code of Ethics. The programme will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

The CAE will communicate to the Council's Management Team and the Audit Committee on the Internal Audit activity's Quality Assurance and Improvement Programme, including any non-conformance with the Standards, results of annual internal assessments of the effectiveness of the system of internal audit and external assessments conducted at least every five years and key performance indicators agreed by the Audit Committee.

Signed by:

Chief Audit Executive (CAE)

Chair of the Audit Committee

April 2023

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

17 April 2023

Report of the Chief Audit Executive

Part 1- Public

Delegated

1 INTERNAL AUDIT AND FRAUD PLAN 2023/24

This report seeks Member approval of the Internal Audit and Fraud Plan for the year 2023/24.

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 2023/24 financial year to fulfil this requirement. The Plan as a whole must enable the Chief Audit Executive to provide an overall opinion on risk management, governance and control at the end of the financial year.

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

1.2 Internal Audit and Fraud Plan 2023/24

1.2.1 A copy of the proposed Internal Audit and Fraud Plan for 2023/24 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 service, reflecting on all work to be undertaken.

1.2.2 The Plan has been developed using a risk-based approach. Significant risk areas and priorities have been identified through a risk assessment which included a review of the Strategic and Service risk registers, analysis of the wider environment, use of our own organisational knowledge and discussions with Directors both individually and collectively as part of Management Teams.

1.2.3 Relevant links to the Strategic Risk Register are shown within the Plan itself. Members will note that not all audits are linked to a specific risk; some are intended to provide assurance over core areas (for example financial audits) and some are included as the Council is undertaking change programmes. In line with the nature and scope of Internal Audit as set out in the Internal Audit Charter, it is

important that, overall, the Plan balances all of these assurance and consultancy needs.

- 1.2.4 Whilst the Plan is drawn up annually, it is important that the Plan is able to be flexible and respond to key risks; we have therefore prioritised and scheduled audits for the first 6 months of 2023/24. The remaining identified reviews will be kept under consideration and discussed with Directors as part of the 6 monthly liaison and planning meetings. Additions to the Plan will be made at such time for the remaining 6 months of the year. The plan may be amended at any time to respond to emerging risks, with the approval of the Audit Committee.
- 1.2.5 The Counter Fraud Plan has been aligned to the Fighting Fraud and Corruption Locally Strategy. The Strategy focuses on pillars of activity that local authorities should concentrate on to further develop and enhance their counter fraud response.
- 1.2.6 As part of the Plan, the Counter Fraud Team want to measure the authority against the Fighting Fraud and Corruption Strategy Checklist. The purpose of the exercise will be to assess the Councils counter fraud culture and response. This assessment will identify key strengths in the Council's anti-fraud culture and any possible areas for development.
- 1.2.7 The audit reviews under consideration, and detailed activities from the Counter Fraud Plan are contained in pages 2 and 3 of Annex 1.
- 1.2.8 The proposed Plan has been reviewed and endorsed by Management Team.

1.3 Legal Implications

- 1.3.1 The Accounts and Audit Regulations place a statutory requirement on authorities to undertake effective internal audit of the effectiveness of risk management, governance and control processes.
- 1.3.2 The Council also has a legal duty under s151 of the 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.

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 2023/24 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 2023/24.

Background papers:

Contact: Richard Benjamin

Nil

Jonathan Idle
Chief Audit Executive

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Annex 1 Internal Audit and Counter Fraud Plan
2023/24

Audit Title	Indicative Days	Indicative Quarter	Assurance/ Consultancy	Cross ref to Strategic Risk Register	Rationale for inclusion/High-level Scope
Estates Management	15	Q1	A	Change Programme	Prioritisation and management of property maintenance/projects and ensuring alignment with strategy and workplace capacity
Savings plan and income / Transformation strategy	15	Q2	A	SRR 2	Review of identification and allocations of savings plans in the council
IT Development	10	Q1-2	A	Service Risk	Review of the controls to identify, assess, prioritise and manage the implementation and development of systems and IT solutions
Local Plan	10	Ongoing (Q2)	C	SRR 5	On going embedded assurance for the development of the Local Plan
S106 /CIL	15	Ongoing	TBC	Change to legislation	Move to CIL. Review of identification and bids for funding impact of the changes to signatories for most agreements, to remove the County Council
BCP	10	Q1-2	A	SRR 11	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.
Parking - Follow up	8	Q1	A		Follow up of 2022/23 Limited Audit
Attendance on Agile Board	10	Ongoing	C	SRR 19	Continued embedded assurance on the project board
Castle project	10	Ongoing	C	Change Programme	Continued embedded assurance on the project board
Accounts Receivable	15	Q2	A	Core Assurance	Review Accounts Receivable controls in the council (exc CTAX)
Rolling plan audits Quarter 3-4	115				To provide flexibility with emerging risks for the Council.
Committee Training	3	Ongoing			
Follow Ups	10	Ongoing			Follow up of recommendations raised.
	246				
Counter Fraud					
Proactive fraud activity	146	Ongoing			
Investigations	170	Ongoing			
	316				
	135				
Management Resource	697				
TMBC Internal Audit and Counter Fraud Plan					
Kent Intelligence Network					
KIN Investigation resource	180	Ongoing			KIN data matching, revenue based NFI and SPD credit matches
	877				

Internal Audit areas under review

Audit Title	Cross ref to Strategic Risk Register	Rationale
Communication Strategy		Review implementation of external Communication Strategy and plans to employ internal communicaitons
Treasury Management	Core Assurance	Review of Treasury Management controls for the council
Temporary Accomodation actions	SRR 14	Review progress in delivering the actions set out in the review of Temporary Accomodation
Emergency planning and response	SRR 16, SRR 11	The review will also focus on actions being taken to address emergency planning resilience
Town Centre Asset Review	Change Programme	Review of project management and assessment of the options appraisal
Homes for Ukraine Scheme - Potential - What happens next	SRR 17	Review of governance arrangements and establishment of the roles and responsibilities for TMBC under the new model
GDPR	SRR 8	Themed
Appraisal Process	SRR 6	Review the update to the appraisal process in light of new ways of working
Member Training		Time to contribute to training for Members post local elections
Digital Strategy and IT development project plan	SRR 14	Review of the controls to Identify, assess, prioritise and manage the implementatyion and development of systems and IT solutions
IT Helpdesk		Review operational efficiency of ICT Helpdesk
IT Asset Management		Review of the controls in place to manage the identification, maintenance, upgrade and disposal of the councils IT assets
Post implementation of Agile	SRR 19	Review of the Councils Implenetation of Agile. (Functionality/processes/Review of lessons learned)
Planning appeals and enforcement		Review of the Planning application process and enforcement overseen by the Council
Waste partnership	SRR 18, SRR 13	Review of the waste contract, to include adequacy and effectiveness of contract management procedures. Internal Audit will consider a joint review of the partnership with MK audit.
Income Generation	SRR 14	Review of the effectiveness of income generation for the council and whether income opportunities have been identified and maximised
Contract Management - Leisure Trust	Core Assurance	Review of project management and assessment of options appraisal
Tree Safety Strategy		
Discretionary Housing Payments		

