

TONBRIDGE & MALLING BOROUGH COUNCIL



EXECUTIVE SERVICES

Interim Chief Executive
Adrian Stanfield LL.B (Hons)

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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 2024

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, 15th April, 2024 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

ADRIAN STANFIELD

Interim Chief Executive

A G E N D A

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PART 1 - PUBLIC

2. Apologies for absence

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| 3. | Notification of Substitute Members | 11 - 12 |
| 4. | Declarations of interest | 13 - 14 |

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 | 15 - 20 |
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To confirm as a correct record the Minutes of the meeting of Audit Committee held on 15 January 2024

Matters for Recommendation to Council

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| 6. | Audit Committee Annual Report | 21 - 28 |
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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 is presented to Council to support this assurance.

Matters for Recommendation to Cabinet

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| 7. | Risk Management | 29 - 52 |
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The report provides an update on the risk management process and the Strategic Risk Register.

Matters to be Taken under Delegated Powers

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| 8. | Treasury Management Performance Update | 53 - 64 |
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The report provides details of investments undertaken and the return achieved in the first eleven months of the current financial year. It also makes proposals in respect of the Lothbury Property Investment Fund.

9. Local Audit Consultation 65 - 146

This report informs Members of the Local Audit Consultation undertaken by the National Audit Office (NAO) on the progress for Local Authority Audit to be undertaken through to 2027/28.

The report also updates members on the proposed audit plan for the 2023/24 Financial Statements and consideration of the timing and signing of these statements.

10. Informing the Audit Risk Assessment for Tonbridge and Malling Borough Council 2023-24 147 - 180

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.

(Note: Whilst Annex 1 is marked 'commercial and in confidence' the report authors Grant Thornton have confirmed that this can be available in public)

11. Internal Audit Charter 181 - 188

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

12. Internal Audit and Fraud Plan 2024-25 189 - 194

This report seeks Member approval of the Internal Audit and Fraud Plan for the year 2024/25.

Matters submitted for Information

13. Internal Audit and Counter Fraud Update 195 - 216

This report provides Members with an update on the work of both the Internal Audit function and the Counter Fraud function.

14. Urgent Items 217 - 218

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 219 - 220

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

16. Insurance Claims History 221 - 226

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

This report serves to inform Members as to the nature and volume of liability and property damage insurance claims submitted for the year ended 31 March 2024.

17. Urgent Items 227 - 228

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 R I B Cannon (Chair)
Cllr M R Rhodes (Vice-Chair)

Cllr J Clokey
Cllr J R S Lark
Cllr M A J Hood

Cllr B A Parry
Cllr R V Roud

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GUIDANCE ON HOW MEETINGS WILL BE CONDUCTED

- (1) Most of the Borough Council meetings are livestreamed, unless there is exempt or confidential business being discussed, giving residents the opportunity to see decision making in action. These can be watched via our YouTube channel. When it is not possible to livestream meetings they are recorded and uploaded as soon as possible:

<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 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 Chair, 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 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 should attend in person. However, arrangements to participate online can be considered in certain circumstances. 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.

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Audit Committee

	Conservative	Liberal Democratic	Green	Ind. Kent Alliance	Labour
1	Steve Hammond	Bill Banks	Lee Athwal		
2	Dan Harman	Tim Bishop	Kath Barton		
3	Sarah Hudson	Paul Boxall	Anna Cope		
4	Alex McDermott	Garry Bridge	George Hines		
5	Keith Tunstall	Trudy Dean	Robert Oliver		

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, 15th January, 2024

Present: Cllr R I B Cannon (Chair), Cllr M R Rhodes (Vice-Chair), Cllr J Clokey, Cllr J R S Lark, Cllr M A J Hood, Cllr B A Parry and Cllr T Bishop (substitute).

Virtual: Councillors R P Betts, A Cope, Mrs A S Oakley, W E Palmer and K B Tanner participated via MS Teams and joined the discussion when invited to do so by the Chairman in accordance with Council Procedure Rule No 15.21.

An apology for absence was received from Councillor R V Roud.

PART 1 - PUBLIC

AU 24/1 NOTIFICATION OF SUBSTITUTE MEMBERS

Notification of substitute Members were recorded as set out below:

- Cllr Bishop substituting for Cllr Roud

In accordance with Council Procedure Rules 17.5 to 17.9 this Councillor had the same rights as the ordinary member of the committee for whom they were substituting.

AU 24/2 DECLARATIONS OF INTEREST

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

AU 24/3 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 25 September 2023 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO THE CABINET

AU 24/4 RISK MANAGEMENT

The report of the Management Team provided details of the review undertaken by Zurich Risk Management and provided an update on the risk management process and the Strategic Risk Register (SRR).

Zurich Risk Management had undertaken a Risk Management Health Check through review of the Council's current strategy and guidance;

plus interviews with members of Corporate Management Team, the Chief Financial Services Officer and the Health and Safety Officer. The executive summary was attached at Annex 1 of the report and gave the Management Response to the recommendations.

Members received an update on the risk management process and the Strategic Risk Register (SRR). In September 2023, there were 10 risks categorised as 'red' as summarised below:

- Financial position/budget deficit
- Economic stability
- Savings and Transformation Strategy
- Local Plan
- Organisational Development including recruitment and retention/skills mix
- Homes for Ukraine Scheme
- Implementation of the Agile software system
- Political factors including stability of political leadership and decision making
- Performance Management
- Carbon Neutral 2030 Aspiration

Since last reported, there had been a downward movement in a number of risk scores which had resulted in a reduction in the number of RED risks. Financial position/budget deficit, economic stability, organisational development including recruitment/retention/skills mix and performance management were no longer identified as RED risks, however Safeguarding and PREVENT had been elevated to RED. Whilst 'Implementation of the Agile software system' remained a RED risk, Members were advised that the scoring had reduced given that part of the system was live. Members requested that the responsible owner of the risk be invited to attend a future meeting of the committee to discuss the associated risks.

A schedule of ongoing risks identified by Service Management Teams and Management Team since the last report to the Committee in September 2023 was set out in Annex 6 of the report.