Activity	Detail	Responsible Officer
Govern	Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.	
Anti-fraud, Bribery and Corruption Policy	Complete a the biennial review of the Anti-fraud, Bribery and Corruption Policy ensuring that the document aligns with the Fighting Fraud and Corruption Locally Strategy and best practice. The Policy will be presented and adopted at the Council's Governance and Audit Committee and will be supported by Senior Management.	Counter Fraud Lead
Counter Fraud Update, Audit Committee	A Counter Fraud update will be provided to the Audit Committee to demonstrate the activities undertaken by the Counter Fraud Team against the plan to prevent and detect Fraud, Bribery and Corruption.	Counter Fraud Lead
Acknowledge	An organisation must acknowledge and understand fraud risks and demonstrate this by having the right support and appropriate resource to tackle fraud.	
Fighting Fraud and Corruption Locally Checklist	The Counter Fraud Team to undertake an assessment of the authority against the Fight Fraud and Corruption Locally Checklist	Counter Fraud Lead
Fraud Risk Assessments	The Counter Fraud Team to undertake an assessment of current risk registers across the Council to identify if fraud risks have been identified and controls are in place to mitigate the risk.	Counter Fraud Lead
Relationship Management	Strengthening the anti-fraud culture within the organisation requires Counter Fraud to continue with relationship management meetings to report on emerging and current fraud risks identified through investigations.	Counter Fraud Team
Whistleblowing Hotline and log	The Counter Fraud Team manage the Councils Central Whistleblowing Log and the Whistleblowing helpline. The Team will request each quarter from each Director to report any Whistleblowing Complaints.	Counter Fraud Lead
Prevent	Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture	
Fraud Awareness	Deliver fraud awareness training to teams based on a training cycle to ensure that sessions delivered to officers occur every three years. The training will seek to raise awareness about new emerging fraud risks and current risks, continue to strengthen the anti-fraud culture and deliver messages about the standards expected of staff and the reporting of fraud and financial irregularities.	Counter Fraud Team
Internal Audit	The Counter Fraud Lead will meet with the Audit Manager to ensure any issues identified through investigations or Internal Audits are discussed and	Counter Fraud Lead and Audit Manager
International Fraud Awareness Week Campaign	To deliver an internal campaign to officers during International Fraud Awareness week 13 - 19 November 2023	Counter Fraud Lead
National Fraud Initiative	The Counter Fraud Team will lead on the NFI exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Resources will be allocated and based on specific expertise and knowledge – this means matches can be dealt with promptly. A nominated person from each of the data sets will be identified and liaised with through the	Counter Fraud Team
Kent Intelligence Network	The Counter Fraud Team will review the data matches released through the Kent Intelligence Network. The key focus area for 2023/24 continues to look at fraud and error within Single Person Discounts, Small Business Rate Relief and unrated business premises.	Counter Fraud Manager and Intelligence Officer
Pursue		
Investigations	The Counter Fraud Team will apply a risk-based approach to investigating all instances of actual, attempted and suspected fraud and financial irregularities. The Counter Fraud Team will ensure; <ul style="list-style-type: none"> ▣ that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice ▣ the Council's disciplinary procedures will be used where the outcome of an investigation indicates improper behaviour by a Council employee Appropriate sanctions are applied.	Counter Fraud Manager
Partnership Working	To maintain and develop working with key partner agencies in the prevention and detection of fraud such as at the DWP, Kent Intelligence Network, Local Authorities, Kent Police as well as internal team within TMBC. Referrals will be recorded by source to identify progress on partnership working.	Counter Fraud Team

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

17 April 2023

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 the 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 medium term and long term cash balances.

1.2 Performance 1 April 2022 to 28 February 2023

1.2.1 A full list of investments held on 28 February 2023 is provided at **[Annex 1]** and 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 2023.

	Funds invested on 28 February 2023	Average duration to maturity	Weighted average rate of return	SONIA benchmark (average)	Interest / dividends earned	Gross annualised return
	£m	Days	%	1 April to 28 February 2023 %	1 April to 28 February 2023 £	%
Cash flow	25.97	8	3.92	3.91	658,070	2.03
Core cash	28.00	167	4.25	4.08	576,530	2.43
Sub-total	53.97	90	4.09	4.00	1,234,600	2.20
Long term	5.00				130,420	3.46
Medium term	4.25				163,520	4.20
Total	63.22				1,528,540	2.39

Table 1

Property funds pay dividends quarterly. The return quoted above is based on dividends received for the period April to December 2022 and on the return achieved since inception.

- 1.2.2 **Cash flow and core cash investments.** Interest earned of £1,234,600 from cash flow surpluses and core cash balances to the end of February has exceeded the expectations of the revised estimate for the same period. This is due to the upward movement in interest rates over the past year and in particular the 0.75bps increase in November followed by a further 0.50bps in both December and February moving the bank rate from 2.25% to 4.0% in quick succession. This has provided the authority with the opportunity to invest excess funds at favourable rates, providing a higher than anticipated return.
- 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. On 31 December 2022 the Council's return at 3.43% (purple diamond) was higher than the local authority average of 2.90%. Based on the Council's exposure to credit / duration risk the return was above Link's predicted return (between the green and red diagonal lines). The Council's risk exposure remained in-line with the local authority average.
- 1.2.4 **Long term investment.** £5m of the Council's expected long term cash balances together with new money derived from the sale of assets and other windfalls is invested in externally managed property funds. These investments generate an annual income stream and an expectation of capital appreciation over time sufficient to at least recoup the fund entry and exit costs circa 8%.
- 1.2.5 Income from property funds of £130,400 has been generated thus far in 2022/23 (quarter ending December 2022) which represents an annualised return of 3.46%. Income is in line with the original budget for the same period.
- 1.2.6 Capital appreciation / depreciation is recorded in the table below. Commercial property values having momentarily recovered from the impact suffered from Covid-19, has faced new challenges including rising inflation . All the property fund investments recorded capital depreciation in the period April 2022 to February 2023.

Property fund	Purchase price	Sale value at date of purchase	Sale value 28 February 2023	28 February 23 sale value above (below) purchase price (c-a) £
(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)	a	b	c	
	£	£	£	
LAPF (Primary, July 2017)	1,000,000	922,200	918,600	(81,400)
Lothbury (Primary, July 2017)	1,000,000	927,700	822,400	(177,600)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	953,600	(46,400)
LAPF (Primary, June 2018)	1,000,000	922,200	880,700	(119,300)
Lothbury (Secondary, July 2018)	1,000,000	973,000	806,500	(193,500)
Total change in principal	5,000,000	4,684,100	4,381,800	(618,200)
Total dividends received to December 2022				868,500
Net benefit since inception				250,300

Table 2

1.3 Medium-term Investment

1.3.1 £4.25m of the Council's expected medium term cash balances together with new money derived from the sale of asset has been invested in externally managed diversified income funds. These investments will generate an annual income stream and will provide capital appreciation over time.

1.3.2 The diversified income funds have generated £163,520 up to 28 February 2023 which represents an annualised return of 4.2%. Income is some £23,270 higher than anticipated against the revised budget for the same period.

1.4 Legal Implications

1.4.1 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.

1.5 Financial and Value for Money Considerations

- 1.5.1 Our investment income estimates for 2022/23 were increased by £554,800 when they were revised in January 2023. The final position for the investment income for 2022/23 is expected to be favourable variance circa £730,000 when compared to the revised income total of £951,900. The increase reflects the continued upward movement of interest rates that markets were offering at the time of preparing the revised estimates.
- 1.5.2 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.
- 1.5.3 Whilst the annual income stream from the externally managed property funds and diversified income funds 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 or diversified income 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.
- 1.5.4 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.
- 1.5.5 The money being applied to the 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.
- 1.5.6 Diversified income funds aim to limit risk by spreading investment across a broad range of asset classes (equities, bonds, property and cash). Nevertheless, the principal sum invested may fall or rise with the cyclical nature of economic activity or because of adverse economic conditions or market events.

1.6 Risk Assessment

- 1.6.1 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: Donna Riley

Link Asset Services - benchmarking data.

Sharon Shelton
Director of Finance and Transformation

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Tonbridge and Malling Borough Council - Investment summary 28 February 2023

Counterparty / type of investment	Sovereign	Fitch long term	Fitch short term	Link suggested post CDS duration limit	Investment						Cash Flow surpluses £	Core Cash balances £	Medium term investment balances £	Long term investment balances £
					Start date	End date	Duration at start	Amount invested £	Return %	Proportion of total %				
Banks, Building Societies & Other Financials														
Barclays Bank : 95 day notice account	UK	A+	F1	6 months	23/07/2019	TBD	95 Days	3,000,000 3,000,000	4.05	4.74%				
Bank of Montreal : Certificate of Deposit	Canada	AA-	F1+	1 year	18/11/2022	17/11/2023	1 Year	2,000,000 2,000,000	4.85	3.16%			2,000,000	
Goldman Sachs : Certificate of Deposit	UK	A+	F1	6 months	29/09/2022	29/06/2023	9 Months	2,000,000 2,000,000	5.15	3.16%			2,000,000	
Handelbanken : Fixed term deposit	UK	AA	F1+	1 year	16/01/2023	17/07/2023	6 Month	3,000,000 3,000,000	4.10	4.74%			3,000,000	
HSBC Bank : 31 day notice account	UK	AA-	F1+	1 year	02/12/2019	TBD	31 Days	6,000,000 6,000,000	4.00	9.49%	6,000,000			
Lloyds Bank : Certificate of Deposit Certificate of Deposit	UK	A+	F1	6 months	06/01/2023 19/01/2023	06/07/2023 19/10/2023	6 Months 9 Months	3,000,000 3,000,000	4.15 4.59	9.49%			3,000,000 3,000,000	
National Westminster Bank : Deposit account	UK	A+	F1	1 year	28/02/2023	01/03/2023	Overnight	50,000 50,000	0.80	0.08%	50,000			
Rabobank : Fixed term deposit	Netherlands	A+	F1	1 year	15/12/2022	15/09/2023	9 Months	3,000,000 3,000,000	4.50	4.74%			3,000,000	
Royal Bank of Canada : Certificate of Deposit	Canada	AA-	F1+	1 year	03/10/2022	03/10/2023	1 Year	3,000,000 3,000,000	5.30	4.74%			3,000,000	
Toronto Dominion Bank : Fixed term deposit Certificate of Deposit Certificate of Deposit	Canada	AA-	F1+	1 year	23/03/2022 12/12/2022 11/07/2022	23/03/2023 12/12/2023 07/07/2023	1 year 1 year 1 year	2,000,000 2,000,000 2,000,000	1.86 4.78 2.84	9.49%			2,000,000 2,000,000 2,000,000	
Money Market Funds														
Blackrock MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	28/02/2023	01/03/2023	Overnight	2,545,000	3.94	4.03%	2,545,000			
BNP Paribas MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	28/02/2023	01/03/2023	Overnight	7,944,000	3.90	12.56%	7,944,000			
CCLA PSDF MMF - shares/units held	N/A	AAA	mmf	5 years	28/02/2023	01/03/2023	Overnight	4,617,000	3.91	7.30%	4,617,000			
DWS Deutsche MMF - shares/units held	N/A	AAA	mmf	5 years	28/02/2023	01/03/2023	Overnight	4,823,000	3.91	7.63%	4,823,000			
Federated MMF - shares/units held	N/A	AAA	mmf	5 years	28/02/2023	01/03/2023	Overnight	0	3.90		-			
Morgan Stanley MMF - shares/units held	N/A	AAA	mmf	5 years	28/02/2023	01/03/2023	Overnight	0	3.91		-			
Property Funds														
Hermes Property Unit Trust : Property fund units	N/A	N/A	N/A	N/A	29/09/2017	N/A	N/A	1,000,000 1,000,000	3.54	1.58%				1,000,000
Local Authorities' Property Fund : Property fund units Property fund units	N/A	N/A	N/A	N/A	29/06/2017 30/05/2018	N/A N/A	N/A N/A	1,000,000 1,000,000	4.07 4.16	3.16%				1,000,000 1,000,000
Lothbury Property Trust : Property fund units Property fund units	N/A	N/A	N/A	N/A	06/07/2017 02/07/2018	N/A N/A	N/A N/A	1,000,000 1,000,000	2.90 2.80	3.16%				1,000,000 1,000,000
Multi Asset Funds														
Aegon Multi Asset fund units	N/A	N/A	N/A	N/A	29/07/2021	N/A	N/A	1,750,000 1,750,000		2.77%			1,750,000	
Fidelity Multi Asset fund units	N/A	N/A	N/A	N/A	12/08/2021	N/A	N/A	1,000,000 1,000,000		1.58%			1,000,000	
Ninety One Multi Asset fund units	N/A	N/A	N/A	N/A	12/08/2021	N/A	N/A	1,500,000 1,500,000		2.37%			1,500,000	
Total invested								63,229,000		100.00%	25,979,000	28,000,000	4,250,000	5,000,000

Number of investments	27	Average investment value £ 2,342,000			
Number of counter parties	22	Average counter party investment £ 2,874,000			
Group exposures:		Core £	Cash £	Combined £	%
Royal Bank of Scotland + National Westminster (UK Nationalised MAX 20%)		-	50,000	50,000	0.08
Bank of Scotland + Lloyds (MAX 20%)		6,000,000	-	6,000,000	9.49
Property Funds Total				5,000,000	7.91
Multi Asset Funds Total				4,250,000	6.72

Total non-specified investments should be less than 60% of Investment balances	14.63%
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Notes:
Property fund returns are based on dividends distributed from the start of each investment. Capital appreciation / depreciation is recorded elsewhere. Last update June 2022.

End date for notice accounts to be determined (TBD)

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Tonbridge and Malling Borough Council Lending List