During discussion, further information was sought on the reduced risk for 'Financial position/budget deficit', and it was noted that the draft budget for 2024/25 was looking positive. Information would be reported to the Overview and Scrutiny Committee on 25 January 2024. In terms of desirable risk scores for those risks on the Strategic Risk Register, Members indicated that the inclusion of SMART objectives would prove useful.

RECOMMENDED*: That

- (1) the Risk Management Health Check be reviewed and the Management response to the recommendations made be considered and approved;
- (2) the Risk Management Strategy and accompanying Risk Management Guidance be reviewed, and subject to any amendments required, be recommended to Full Council for adoption;
- (3) the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as RED, as well as the general positive 'direction of travel', be noted; and
- (4) the responsible owner of the implementation of the Agile software system be invited to attend a future meeting of the Audit Committee to discuss the risk.

Referred to Cabinet*AU 24/5 TREASURY MANAGEMENT UPDATE AND TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2024/25**

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 2024/25 attached at Annex 5 to the report.

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.

A full list of investments held on 30 November 2023 was attached at Annex 1 to the report and a copy of the lending list at Annex 2. In terms of cash flow and core cash investments, £1,959,433 was earned in interest to the end of November 2023, which was above the original budget estimate for the same period. The increase reflected the continued upward movement of interest rate rises and the favourable rates available to the Council. During the period 1 April 2023 to 30 September 2023, the £5m investment in property funds generated dividends of £92,939, which represented an annualised return of 3.72%, compared to 3.49% in 2022/23.

The parameters to limit the Borough Council's exposure to investment risks were summarised in Annex 5. There were no changes to the current approved risk parameters proposed at this time.

RECOMMENDED*: That

- (1) the treasury management position as at 30 November 2023 be noted; and
- (2) the Treasury Management and Annual Investment Strategy for 2024/25 (attached as Annex 5) be adopted.

***Referred to Cabinet**

DECISIONS TAKEN UNDER DELEGATED POWERS**AU 24/6 ACCOUNTING POLICIES**

The Accounting Policies proposed for the 2023/24 Financial Statements were presented for consideration and endorsement. It was noted that a minor change proposed to the previous Accounting Policies was the clarification of the Council's minimum accrual limits for revenue items of £10,000, and £10,000 for capital schemes. It was noted that there would be exceptions where accruals were occasionally raised below these limits, depending on the nature of the transaction.

RESOLVED: That the Accounting Policies to be used in the preparation of the 2023/24 Financial Statements, as set out at Annex 1 of the report, be endorsed.

AU 24/7 BIENNIAL REVIEW OF ANTI-FRAUD, BRIBERY, AND CORRUPTION POLICY AND WHISTLEBLOWING POLICY

The report informed Members of the outcome of the biennial review of the Council's Anti-Fraud, Bribery and Corruption Policy and Whistleblowing Policy.

The review had identified Grant Funding, Procurement Fraud and Mandate Fraud as additional fraud/error risks.

The Whistleblowing Policy and Procedure, attached at Annex 2 and 3 to the report, were also presented and it was noted that there were no changes required to bring the documents up to date with best practice following its last review in January 2022, with the exception of some minor amendments. The external Whistleblowing Policy, which provided the public and those providing services to the organisation to raise concerns, was also presented and was attached at Annex 4 to the report.

During discussion, an update was sought on the Council's procurement resources and it was noted that the options were being discussed.

RESOLVED: That

- (1) the Anti-Fraud, Bribery and Corruption Policy (attached as Annex 1) be approved;
- (2) the General Purposes Committee be invited to approve the Whistleblowing Policy (attached as Annex 2); and
- (3) any necessary amendments to key contacts held within the Whistleblowing Policy be delegated to officers as and when they occur.

MATTERS SUBMITTED FOR INFORMATION**AU 24/8 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 for the period September 2023 to January 2024. Progress against the 2023/24 Plan was also reported and noted.

A summary of the current status of all audits on the 2023/24 Plan, including a summary of findings where finalised was attached at Annex 1 to the report.

Attention was drawn to the new, updated, set of Internal Audit Standards which would be implemented in January 2025. The standards would be set across 15 principles, under 5 domains, most significantly domain 3 'Governing the Internal Audit Function, and it was likely that this would incorporate additional requirements from senior management and the Audit Committee, and an improvement plan would be developed and presented to the Audit Committee to address any gaps.

RESOLVED: That the report be noted.

AU 24/9 EXCLUSION OF PRESS AND PUBLIC

There were no items considered in private.

The meeting ended at 9.25 pm

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

15 April 2024

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 Since Annual Council in May 2023, the Audit Committee comprises seven Members (previously this had been 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 April 2023 the Committee considered and endorsed management responses to Informing the Audit Risk Assessment 2022/23 in respect of the audit of the financial statements.
- 1.2.2 In July 2023 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”. The Committee noted that the proposed changes to the Local Code were relatively minor in nature, with no significant activities having taken place since July 2022 that impacted the Council’s corporate governance arrangements.
- 1.2.3 The Committee is required to consider and approve the contents of the Annual Governance Statement (AGS), and this took place in July 2023. The AGS (which accompanies the Statement of Accounts but is not part of the Accounts) explains how the Council complies with the Local Code of Corporate Governance and the Accounts & Audit Regulations, assessing and demonstrating that there is a sound system of corporate governance throughout the organisation.
- 1.2.4 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.

1.3 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 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. As Members are aware, the Internal Audit function is carried out by Kent County Council under a delegation arrangement.
- 1.3.4 The Annual Internal Audit and Fraud Plan for 2023/24 was presented to the Audit Committee in April 2023 and Members were able to consider the content prior to recommending approval.

- 1.3.5 In July 2023 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. The CAE stated *"In my capacity as the Chief Audit Executive, with responsibility for the provision of Internal Audit services to the Council, it is my opinion that Tonbridge and Malling Borough Council's framework of governance, risk management and control substantially contributed to the proper, economic, efficient and effective use of resources in achieving the Council's objectives during 2022/23"*.
- 1.3.6 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 2023 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".
- 1.3.7 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.
- 1.3.8 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.
- 1.3.9 The Audit Committee was given a report in July 2023 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.
- 1.3.10 The Internal Audit Charter, which is reviewed against professional standards, 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 2023 meeting of the Audit Committee.
- 1.3.11 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.