Checked against Link's "Suggested Credit List" 28/02/23								
Minimum investment criteria is Link's green duration band (100 days). Entry point broadly equates to Fitch A-, F1 unless UK nationalised.								
Counterparty	Sovereign	Sovereign rating [1]	Fitch long term	Fitch short term	UK classification	Exposure limit	Link duration based on [2]	
							Credit ratings	Post CDS
UK Banks, Building Societies and other Financial Institutions :								
Bank of Scotland (Group limit BOS & Lloyds £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Barclays Bank (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Non-RF	£7m	6 months	6 months
Barclays Bank UK (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Close Brothers Ltd	UK	AA-	A-	F2	Exempt	£7m	6 months	6 months
Goldman Sachs International Bank	UK	AA-	A+	F1	Exempt	£7m	6 months	6 months
Handelsbanken Plc (Group Limit with Svenska Handelsbanken AB £7m)	UK	AA-	AA	F1+	Exempt	£7m	1 year	1 year
HSBC UK Bank	UK	AA-	AA-	F1+	Ring-fenced	£7m	1 year	1 year
Lloyds Bank (Group limit BOS & Lloyds £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Santander UK	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Standard Chartered Bank	UK	AA-	A+	F1	Exempt	£7m	6 months	6 months
Coventry Building Society	UK	AA-	A-	F1	Exempt	£7m	6 months	6 months
Nationwide Building Society	UK	AA-	A	F1	Exempt	£7m	6 months	6 months
Skipton Building Society	UK	AA-	A-	F1	Exempt	£7m	6 months	6 months
National Westminster Bank (Group limit Nat West and RBS £7m). UK Nationalised.	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
The Royal Bank of Scotland (Group limit Nat West and RBS £7m). UK Nationalised.	UK	AA-	A+	F1	Ring-fenced	£7m	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	£16m/£8m	5 years	5 years
UK Local Authority (per authority)	UK	AA-	n/a	n/a	n/a	£7m	5 years	5 years
Non-UK Banks :								
Bank of Montreal	Canada	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Toronto Dominion Bank	Canada	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Royal Bank of Canada	Canada	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Nordea Bank Abp	Finland	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Rabobank (Cooperatieve Rabobank U.A.)	Netherlands	AAA	A+	F1	n/a	£7m	1 year	1 year
ING Bank	Netherlands	AAA	AA-	F1+	n/a	£7m	1 year	1 year
Development Bank of Singapore	Singapore	AAA	AA-	F1+	n/a	£7m	1 year	1 year
Svenska Handelsbanken AB (Group Limit with Handelsbanken Plc £7m)	Sweden	AAA	AA	F1+	n/a	£7m	1 year	1 year
[1] Reflects the lowest of the three rating agencies views (Fitch, Moody's and Standard and Poor's). Strategy requires non-UK sovereigns to be rated at least AA- and the UK rated at least A-. Non-UK sovereign limit of 20% or £7m per sovereign.								
[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 suggestion. 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	Link credit worthiness
Blackrock Institutional Cash Series - Sterling Liquidity	AAA	-	AAA	£8m	5 years
BNP Paribas InstiCash - GBP	-	-	AAA	£8m	5 years
CCLA Public Sector Deposit Fund	-	AAA	-	£8m	5 years
DWS Deutsche Global Liquidity - Deutsche Managed Sterling	AAA	AAA	AAA	£8m	5 years
Federated Cash Management - Short Term Sterling Prime	-	AAA	AAA	£8m	5 years
Insight - Sterling Liquidity (Group limit IL & ILP of £7m)	-	AAA	AAA	£8m	5 years
Morgan Stanley Liquidity - Sterling	AAA	AAA	AAA	£8m	5 years

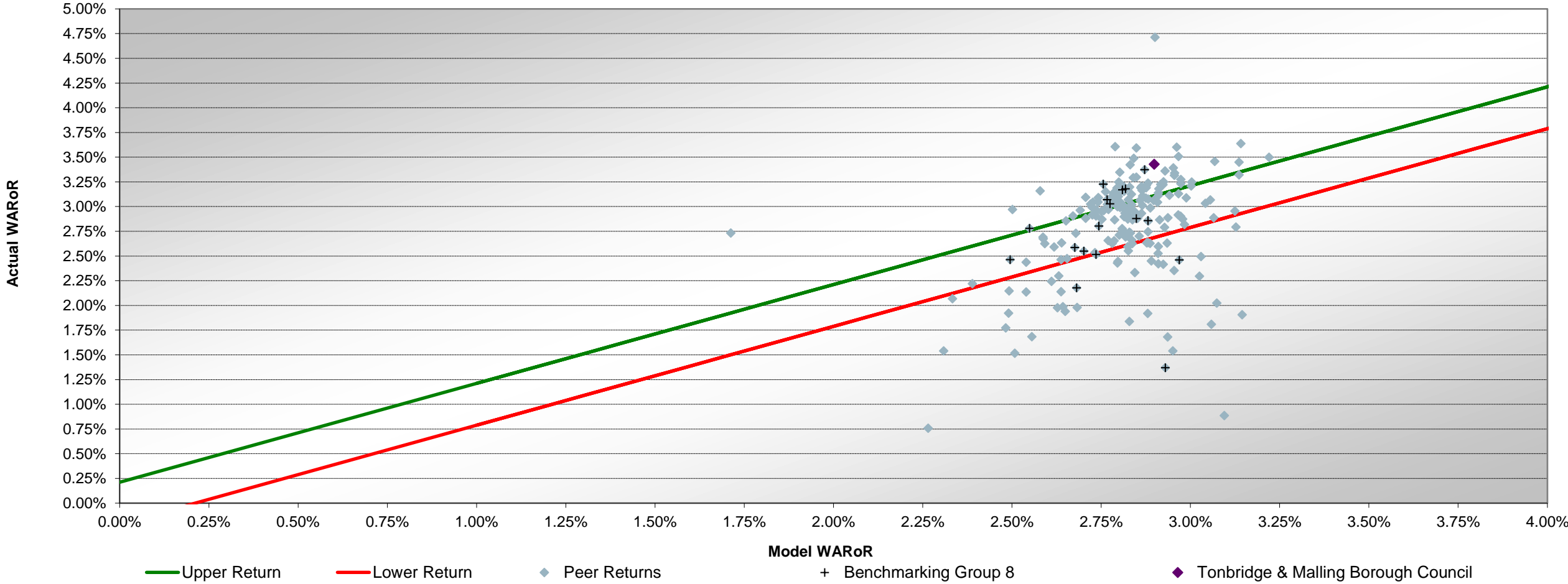
Enhanced Cash Funds (Minimum investment criteria AAA) :					
Fund Name	Moody	Fitch	S&P	Exposure Limit	Link credit worthiness
Insight - Sterling Liquidity Plus (Group limit IL & ILP £7m)	-	AAA	AA+	£3.5m	5 years

Approved by Director of Finance and Transformation 01 March 2023	No change
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Tonbridge & Malling Borough Council

Population Returns against Model Returns



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	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Tonbridge & Malling Borough Council	3.43%	2.90%	0.53%	2.69%	3.11%	Above

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

17 April 2023

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.

Internal Audit Update

1.1 Introduction

1.1.1 The Accounts and Audit Regulations require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.

1.1.2 The Public Sector Internal Audit Standards (PSIAS) require Internal Audit to report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. For TMBC, the "Board" is considered to be the Audit Committee.

1.2 Progress against the 2022/23 Plan

1.2.1 The Annual Internal Audit and Counter Fraud Plan (the Plan) for 2022/23 was approved by Members of the Audit Committee on the 1 April 2022. The purpose of this part of the report is to provide Members with an update on the progress of the Internal Audit team in 2022/23 against the Plan. The Plan reflects all work to be undertaken by the team during the financial year, containing both assurance work and consultancy work.

1.2.2 Progress against the 2022/23 Internal Audit Plan is currently on target. And all outstanding audits have scheduled completion dates before the Annual report is presented to Audit Committee in July 2023

1.2.3 Audits on the 2022/23 Internal Audit Plan have now been commenced. 8 final or draft reports have been issued so far this year. Of the remaining 13 audits in progress all but 1 is due for completion in April and May. A summary of the current status of all audits on the 2022/23 Plan, including a summary of findings where finalised, is attached at **[Annex 1]**.

Counter Fraud Update

1.3 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 and corruption in the year 2022/23 to quarter three.

National Fraud Initiative

1.3.2 The Counter Fraud Team has collated the data specified by the Cabinet Office for the 2022/23 exercise. This includes reviewing the data to ensure it complies with the formats required and uploading in the required timescale.

1.3.3 The NFI biennial exercise matches were released from 26 January 2023. A total of 585 matches have been released and **[Annex 2]** shows the reports included in this exercise.

1.3.4 In addition to the biennial exercise is the ReCheck flexible data matching service which TMBC have committed to an annual upload. The matches were released in December 2022. **[Annex 2]** shows the matches released as part of the ReCheck exercise.

1.3.5 The Counter Fraud Teams performance against the NFI matches completed will be presented at the next Audit Committee with the result for quarter four.

Kent Intelligence Network

1.3.6 The Kent Intelligence Network continues to support Local Authorities in Kent in preventing and detecting fraud. The key focus area for 2022/23 continues to look at fraud and error within Single Person Discounts, Small Business Rate Relief and unrated business premises. Data matches received through this route have been reviewed and the Counter Fraud Team can report the following outcomes:

- Single person discount to financial matches £9,789 increased council tax liability
- Unrated Businesses £292,909 increased liability
- Small Business Rate Relief £51,797 increased liability annually
- Untaxed Residential properties £12,523 increased liability
- Retriever Debtor Tracing £146,499 for recovery action

Fraud Awareness Sessions

1.3.7 The team successfully delivered training to staff in the Revenue and Benefits Team in December 2022. The aim of the sessions was to provide greater awareness about fraud and how it can be committed against the Council by

internal and external fraud threats. The session provided clarity around the fraud referral process and enabled staff to meet the Counter Fraud Technician responsible for the TMBC referral management and investigation process. Feedback forms were sent to Revenue and Benefit Team after the session. The overall response was extremely positive.

- 1.3.8 The Counter Fraud Team are available to deliver tailored sessions to individual teams or attend team meetings as guest speakers to raise awareness of current and emerging risks.

Investigating Fraud, Bribery and Corruption

- 1.3.9 A total of 90 referrals have been received by the Counter Fraud Team. The most reported fraud type is Single person discount a total of total of 37 referrals have been received. The second most common type of referral that has been received is council tax reduction where housing benefit or universal credit is in payment. A total of 34 referrals of this fraud type have been reported up to and including quarter three
- 1.3.10 The main source of referrals are listed as members of the public which totals 51. A total of 87 referrals have been closed and three remain open for investigation.
- 30 cases have been referred externally to the DWP.
 - 29 cases closed, where no further action is required.
 - 24 cases have been referred internally.
- 1.3.11 Included in the closed cases is a Council Tax Reduction with Benefit in payment referral, investigated by the DWP resulting in a recoverable overpayment of £26,104.
- 1.3.12 The Counter Fraud Team undertook an investigation into a company that was using the Councils logo on their website. A cease-and-desist letter was issued by the Counter Fraud Team. The use of the logo could mislead the public into thinking that the Council had certified the company for use. Following correspondence between the Director of Planning, Housing and Environmental Health the logo has been removed from the companies website.

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 systems of risk management, governance and control in line with 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: Richard Benjamin

Nil

Jonathan Idle
Chief Audit Executive

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings																
Climate Change	1	Complete	Substantial	Reported to September 2022 Audit Committee																
Page 88 Fly Tipping and Enforcement	1	Complete	Adequate	<p>Key Strengths</p> <ul style="list-style-type: none"> • Policies and process maps mean that staff roles and responsibilities are clear. • Internal Audit reviewed a random sample of cases and found all referrals had the necessary referral information accurately recorded and each had been assigned to a Waste Enforcement Officer (WEO) for action. • From the sample of cases, we found that referrals are collected on a timely basis. On average, it takes 2 days from the referral being allocated to a WEO to collection. • Capacity of Urbaser (TMBC waste contractor) is sufficient to manage fly tip clearance. Cases sampled were allocated to the Urbaser ‘hit squad’ for collection, where appropriate. Urbaser routinely complete their workload however, any collections that were not completed are carried over to be completed the next day. • TMBC are actively finding preventive measures to implement to reduce fly tipping cases such as working, sharing and collating data with other local authorities and conducting engagement days in schools. <p>Areas for Development</p> <ul style="list-style-type: none"> • After referrals are logged onto the system, there is no central monitoring or oversight to ensure that processes are being followed and cases tracked through to completion (Issue 1) • Invoices had been paid for two additional and/or hazardous collections sub contracted by Urbaser to another company without appropriate supporting evidence that the collection had been made. (Issue 2) • Internal Audit were not able to ascertain if there had been any enforcement work pursued for fly tipping instances. (Issue 3) <p>Summary of management responses</p> <table border="1" data-bbox="902 1219 2170 1442"> <thead> <tr> <th data-bbox="902 1219 1184 1289"></th> <th data-bbox="1184 1219 1512 1289">Number of issues raised</th> <th data-bbox="1512 1219 1839 1289">Management Action Plan developed</th> <th data-bbox="1839 1219 2170 1289">Risk accepted and no action proposed</th> </tr> </thead> <tbody> <tr> <td data-bbox="902 1289 1184 1343">High Risk</td> <td data-bbox="1184 1289 1512 1343">N/A</td> <td data-bbox="1512 1289 1839 1343">N/A</td> <td data-bbox="1839 1289 2170 1343">N/A</td> </tr> <tr> <td data-bbox="902 1343 1184 1398">Medium Risk</td> <td data-bbox="1184 1343 1512 1398">3</td> <td data-bbox="1512 1343 1839 1398">3</td> <td data-bbox="1839 1343 2170 1398">N/A</td> </tr> <tr> <td data-bbox="902 1398 1184 1442">Low Risk</td> <td data-bbox="1184 1398 1512 1442">N/A</td> <td data-bbox="1512 1398 1839 1442">N/A</td> <td data-bbox="1839 1398 2170 1442">N/A</td> </tr> </tbody> </table>		Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	N/A	N/A	N/A	Medium Risk	3	3	N/A	Low Risk	N/A	N/A	N/A
	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed																	
High Risk	N/A	N/A	N/A																	
Medium Risk	3	3	N/A																	
Low Risk	N/A	N/A	N/A																	
Customer Services Review	Ongoing	Interim Reporting																		

GDPR	3	Fieldwork		
Member Declaration of Interest / Expenses allocation	1	Complete	Substantial	Reported to January 2023 Audit Committee
Taxi and Vehicle licensing, Monitoring and enforcement	2	Draft Report		
Freedom of Information and Subject Access Requests	2	Draft Report		