1.3.12 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 last took place in January 2024.

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. Member training was delivered by Zurich Municipal (the Council's Insurers) prior to the January 2024 meeting and during the formal meeting in January a report from Zurich Risk Management in respect of a Risk Management Health Check was received and considered. A number of recommendations were made and the Committee endorsed a management action plan to address these.

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 2023. 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 2023 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 September 2024. Two significant weaknesses in arrangements were identified by Grant Thornton relating to performance management and procurement under the heading 'Improving economy, efficiency and effectiveness' In addition a few improvement recommendations were made. Progress in addressing the significant weaknesses is being monitored.
- 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 2024 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 2023/24 include amounts to be recovered and increased annual liability due to fraud and error.

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 2022/23 at the meeting of September 2023. 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 At the same meeting in September 2023, the Committee received 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. As stated in paragraph 1.7.2 two significant weaknesses in arrangements were identified, and a few improvement recommendations were also 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 2024 Members of the Audit Committee reviewed the Treasury Management and Annual Investment Strategy for 2024/25 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 2023 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: Robert Cannon

Nil

Councillor Robert Cannon
Chair of the Audit Committee

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

15 April 2024

Report of the Management Team

Part 1- Public

Matters for Recommendation to Cabinet

1 RISK MANAGEMENT

The report also provides 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 20 February 2024.

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 executive summary of the **RED** risks has been provided at **[Annex 1]** and a full update of the current strategic risks and how they are being managed as at the time of writing is appended at **[Annex 1a]**.

- 1.3.2 As part of the Zurich review Officers have reviewed the scoring on all of the risks identified in order to ensure that the scoring reflects the current position of the risk considered.

- 1.3.3 For completeness the risks categorised as **RED** at the time of the January meeting is given below.

- 1) Savings and Transformation Strategy
- 2) Local Plan
- 3) Implementation of the Agile software system
- 4) Political factors including stability of political leadership and decision making
- 5) Homes for Ukraine Scheme
- 6) Carbon Neutral 2030 Aspiration
- 7) Safeguarding and PREVENT

- 1.3.4 Following the most recent review by Management Team, a number of changes have been made to the Register.

- 1.3.5 Management Team no longer believes that “*Waste Management*” needs to appear as a strategic risk and has therefore been removed from the Register.
- 1.3.6 “*Procurement*” has, however, been added as a strategic risk following recommendations from the internal Procurement OSG. Members are reminded that this was identified as a significant weakness by Grant Thornton in their Annual Audit report. Members will be updated on the evening of the committee regarding this risk as a report is being presented to Cabinet on 2 April regarding the engagement of procurement resources. [Agenda for Cabinet on Tuesday, 2nd April, 2024, 6.30 pm \(tmbc.gov.uk\)](#)
- 1.3.7 Members will note from the notes in **red font** on the Register identifying current mitigations and updates to risks. Four risks have been assessed as no longer being red: namely
- Safeguarding and PREVENT
 - Political factors including stability of political leadership and decision making
 - Homes for Ukraine Scheme
 - Carbon Neutral 2030 Aspiration
- 1.3.8 The **RED** risks remaining at the time of publishing this report are:
- 1) **Savings and Transformation Strategy**
 - 2) **Local Plan**
 - 3) **Implementation of the Agile software system**
 - 4) **Procurement**
- 1.3.9 Members are asked to note the updates in red font since the last iteration of the Register and the movement in the scoring of the risks.
- 1.3.10 At the last meeting, Members of the Committee asked that the Senior Responsible Officer for the *Agile* project attend the meeting in order to update the Committee on the management of this risk, which remains **RED**. The Director of Planning, Housing and Environmental Health will dial into the meeting to answer any questions Members might have. Members are also advised that a report was submitted to the Overview and Scrutiny Committee on 4 April regarding the implementation of the Agile project, and Members may wish to have a look at this. [Agenda for Overview and Scrutiny Committee on Thursday, 4th April, 2024, 7.30 pm \(tmbc.gov.uk\)](#)
- 1.3.11 Following the detailed training the Committee received at its last meeting and the recommendations made by the risk consultant from Zurich, over the coming

months a review will be undertaken of all the risks contained within the Strategic Risk Register with a view to achieving a more streamlined version.

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, as well as the general positive 'direction of travel'.

Background papers:

contact: Sharon Shelton

Nil

Sharon Shelton

Director of Finance and Transformation on behalf of the Management Team

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No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score (1-6)	Impact score (1-4)	Overall risk score	Current Mitigation	Desired Likelihood Score (1-6)	Desired Impact score (1-4)	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
6	Savings and Transformation Strategy	F, R, S	Failure to meet objectives and/or make savings. Impact on quality of service, budget overspends, salami slicing, etc. staff motivation impacted and increased risk of fraud or error. Coronavirus pandemic and the subsequent economic crisis has significant economic implications for the Council, businesses and residents.	01/04/2017	4	4	16	STS reviewed and updated in line with review of MTFS. With regular reports to update MT and Members The 24/25 Budget is balanced with contribution to General Revenue Reserve and significant contributions to Earmarked Reserves for Corporate priorities. MTFS and STS updated and approved by Council in Feb 2024. Funding gap estimated to be £1.7m. Take all opportunities to maximise income receipts Withdrawal of Bring Recycling Bank Sites from April 2024 and changes to parking charges being considered in April 2024.	3	3	9	It is expected that after 24/25 once the Fair Funding Review has been undertaken, the budget position will dramatically switch and expenditure will outstrip external funding. Therefore savings needs to be made in order to ensure that by the end of MTFS we have a balanced budget again. Some savings were identified in report to Cabinet Dec 23 and were incorporated into budget adopted in Feb 24. Some further savings/contributions have been identified since (bring banks), and parking charges are subject of Member discussion and decision.	Priority in the Corporate Strategy of "Efficient services for all our residents, maintaining an effective council"	Chief Executive / Director of Finance and Transformation/ Management Team	↔	Jun-24
7	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.	4/1/2017, reviewed and updated March 24	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 Revised LDS adopted summer 2023 The Council has decided to continue progressing the Local Plan under the current legislative and National Planning Policy Framework. It will be critical that the new plan is prepared in compliance with the regulatory framework and relies on a robust evidence base that meets the requirements of the NPPF so that the plan can be found to be sound at the examination stage. Timing is of the essence as the Local Plan will need to be submitted to the PI by 30th June 2025. The Council has recently engaged Towers and Hamlins Law Firm to advise and support the Planning Policy Team in order to progress matters up until the Adoption stage of the Local Plan. The current vacant Planning Policy Manager position does create challenges around capacity leading up to the Reg 18b consultation. Whilst a consultant has been appointed to the interim role, this is for reduced hours and creates challenges around capacity. Measures have been put in place to increase these hours but the interim post holder cannot work the full 37 hrs week and therefore even with the additional hours agreed, there remains a risk in capacity to this crucial role. Proposed informal engagement with members on emerging spatial strategy in Autumn 2023 Current Risk score to remain until conclusion of Regulation 19 consultation.	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 and priority given to finding a permanent Planning Policy Manager. Regular review of hours of Interim Planning Policy Manager to ensure capacity is available within the team. 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-24
20	Implementation of Agile system	F, S	Service impacts from level of staff time required to develop the Agile product for use as operating system. 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	01/11/2022	5	3	15	Programme of liaison meetings with Agile in place including Board and weekly catch ups Employment of Business Change PM to manage project on behalf of TMBC and coordinate all issues Regular updates for CM for Finance & Housing, who is the Cabinet Lead for Agile. Internal meetings with staff, managed by Business Change Project Manager Issues log in use Issues escalated to Agile management Post-implementation review of APAS implementation Agreement to deliver enhancement project in Q1/24 APAS (Planning) Module now live. Placis Module currently in implementation phase	2	2	4	Further escalation of issues to Agile CEO At least 2 stand ups per week between Business Change PM and SRO (DPHEH) in September to oversee APAS go live by end of September PLACIS delivery plan updated by Agile following review of data migration approach Weekly review of project plan and considerations of service impacts required to meet go live programme - to be reported into MT and informal Cabinet on a regular basis Review of project governance and use of Project Board for escalation of issues Completion of all modules for go live	Digital Strategy	Director of Planning, Housing and Environmental Health	↔	May-24



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score (1-6)	Impact score (1-4)	Overall risk score	Current Mitigation	Desired Likelihood Score (1-6)	Desired Impact score (1-4)	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
24	Contract/Contractor Procurement	F, R	Failure to appoint suitably experienced and qualified contractors leading to poor quality of service, reputational damage and increased costs to the Council.	01/02/2024	4	4	16	<p>Compliance with Council's adopted Procurement Rules and Strategy.</p> <p>Consultation undertaken with Property and Legal Services to ensure appropriate Lease/License/Contract arrangements are in place.</p> <p>Procedure adopted and monitored for the engagement of contractors setting out and seeking minimal requirements including Risk Assessment and Public Liability.</p> <p>Establishment of cross-departmental working groups for key contracts and projects.</p> <p>Contracts awarded on an evaluation of 'most economically advantageous' and 'best value' and not solely on financial benefit.</p> <p>Directorate representatives on the Council's Procurement OSG.</p> <p>Use of external specialist consultant (Dartford Borough Council) in the administration of contract procurement.</p> <p>Use of specialist advisors on major contracts.</p> <p>Contracts to include break clause and/or extension periods based on performance.</p> <p>Contracts to include break clause and/or extension periods based on performance.</p> <p>Use of contract frameworks where appropriate.</p> <p>Risk assessment approach to appointment of contractors.</p> <p>Risk assessment approach to appointment of contractors.</p>	1	3	3	<p>Corporate Procurement Rules & Strategy being addressed by Corporate Procurement Group as currently out of date.</p> <p>Corporate Procurement Group addressing adequacy of corporate procurement support.</p> <p>Decision awated following recommendation to Cabinet 2 April for procurement resources through Mid Kent Partnership</p>	Procurement Strategy. Compliance with legislation. Health and Safety.	Director of Street Scene, Leisure & Technical Services	NEW	Jun-24