<p>Performance Management and Data Quality</p> <p>Page 85</p>	3	Complete	N/a	<p>The Corporate Strategy has been subject to internal consultation, has been presented to the Overview and Scrutiny Committee and is now out to external consultation with responses starting to come in with the document on the council website and public meetings scheduled. The values, priorities and strategies of the Corporate Strategy must be linked, aligned and supported by KPIs.</p> <p>It is recognised that work has commenced on KPIs as there is an appetite to get things up and running with an exercise conducted with the management team and informal cabinet that produced a spreadsheet suite of KPIs that were thought to be the most relevant. Management acknowledges that the KPIs spreadsheet is a work-in-progress and the Corporate Strategy and KPIs need to sit in tandem and a gap analysis is on-going to ensure that this aim is realised.</p> <p>At the time of the audit, the KPIs had been reported to the Housing and Planning Scrutiny Select Committee. It was established that KPIs are a standing agenda item for the Select Scrutiny and Overview and Scrutiny Committees that are scheduled for the coming months. By contrast KPIs are not a standing agenda item at Service meetings and this needs to be rectified in order to help promote and establish a performance culture throughout the Council.</p> <p>The Committees meet five times per year with a substantial proportion of the KPIs being produced on a quarterly and annual basis and are returns to a variety of bodies, so the two are not in sync. A Power BI solution that provides real time data was used for Planning Enforcement and Management would like to use it more extensively, so as to provide both the Committees and Service Management more timely data.</p> <p>There are dedicated officers across the Council that upload performance management information onto SharePoint with the Strategic Economic Regeneration Manager has overall responsibility for performance management.</p> <p>Data quality checks across the Council require strengthening to make them robust including:</p> <ul style="list-style-type: none"> • Validation control input • Exception reporting and checks on completeness, accuracy and consistency; and • Data integrity – access controls on systems and folders where data is held.
IT Infrastructure	1	Fieldwork		
Council Tax Administration (Recovery and write offs)	3	Fieldwork		
Business Rates Admin	4	Fieldwork		

2

Complete

Substantial

Key Strengths

- Access to the Accounts Payable system (Integra) to raise and approve orders and register invoices for payment is controlled and restricted.
- There is adequate segregation of duties for the vast majority of purchase orders raised.
- Invoices are checked and verified before being paid.
- Chief Officers maintain a list of staff who have been given the delegated authority to approve orders and invoices.
- Only authorised officers have been approving orders and invoices and within their delegated financial limits.
- Urgent and manual payments made to suppliers outside of the Accounts Payable system were found to be in rare and in exceptional circumstances.
- Undisputed invoices received by the Exchequer Services are being paid in a timely manner (within 30 days)
- System interrogation/exception reports are run on a regular basis to identified unusual or irregular transactions for investigation. Work is also in progress to develop a duplicate payments report.
- Performance in terms of paying suppliers is monitored and reported to elected members and the general public for openness and transparency.

Areas for Development

- Improve the process for setting up new suppliers by including checks on VAT registration status should the supplier wish to charge VAT.
- Lack of retain evidence for checks to verify bank account change requests.
- There is adequate segregation of duties for the vast majority of purchase orders raised, but there is a gap in the Accounts Payable system that compromises the segregation of duties, and allowed the self-authorisation of a purchase order.
- Staff that not responsible for service delivery are given the authority and financial limit to commit the Council to high value expenditure.
- This tolerance level by which an invoice amount can exceed the order value is reasonable for high value order, but it exposes low to medium value orders to a greater risk of financial loss.
- Electronic orders are not being raised for purchase of temporary agency staffing which is not in line with the Council's Financial Procedure Rules.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	6	6	0
Low Risk	0	0	0

Risk Management	4	Planning		
Fire Safety - Gibson Building	4	Planning		
Local Plan Page 87	Ongoing	Complete	N/a	<p>Internal Audit has been engaged on a consultancy basis, acting as a critical friend to provide embedded assurance and advice on the project management of the draft Local Plan. Evaluating the controls in place to effectively manage the preparation of the draft local plan in accordance with the timetable and that the risks associated with the draft local plan being withdrawn again are sufficiently mitigated.</p> <p>The Planning and Policy Manager has been proactive in tightening Local Plan project management controls. A Microsoft Project Work Programme is used to manage Local Plan tasks, resources, and the critical path. The PPM's scoping and scoring templates have also strengthened procurement controls.</p> <p>Meetings with the Planning Policy team, Senior Management and the Councillors that focus on key risks and issues will help to ensure progress in priority areas.</p> <p>Ongoing lessons learned exercises should also improve Planning Policy's efficiency and effectiveness. As a result of previous lessons learned, the procurement of a more user-friendly engagement portal is underway, to save the team valuable time inputting thousands of public consultation representations.</p> <p>Effective Legal support is required to ensure that suitable contracts are in place to hold contractors to account. Timely advice on legal matters will reduce the risk of the Local Plan being withdrawn again.</p>
Housing Allocation Scheme	Ongoing	Cancelled		
Disabled Facilities Grant	1	Complete	Adequate	Reported to January 2023 Audit Committee
Parking	2	Complete	Limited	Reported to January 2023 Audit Committee
Planning Application Process	3	Deferred		

Landscaping Contract Management	3	Draft Report		
Cyber Security	1	Fieldwork		
TMBC Assurance Mapping	TBC	Not Yet Started		
Voter Identification	Addition to 2022/23 Plan	Fieldwork		
Agile Project Board	Addition 2022/23 Plan	Ongoing		

National Fraud Initiative Exercise 2022/23

Biennial NFI Exercise		ReCheck NFI Exercise	
Report Group	Total Matches	Council tax to electoral register	Council tax rising 18s
Housing Benefit	27	440	24
Council Tax Reduction	178		
Housing Waiting List	48		
Residential Parking Permits	21		
Creditors	240		
Payroll	53		
Procurement	5		
VAT	3		
Total	575		

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

17 April 2023

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 GRANT THORNTON 2022/23 AUDIT PLAN

This report introduces the 2022/23 Audit Plan received from our external auditor in respect of the audit of the Council's financial statements.

1.1 2022/23 Audit Plan

1.1.1 Our external auditor is required to prepare an Audit Plan setting out the proposed approach to the audit of the Council's financial statements. The paper identifies a number of risks which the external auditor will consider as part of the audit, none of which are specific to this Council, but applicable to local authorities more generally; and no issues have arisen from their interim work to date which I need to draw to your attention. The paper can be found at **[Annex 1]**.

1.1.2 The Engagement Lead and or their representative will be at the meeting to present the paper and to answer questions.

1.2 Legal Implications

1.2.1 As set out in the paper.

1.3 Financial and Value for Money Considerations

1.3.1 The indicative fee for 2022/23 is £61,099.

1.4 Risk Assessment

1.4.1 As set out in the paper.

Background papers:

contact: Paul Worden

Nil

Sharon Shelton
Director of Finance and Transformation

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Tonbridge & Malling Borough Council indicative audit plan

Year ending 31 March 2023

17 April 2023

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Section	Page	
Key matters	3	The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
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Key matters



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Key matters



Council developments

The Council's financial position in 2022-23 continued to be challenging. The Council had a healthy opening reserves position of £36m as at 1 April 2022. Government grant funding continued the trend whereby a significant proportion of the Council's budget requirement is met from council tax. Total grant funding in 2022-23 was £4.9m, and is expected to be £5.4m in 2023-24.

The Council received a provisional grant settlement of £2.3m in 2022-23 and will receive a provisional grant settlement of £2.5m in 2023-24, an uplift of 9.7% compared to the sum received in 2022-23, plus a payment for the under-indexing of the business rates multiplier of £0.4m, a Services Grant allocation of £0.089m and a one-off funding guarantee for the sum of £1.8m.

Regarding the Capital Plan, the Council is currently debt free and expected to remain debt free until 2029. We understand that the savings potential has been affected by the impacts of the pandemic, our prior year experience suggests that Tonbridge & Malling Borough Council has a history of successful delivery on savings and we have no reason to suggest that this will not be the case going forward into the post-pandemic world. Per the Council's medium term financial strategy (MTFS), the latest iteration thereof assumes that government grant funding will steadily reduce from circa £5.96m in 2023-24 to £3.1m in 2027-28 before seeing a modest increase year on year thereafter. The MTFS also assumes that the reductions in income and increased costs seen as a result of the pandemic, in large part, will return to pre Covid-19 levels in the short to medium term; where the latest projected funding gap between expenditure and income is circa £1.7m.

Waste Contracts

The current waste contract has been difficult to deliver in a financially sustainable way, with particular cost and capacity challenges. In terms of future contracts, the Council's view is that costs are likely to increase. The Council have factored this into the MTFS. The Council has opportunities to maintain and improve service provision in relation to the Waste Services Collection Contract, which was provided in partnership with Tunbridge Wells Borough Council. The Council has proposed extension to previously agreed support for a further 5-month period in relation to the recent and ongoing impacts of the HGV market conditions.

Key matters



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, are set out further in our indicative Audit Plan.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money (VFM) work.
- Our VFM work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We have followed up on management's progress against prior year audit recommendations (please refer to page 13). We will follow up the improvement recommendations raised in the 2021-22 Auditor's Annual Report later in the year and report progress against agreed actions in our 2022-23 Auditor's Annual Report.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

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

Respective responsibilities

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

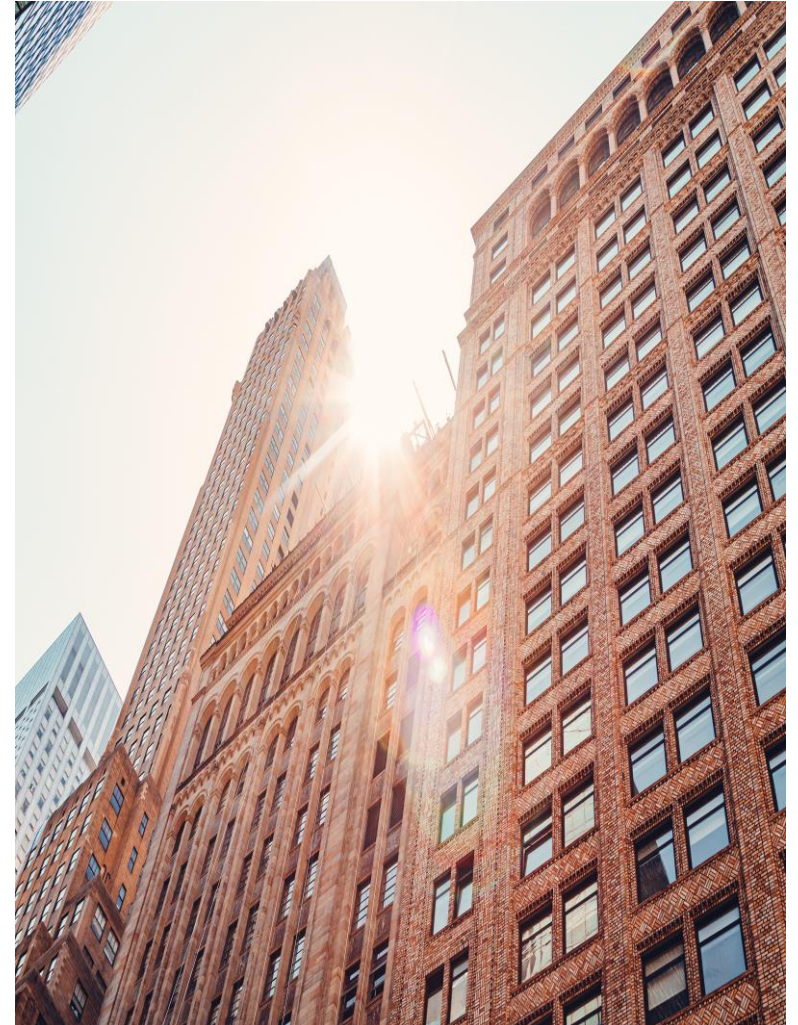
Scope of our audit

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

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

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

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



Introduction and headlines

Significant risks

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

- The risk that the valuation of land and buildings in the accounts is materially misstated.
- The risk that the valuation of the net pension fund liability in the accounts is materially misstated.
- The risk of management override of controls.
- Risk of fraud in revenue recognition (rebutted).

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

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Materiality

We have determined planning materiality to be £1.2m (PY £1.2m) for the Council, which equates to 2% of your prior year Cost of Service expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £60k (PY £60k). We will update this on receipt of the draft statement of accounts for audit.

We design our procedures to detect errors in specific accounts at a lower level of precision, therefore we have determined lower materiality for cash and cash equivalents at £500k, and a lower £50k materiality for senior officers' remuneration and termination benefits.

Value for Money (VFM) arrangements

At the time of writing, our risk assessment regarding your arrangements to secure VFM is ongoing. We have not identified any risks of significant weaknesses in your arrangements at this stage. We will report any changes to our risk assessment to the Committee.

Audit logistics

Our planning visit took place in March 2023 and our final visit will take place in July – September 2023. Our key deliverables are this indicative Audit Plan, our Audit Findings Report and the Auditor's Annual Report.

Our proposed fee for the audit will be £61,099 [PY: £58,248] for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Indicative significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions [rebutted]	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. The presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the Council revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition; • Opportunities to manipulate revenue recognition are very limited; and • The culture and ethical frameworks of local authorities, including that of Tonbridge & Malling Borough Council, mean that all forms of fraud are seen as unacceptable. <p>We do not consider this to be a significant risk for the Tonbridge & Malling Borough Council.</p>	
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Indicative significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Council's operational land and buildings are revalued on a rolling five-yearly basis. The valuation of these assets represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions and market conditions.</p> <p>For assets not revalued in the year management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date.</p> <p>We therefore identified valuation of land and buildings as a significant risk, particularly focused on the valuers' key assumptions and inputs to the valuations.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluate the competence, capabilities and objectivity of the valuation expert. • Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met and discuss this basis where there are any departures from the Code. • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding. • Assess how management has challenged the valuations produced by the professional valuer to assure themselves that these represent the materially correct current value. • Test, on a sample basis, revaluations made during the year to see if they are input correctly into the Council's asset register. • Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Indicative significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability, noting that the impact of the Local Government Pension Scheme 2022 triennial valuation will impact the Council's 2022-23 pension fund net liability.</p> <p>We have concluded that there is not a significant risk of material misstatement due to the source data used by the actuary in their calculation we will reconsider this if it becomes apparent at the year-end that there are significant special events relating to the source data (such as bulk transfers, redundancies or other significant movements of staff) which would need to be given special consideration during the audit. Despite not being considered a significant risk we still carry out testing and consideration of the source data to obtain sufficient and appropriate audit evidence that there is no material misstatement.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls. • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. • Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. • Assess the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud, Goodwin and Guaranteed Minimum Pension cases. • Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • Obtain assurances from the auditor of Kent County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Indicative other risk identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Fraud in expenditure recognition	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>As most public bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk that the Council may manipulate expenditure to budgets and set targets and we had regard to this when planning and performing our audit procedures.</p> <p>Management could defer recognition of expenditure by under-accruing for expenses that have been incurred during the period, but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.</p> <p>Having considered the risk factors related to this risk and the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted for the Council's expenditure, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are limited; and • the culture and ethical frameworks of local authorities, including Tonbridge & Malling Borough Council, mean that all forms of fraud are seen as unacceptable. <p>However, we have identified that due to the level of estimation involved in the manual accruals of expenditure and the potential volume of accruals at year end there is an increased risk of error in expenditure recognition.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • inspect transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period. • inspect a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year. We will also compare listings of accruals to the previous year to ensure completeness of accrued items. • investigate manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2022-23 financial statements, consider and decide upon any objections received in relation to the 2022-23 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; or
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