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score (1-6)	Impact score (1-4)	Overall risk score	Current Mitigation	Desired Likelihood Score (1-6)	Desired Impact score (1-4)	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
1	Safeguarding and PREVENT	S, R	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 are in place with adequate staff resource to ensure safeguarding procedures are consistently being followed.	01/04/2017	3	4	12	<p>The overall responsibility for safeguarding lies with the Chief Executive, rather than individual services.</p> <p>The Council has undertaken the following actions to mitigate risk</p> <ul style="list-style-type: none"> Carried out audit review of procedures to identify and address weaknesses Provided training to all licenced Hackney Carriage and Private Hire Drivers Provides a secure database for the recording and sharing of safeguarding concerns. Officer Study Group with safeguarding champions across services who are able to provide advise and support regarding safeguarding issues Management Team have approved the recruitment of a dedicated safeguarding officer (October 2023). Included in the service aspirations list for consideration by Members. <p>Training provided to staff</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.</p> <p>Undertake actions from the latest Safeguarding Audit and update Safeguarding Policy.</p> <p>Consideration for additional resourcing (supported by Management Team in October 2023, and report due to go to General Purposes Committee in June)</p>	Safeguarding Policy	Chief Executive	Downward arrow	Jun-24
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>This includes</p> <ul style="list-style-type: none"> Failure to maximise New Homes Bonus (for as long as it exists). Assessment of the current economic implications of higher inflation and interest rates Failure to deliver identified savings / Additional income 	01/04/2017	3	4	12	<p>The Council provides an annual statement (as a minimum) on the following areas;</p> <ul style="list-style-type: none"> Treasury Management and Investment Strategy. Robustness of estimates and adequacy of reserves. Medium Term Financial Strategy (MTFS) Savings and Transformation Strategy (STS) Statement of Accounts containing Audit and Value for Money Opinion <p>Growth in business rate income above baseline is assisting overall financial position in current year 24/25 .</p> <p>The Council also considers it has the following</p> <ul style="list-style-type: none"> Effective Budgetary control and reporting procedures covering areas such as Leisure Trust Utility costs Effective monitoring covering Business Rates and Council Tax income including reporting to the Kent Pool. Regular reviews undertaken on the forecast of the Local Government Settlement. Interest rates for investments are at a recent high, these are providing some additional funds for reserves but cannot provide a long term solution. Minimum level of General Revenue Reserve maintained at £3m. In addition, a Budget Stabilisation Reserve is held. <p>Current financial position within MTFS shows balanced budget for final year. This is after allowing for assumptions made on long term resourcing issues covering Fair Funding, Business Rates reset and allows for increased contract costs on major council contracts.</p>	3	3	9	<p>The 2024/25 Budget is balanced with contribution to General Revenue Reserve, as well as significant contributions to Earmarked Reserves in order to support Corporate priorities. Council tax increase of 3% approved for 2024/25</p> <p>However, it is expected that after 24/25 once the Fair Funding Review has been undertaken, the position will dramatically switch and expenditure will outstrip external funding. Therefore savings needs to be made in order to ensure that by the end of MTFS we have a balanced budget again.</p> <p>Ensure that Business Rate income is maximised for benefit of TMBC prior to any Reset by Government (expected post 25/26)</p> <p>Maximise receipts through business rates via pooling and prior to any business rates reset</p> <p>Await and assess the outcome of the Government's consultation and review of New Homes Bonus. This was anticipated Spring 2023, but has still not been forthcoming.</p> <p>Three key financial risks were highlighted to Members: namely Waste (including the proposed Extended Producer Responsibility scheme which has been delayed), Homelessness and Local Plan. All three have significant financial implications for the Council in different ways and are being assessed and managed.</p> <p>MT and Cabinet continuing to work with LGA to consider the best way of delivering transformation which could also to assist with identification and delivery of efficiencies</p> <p>Savings, contained with MTFS and Saving and Transformation Strategy, must be achieved in a timely manner in order to ensure that MTFS targets maintained. Reports will be brought forward as options are assessed.</p>	Priority in the Corporate Strategy of "Efficient services for all our residents, maintaining an effective council"	Director of Finance and Transformation	Double-headed arrow	Jun-24



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score (1-6)	Impact score (1-4)	Overall risk score	Current Mitigation	Desired Likelihood Score (1-6)	Desired Impact score (1-4)	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
3	Economic Stability	F	Financial impact and effect on the economy as well as uncertainty around current EU legislation, i.e. what replaces it, could have a significant financial impact and lead to legislative changes impacting on finance and resources. 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. Current high rates of inflation coupled with higher interest rates than have been seen for a number of years likely to have wider impact on community and businesses	01/04/2017	3	4	12	Kent-wide working to understand, plan for and react to pressures. Regular review of; MTFS reflecting economic factors Treasury Management and Investment strategies. Collection performance for council tax and business rates All staff equipped to be able to work from home and deliver public services and arrangements set out in adopted working policy Delivery of Household Support funds in liaison with KCC. New round of HSF announced in Chancellor's Spring Budget Whilst inflation remains above BoE levels they now are beginning to fall with stability expected in the next few years.	3	4	12	Council continuing to work with Kent Resilience forum and County Partnership groups as needed Keep Business Impact assessments under review. Business continuity planning updated to ensure smooth running of services to public. Work with KCC, if required, to roll out tranche 5 of Household Support Fund. Continued focus on homelessness prevention work. Consultants recommendations on how to improve/maintain position received Jan 2024. Assessment of options for new TA accommodation underway following report to Housing & Planning Scrutiny Select Committee Dec 23.	N/A - external risk.	Chief Executive / Director of Finance and Transformation/ Management Team	↔	Jun-24
4	Corporate Strategy	F, R, S	The lack of an up to date Corporate Strategy would lead to a lack of strategic direction for the Council, and lead to a lack of clarity about priorities, and the ability to meet objectives and make savings.	04/01/2017	4	3	12	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 Annual Action Plan went to Cabinet and O&S in Spring 2023 and the final version was approved by Council in July 2023. KPIs (including targets, trends and benchmarking) will continue to be reported to MT, SSCs, O&S and Cabinet on a quarterly basis. A report covering progress on the Annual Action Plan and the refreshed plan for 2024/25 will be presented in Spring 2024.	3	2	6	Final adoption of the Corporate Strategy 2023-2027 (achieved in July 2023), along with monitoring of the annual action plan and KPI's that will ensure overview of performance. Implementation of values set out in corporate strategy to be progressed during 2024.	The new Corporate Strategy has a vision to "be an innovative and forward thinking council that leads the people and businesses of the borough towards a vibrant, prosperous and sustainable future".	Chief Executive	↔	Jun-24
5	Performance Management	F,R,S	Without an effective performance management framework in place, the authority will not be able to understand any required improvements or achieve value for money.	30/08/2023 (separated from Corporate Plan)	3	3	9	As mentioned above, with the adoption of the new Corporate Strategy, the authority has also set in place new aligned KPIs to monitor progress, and provide detail on direction of travel, and targets. Further work is being undertaken on benchmarking following the purchase of LGInform Plus and also on instilling the KPIs within the culture of the organisation. At present the KPIs are initially discussed at SMTs, before being presented to Management Team and Informal Cabinet before being shared with the Scrutiny Select Committees, O&S and Cabinet on a quarterly basis. An internal audit review of performance management was undertaken from November 2023 - March 2024, the findings of which are to be released shortly.	2	3	6	Any actions arising from the internal audit review of performance management will be prioritised.	One of the priorities in the new Corporate Strategy is "Efficient services for all our residents, maintaining an effective council"	Chief Executive/ Management Team	↔	Jun-24