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

Progress against prior year audit recommendations

We identified the following issues in our 2021-22 audit of the Council's financial statements, which resulted in three recommendations being reported in our 2021-22 Audit Findings Report. We have followed up on the implementation of our recommendations and one recommendation is still to be addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	<p>Mapping of trial balance to financial statements: Deficiency noted through our journals completeness work, whereby balances are not categorised to the balance sheet as expected. Specifically, the Council includes some debtors and creditors balances within the same account codes. At year end, the debtors and creditors are manually split out to prepare the FS.</p>	Per management comment, the Integra System only holds a single balance for various account codes, and splitting these would add significant time to an already tight timetable to complete the financial statements. Therefore no further action has been made on this recommendation.
✓	<p>Journal authorisation: There is no formal authorisation process in place for journals at the Council. There is a risk that users could post fraudulent journals to manipulate the financial position without detection, or could disrupt an audit trail. However, we do not consider the risk to be significant given that there are only six users who have the ability to post journals and any unusual material journals posted could be identified via budgetary monitoring.</p>	Per management comment, following discussions with colleagues around Kent, the Council has adopted a plan to authorise any journal line over £25,000. Reports are being prepared for the 2022-23 year to date and the remainder of the closedown period.
Ongoing	<p>Fixed asset register (FAR): Deficiency noted in the preparation and maintenance of the Council's FAR, maintained in an Excel workbook with separate tabs for each asset type. This means that there is not one listing of all assets from which sampling, recon, or other checks can be carried out. Additionally, the FAR does not clearly include data needed to determine accounting entries for revaluation movements.</p>	Per management comment, this recommendation was made after using the same format since the inception of capital charges in 1993, that being said management has agreed to review and update these registers, the first being Land and Buildings which has been reviewed in 2022-23 with other FARs to be reviewed in the forthcoming years.

Our indicative approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at this indicative stage of our audit is £1.2m which equates to 2% of the prior year gross expenditure for the period.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes; and – assist in evaluating the effect of known and likely misstatements in the financial statements.
	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none"> – We have identified senior officer remuneration and termination benefits as disclosures where we will apply a lower materiality level, as they are considered sensitive disclosures. We have set a materiality of £50,000. – We have identified cash and cash equivalents as a balance where we will apply a lower materiality level, as it is considered sensitive balance. We have set a materiality of £500,000.

Our indicative approach to materiality

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p>Other communications relating to materiality we will report to the Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £60k (PY £60k). If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.</p>

Our indicative approach to materiality

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	Amount (£)	Qualitative factors considered
Materiality for the Council's financial statements	1,200,000	We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £1.2m which equates to 2% of your prior year gross expenditure for the period.
Materiality for specific transactions, balances or disclosures senior officer remuneration	50,000	We have identified senior officer remuneration and termination benefits as disclosures where we will apply a lower materiality level, as they are considered sensitive disclosures. We have set a materiality of £50,000.
Materiality for specific transactions, balances or disclosures cash and cash equivalents	500,000	We have identified cash and cash equivalents as a balance where we will apply a lower materiality level, as it is considered sensitive balance. We have set a materiality of £500,000.



IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Integra	General Ledger Within the general ledger the following modules will be captured in our ITGC work: <ul style="list-style-type: none"> • Account Payable • Account Receivable (Understanding of the relevant controls only) 	<ul style="list-style-type: none"> • Obtain an understanding of the information technology general controls over the general ledger and review design and implementation of those controls. • Review any local controls which are managed within the council (design and implementation of control).

We have not identified significant changes during the period affecting the IT controls of the Council and therefore no additional audit procedures will be completed.

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have yet to conclude on our detailed Value for Money planning procedures. We will update the Audit Committee on the outcome of these planning procedures, our resulting risk assessment and our planned responses to any identified risks of significant weaknesses in arrangements at a future Audit Committee meeting.

Audit logistics and team

Planning and
risk assessment

Audit
Committee
April 2023

Indicative
Audit Plan

Year end audit
July to September

Audit
Committee
TBC

Audit Findings
Report
Audit Opinion

Audit
Committee
TBC

Auditor's
Annual
Report

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Sophia Brown, Key Audit Partner

Sophia is responsible for the overall client relationship, quality control, provision of the audit opinion, meeting regularly with key internal stakeholders and final authorisation of reports. Sophia will share her wealth of knowledge and experience across the sector, providing challenge and sharing good practice. Sophia will ensure our audit is tailored specifically to you, and is responsible for the overall quality of our audit work.



Ghufraan Ahmed, Audit Manager

Ghufraan will be responsible for overall audit management, working with the senior members of the finance team, ensuring the delivery of the final accounts audit. He will undertake reviews of the team's work, ensuring quality output and draft reports; ensuring they remain clear, concise and understandable.



Asad Khan, Assistant Manager

Asad will lead the audit team and is responsible for day to day management of the audit, ensuring that your audit is delivered effectively and efficiently. He will be the day to day contact for the finance team and monitor the deliverables, highlighting any significant issues to senior management in a timely manner.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

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

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2018, PSAA awarded a contract of audit for Tonbridge & Malling Borough Council to begin with effect from 2018-19. The fee agreed in the contract was £35,248. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISAs which are relevant for the 2022-23 audit. For details of the changes which impacted on years up to 2021-22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022-23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £2,851. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022-23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022-23, as set out below, is detailed overleaf and has been agreed with the Director of Finance and Transformation.

Audit fees

	Actual Fee 2020-21	Actual Fee 2021-22	Proposed fee 2022-23
Tonbridge & Malling Borough Council Audit	£57,114	£58,248	£61,099

Assumptions

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 In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit;
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements; and
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Description	Actual 2021-22 fee	Proposed 2022-23 fee
Scale fee published by PSAA 2019	£42,749	£42,749
<i>Ongoing increases to scale fee first identified in 2019-20</i>		
Previously agreed annual increases (including regulatory changes, enhanced audit procedures for Property, Plant, Equipment and pension liability)	£5,365	£5,365
Audit fee 2019-20	£48,114	£48,114
<i>New issues for 2020-21</i>		
Additional work on Value for Money under new NAO Code	£9,000	£9,000
Audit fee 2020-21	£57,114	£57,114
<i>New issues for 2021-22</i>		
Increased audit requirements of revised ISAs	£1,134	£1,134
Audit fee 2021-22	£58,248	£58,248
<i>New issues for 2022-23</i>		
Introduction of ISA 315		£2,851
Total proposed audit fee 2022-23 (excluding VAT)		£61,099

All variations to the scale fee will need to be approved by PSAA

Independence and non-audit services

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings Report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Housing Benefit (Subsidy) Assurance Process	18,400	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £18,400 in comparison to the total fee for the audit of £61,364 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	This document, the indicative Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	Respective responsibilities As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud[deliberate manipulation] involving management and/or which results in material misstatement of the financial statements [not typically council tax fraud]		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	

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Agenda Item 14

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

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Agenda Item 15

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

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

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Agenda Item 17

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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