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score (1-6)	Impact score (1-4)	Overall risk score	Current Mitigation	Desired Likelihood Score (1-6)	Desired Impact score (1-4)	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
6	Savings and Transformation Strategy	F, R, S	Failure to meet objectives and/or make savings. Impact on quality of service, budget overspends, salami slicing, etc. staff motivation impacted and increased risk of fraud or error. Coronavirus pandemic and the subsequent economic crisis has significant economic implications for the Council, businesses and residents.	01/04/2017	4	4	16	STS reviewed and updated in line with review of MTFS. With regular reports to update MT and Members The 24/25 Budget is balanced with contribution to General Revenue Reserve and significant contributions to Earmarked Reserves for Corporate priorities. MTFS and STS updated and approved by Council in Feb 2024. Funding gap estimated to be £1.7m. Take all opportunities to maximise income receipts Withdrawal of Bring Recycling Bank Sites from April 2024 and changes to parking charges being considered in April 2024.	3	3	9	It is expected that after 24/25 once the Fair Funding Review has been undertaken, the budget position will dramatically switch and expenditure will outstrip external funding. Therefore savings needs to be made in order to ensure that by the end of MTFS we have a balanced budget again. Some savings were identified in report to Cabinet Dec 23 and were incorporated into budget adopted in Feb 24. Some further e savings/contributions have been identified since (bring banks) , and parking charges are subject of Member discussion and decision.	Priority in the Corporate Strategy of "Efficient services for all our residents, maintaining an effective council"	Chief Executive / Director of Finance and Transformation/ Management Team	↔	Jun-24
7	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.	4/1/2017, reviewed and updated March 24	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 Revised LDS adopted summer 2023 The Council has decided to continue progressing the Local Plan under the current legislative and National Planning Policy Framework. It will be critical that the new plan is prepared in compliance with the regulatory framework and relies on a robust evidence base that meets the requirements of the NPPF so that the plan can be found to be sound at the examination stage. Timing is of the essence as the Local Plan will need to be submitted to the PI by 30th June 2025. The Council has recently engaged Towers and Hamlins Law Firm to advise and support the Planning Policy Team in order to progress matters up until the Adoption stage of the Local Plan. The current vacant Planning Policy Manager position does create challenges around capacity leading up to the Reg 18b consultation. Whilst a consultant has been appointed to the interim role, this is for reduced hours and creates challenges around capacity. Measures have been put in place to increase these hours but the interim post holder cannot work the full 37 hrs week and therefore even with the additional hours agreed, there remains a risk in capacity to this crucial role. Proposed informal engagement with members on emerging spatial strategy in Autumn 2023 Current Risk score to remain until conclusion of Regulation 19 consultation.	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 and priority given to finding a permanent Planning Policy Manager. Regular review of hours of Interim Planning Policy Manager to ensure capacity is available within the team. 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-24



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8	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	3	4	12	<p>Review of staff resources and skills via service reviews.</p> <p>Organisational structure reviews are part of S&TS to achieve efficiency, coordinated service delivery and reflect changing legislative and policy requirements and priorities.</p> <p>New market supplement and 'golden hello' recruitment and retention salary package offer being proposed to General Purposes Committee on 3 July 2023. Focused on the recruitment and retention of RTPI qualified planning staff. Wider market supplement policy approved by General Purposes committee in October 2023.</p> <p>Specific workstream on Building Control due to Building Safety Act requirements for all surveyors to be recertified - looking at different certification routes and HR processes for staff</p>	3	4	12	<p>Succession planning along with Development of further skills and expertise through strategies such as shared services and specialist Commissioning.</p> <p>Engagement of external consultants and specialists where required.</p> <p>Resilience and rationalisation of existing structures.</p> <p>Recruitment and retention strategy reviewed by MT. R&R report to be submitted to GP Committee and Council in October 2023 re hard to recruit to posts</p> <p>Pay award for 2024/25 5% or £1,900 (whichever is higher) for all staff, from April 2024.</p> <p>Structural reviews approved by Members on an ongoing basis.</p> <p>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.</p> <p>Workforce Strategy approved by General Purposes Committee in June 2022</p> <p>Ongoing workstream on Building Control</p>	HR Strategy Savings and Transformation Strategy	Director of Central Services and Deputy Chief Executive/ Chief Executive	↔	Jun-24
9	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	<p>Lone working policy and service based practices to be continuously monitored.</p> <p>Health and Safety considered by management at weekly SMT meetings.</p> <p>Staff involvement with Health & Safety Group</p> <p>Ongoing review undertaken to react to potential key risk areas.</p> <p>Organisational learning and response to national events.</p> <p>Incident and near miss reporting.</p>	2	3	6	<p>Embedding and dissemination of good practice through staff briefings.</p> <p>Corporate Health and Safety Group (chaired by DPHEH) identifying cross organisational issues with feedback to Management Team and Health and Safety Officer.</p> <p>All services have reviewed all their Health & Safety local Procedures in particular Lone working and service specific risk assessments.</p> <p>Staff survey on H&W completed spring 2021, results reviewed and a future survey will be incorporated into general staff survey approach</p> <p>Corporate Health & Safety Policies and procedures are up to date and reviewed regularly which all staff can access.</p> <p>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.</p>	Staff wellbeing and customer care underpin the Council's fundamental service and corporate objectives	Director of Planning, Housing and Environmental Health	↔	May-24
10	Compliance with legislation	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 and a separate Senior Information Risk Owner (SIRO)</p> <p>Assessment of Legal implications included within all reports to Members.</p> <p>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. Code of Corporate Governance reported to members on an annual basis.</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.</p> <p>Officers ensure that professional update training is undertaken.</p> <p>Members received GDPR training in July 2018, with all officers completing e-learning on GDPR by May 2018. GDPR training is a requirement for all new starters and is offered through the TMBC Learning portal.</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. Regular review by Monitoring Officer and reports to full Council (most recently at Council in July 2023).</p> <p>Additional GDPR and Cyber Awareness Training rolled out to all staff and members (July 2023).</p>	Information Governance Policy	Director of Central Services and Deputy Chief Executive	↔	As required



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11	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.</p> <p>Established an Information Governance Group.</p> <p>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.</p> <p>Deployed software solution to identify potential confidential data held on file servers.</p> <p>Implemented secure email in accordance with NCSC guidelines.</p> <p>Maintained dual level firewall security with the KPSN gateway being primary and the Council's own firewalls secondary.</p> <p>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 exercises for 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>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> <p>NCSC approved cyber security training has been evaluated and made available via the Council's new LMS.</p> <p>Achieved 'Substantial' rating for Cyber Security at Internal Audit Report TM19-2023 & TM07-2023 - Cyber Security and ICT Infrastructure (Combined Report).</p> <p>An in-depth phishing training package, to highlight specific risks and increase staff awareness, was deployed to all staff and followed up by phishing simulations to check effectiveness of training.</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 last ITHC 8/8/22 - 12/8/22. New ITHC completed August 2023, including the TMBC Microsoft 365 environment, report pending.</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 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>Procured NCSC approved cyber security training for staff and members, deployed during 2023. Completed by 269 staff and 11 members as at end February 2024.</p> <p>Phishing simulations are carried out on an ad-hoc basis, without prior notification, to check effectiveness of training, and as regular assurance of staff and member awareness.</p> <p>We are currently working towards meeting the requirements for resubmission for Cyber Essentials accreditation. Submission is pending removal of legacy software associated with the IDOX DMS and Uniform systems.</p> <p>Enrolment and management of devices in Intune is now live. It has replaced SCCM for deployment of all line of business apps to PCs and laptops, and Microsoft Defender for Endpoint is being used to leverage additional security features including network blocking when malware is detected. Enforcement of encryption as a potential replacement for Checkpoint is under test.</p> <p>Test restore to sandbox environment carried out November 2023 to validate our ability to recover successfully from a cyber incident. Areas for improvement identified, documentation of process underway and training for all technical support staff Continued ongoing development training to ensure that knowledge is kept up to date.</p> <p>Investigating Microsoft Defender for Cloud to further enhance security of the Council's Azure IaaS infrastructure.</p> <p>PCI DSS accreditation is pending implementation of Smartpay 6 and the replacement of the payment terminal at the TIC with a compliant solution.</p>	IT Strategy	Director of Finance and Transformation		Jun-24



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12	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	3	4	12	<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>MFD equipment and associated print management software renewed in March 2023.</p> <p>Microsoft Enterprise Subscription Agreement re-procured; new 3 year contract from June 2023. Licenses migrated from E3 to E5 to provide</p> <p>Implemented the use of AI bots for automation of switchboard via the multi-media Cloud Contact Centre solution, in line with the Digital Transformation agenda in March 2023.</p> <p>Implemented new DR sandbox subscription in Azure Cloud IaaS in June 2023 for testing restore from backup to provide assurance of the Council's ability to recover critical systems and data.</p> <p>Achieved 'Substantial' rating for ICT Infrastructure at Internal Audit Report TM19-2023 & TM07-2023 - Cyber Security and ICT Infrastructure (Combined Report).</p> <p>On-premises firewall hardware has been renewed and additional software solution has been implemented to improve and simplify management of all firewall configurations on premises and in the cloud.</p>	2	4	8	<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 in progress. Use of AI bots for automation of contact centre endpoints is now live with further development planned in Q1/Q2 2024/25 including introduction of new Webchat service.</p> <p>Implementation of an immutable backup solution to improve resilience to cyber-attack is complete. All VMs in the Cloud and on-premises are being successfully backed up. Work required to improve Oracle backups requires further testing before Replacement of Varonis GDPR solution with features available in Microsoft E5 licenses is currently in test, to simplify management and reduce costs.</p> <p>Review of wired and wireless network infrastructure, in line with planned Gibson Building accommodation changes, is in progress. Proposals and quotations requested from suppliers.</p> <p>Planning migration from Server 2012 R2 in line with EOL notification. To be completed by end of Q2 2023/24 for on-premises VMs. Azure hosted VMs Review of end user IT equipment is underway to inform future device policy.</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>Digital Strategy and IT Strategy currently under revision.</p> <p>iPad renewal for Members is almost complete. 2 outstanding at end February 2024.</p> <p>Laptop renewals project is under way. Equipment due to be replaced 2024/24 Q4 has been completed. Next batch due 2024/25 Q2/Q3.</p>	IT Strategy	Director of Finance and Transformation		Jun-24



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13	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	3	4	12	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 . 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. Recruitment into roles in the Emergency Plan is ongoing. 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 and is a core of the authorities risk management	Director of Street Scene, Leisure & Technical Services	↔	Jun-24
14	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	3	3	9	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



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15	Partnerships inc. shared services	F, R, S	<p>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.</p> <p>Coronavirus pandemic has significant economic implications for the Council, businesses and residents.</p>	01/04/2017	2	3	6	<p>Regular liaison meetings with partners. Partnership Agreements in place and reviewed as appropriate.</p> <p>Good communication with staff.</p> <p>Officers maintain awareness of issues relating to private sector partners and plans formulated for service delivery in the event of failure via business continuity.</p> <p>KCC 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.</p> <p>Partnership work and liaison with key voluntary sector groups will continue via community development meetings in priority wards.</p> <p>Economic stability of major partners appears to be on a better footing now that effects of Covid and Inflationary pressures have now reduced.</p>	2	3	6	<p>Strengthening of the West Kent Partnership, including joint delivery of economic initiatives through the UKSPF and REPF, as well as creating a greater focus on promotion and inward investment. Work being undertaken on improving governance.</p> <p>New Waste Services Contract in partnership with Urbaser, TWBC and KCC commenced 1st March 2019. Formal Inter Authority Agreement and Partnership Agreement in place.</p> <p>Ground Maintenance Contract extended in light of good performance of contractor.</p> <p>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.</p> <p>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.</p>	Savings and Transformation Strategy	Chief Executive	↔	As required



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16	Welfare reform inc. Housing need	F, R, S	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 provide new homes. Current economic situation has implications for residents and businesses with high inflation and increasing interest rates. Ukrainian refugee temporary resettlement program - We are awaiting full guidance on Local Authority responsibilities. Kent Resilience Forum are acting as lead.	01/04/2017	4	3	12	Cross sector working (e.g. welfare reform group) to identify issues and solution. New partners joining group Providing advice to residents on welfare and housing issues, or signposting to relevant providers. Working with partners to identify land and funding opportunities. Working with Registered Provider Partners to ensure needs of residents are being met. Working with owners to bring long term empty properties back into use. Report to H&PSSC March 24 recommended fixed term post of Empty Homes Officer to assist. Council in February 24 agreed empty homes premium and second homes premium. Work with consultancy firm Altair on options for longer term TA provision -consideration now being given to delivery following report to Members and allocation of £1.3m through 24/25 budget commissioned consultancy work in respect of Homelessness function (TA). Recommendations being implemented Concessionary charges for key services. EQIA assessment of key decisions included in all Board reports. Council rolled out energy schemes on behalf of government Signposting now to UC rather than HB for new working age claimants. Keeping track of welfare statistics CTR Scheme approved for 24/25 . Household Support fund tranche 4 all spent; awaiting details of tranche 5 from KCC New housing panel in place to work alongside RPs in considering best use of available properties.	3	3	9	Improved working with TA providers leading to more guarantees of available accommodation and developing a TA Procurement Strategy 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. Consideration by Members of report from Altair on options for TA provision (Dec 23) 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. Work with Kent councils collaboratively to ensure grants and support targeted to those most in need Continued focus on homelessness prevention Consideration of use of DHP to encourage downsizing to free up under occupied property. Report to be brought forward to Members in due course Focus on Empty properties in the Borough and how they can be brought back into use. Report to Cabinet April 2024 Deliver District responsibilities of Ukrainian resettlement scheme. Work with KCC to deliver Household Support Fund 5	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-24
17	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	4	12	Significant focus on temporary accommodation and in borough provision as well as framework agreement with private providers. Close liaison with Leader, Deputy Leader and Cabinet in developing the Savings & Transformation Strategy. Clear and comprehensive reports to support Members in making appropriate decisions to support the S&TS. Regular Group Leader meetings in place and stability of leadership following election. Regular pattern of informal MT/Cabinet meetings to provide stability and cohesiveness	3	3	9	Member briefings and training sessions. Training for Officers has been arranged for September 2023 by the LGA - 'working in a no overall control council' Top Team awayday between Cabinet and MT took place in December 2023. Action being implemented	Underpins delivery of overall strategy and Savings and Transformation.	Chief Executive	↓	May-24
18	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 the LEHES. Property resilience works at East Peckham have recently been concluded. 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). Both schemes has been delivered.	Emergency Plan Contingencies Act 2004 Kent Emergency Response Framework West Kent Partnership and Medway Catchment Partnership	Director of Street Scene, Leisure & Technical Services	↔	Sep-24



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19	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 approach the 2 year mark (and the end of thank you payments to hosts). There is a risk of homelessness and duty to place in T.A. therefore work needs to be undertaken to or support into private rented sector. This is an escalating risk given the longevity of the hosting arrangements. As of 1 April 2023, TMBC have taken on wider support role for Ukrainians in the borough under HFU scheme.	01/09/2022	3	4	12	Some reserve host families have been identified but larger families pose a bigger risk. Re-matches are unsustainable in the longer term. Work underway to support more families into PRS. Funding being rolled over to 2024/25 with around 40 families/individuals remaining with host families.	3	4	12	Additional support into Private Rented Sector required. Full time Resettlement Worker has been in post for some time.		Chief Executive	↓	Nov-24
20	Implementation of Agile system	F, S	Service impacts from level of staff time required to develop the Agile product for use as operating system. 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	01/11/2022	5	3	15	Programme of liaison meetings with Agile in place including Board and weekly catch ups Employment of Business Change PM to manage project on behalf of TMBC and coordinate all issues Regular updates for CM for Finance & Housing, who is the Cabinet Lead for Agile. Internal meetings with staff, managed by Business Change Project Manager Issues log in use Issues escalated to Agile management Post-implementation review of APAS implementation Agreement to deliver enhancement project in Q1/2024 APAS (Planning) Module now live. Placis Module currently in implementation phase	2	2	4	Further escalation of issues to Agile CEO At least 2 stand ups per week between Business Change PM and SRO (DPHEH) in September to oversee APAS go live by end of September PLACIS delivery plan updated by Agile following review of data migration approach Weekly review of project plan and considerations of service impacts required to meet go live programme to be reported into MT and informal Cabinet on a regular basis Review of project governance and use of Project Board for escalation of issues Completion of all modules for go live	Digital Strategy	Director of Planning, Housing and Environmental Health	↔	May-24
21	Elections	R	Failure to comply with legislation, miscounts and significant reputational impact.	14/12/22	3	4	12	Ensure experienced staff are in place, corporate team reviewing activity and monitoring progress. Lack of Po's in particular. Tranche 2 of Election Bill changes Parliamentary Boundaries Parliamentary election - date unknown, possibly November 2024?	2	4	8	Broadening of staff skills and experience to build resilience. Train up Poll clerks, try and recruit more staff. Discussions on core staffing for Elections and use of more IT modules to reduce workload and progress digital transformation. Increase in temp staffing resources to mitigate delayed implementation of two IT system modules. Following elections this needs to be reviewed. Implementation of changes to Postal Votes portal and new application forms, changes to Proxy votes, Overseas electors, EU Citizenship. Core team keeping up to date with all notifications from EC and Cabinet Office and undertaking any training required. Changes to Parliamentary Boundaries have been completed on 1/2/24, in readiness for a Parliamentary Election. MT horizon scanning on any increased chance of snap General Election. RO and DRO's assessing risks. Most likely date for general election Oct/ Nov 2024.	Statutory requirement	Chief Executive	↔	Jun-24
22	Carbon Neutral 2030 Aspiration	F, R, S	Significant reputational risk, particularly if other similar councils have achieved similar goals or targets. Significant financial cost to purchasing offsets to meet carbon neutral. High cost of increased frequency and intensity of extreme events (floods, heat waves) that increase costs and disrupt service delivery.	01/09/2023	3	3	9	Development of climate evidence (e.g. for the Local Plan), partnerships (residents, community and other Councils) and pathway analysis to support move towards transformative and larger-scale emissions reductions Increased contributions to Climate Change Reserve to Support match funding as well as capital projects. Grant Award received for Energy Efficiency measures for Sports Facilities.	3	2	6	Ongoing commitment by Members, senior management and services to new actions beyond 'business as usual'. Improved understanding of financial returns from climate mitigation measures that can be reinvested. Innovative thinking and delivery of services and mitigation options. Successful outcomes in bids for significant additional grant funding. Funding is dependant on successful applications and awards being achieved, otherwise Council Resources will be needed. Gap analysis report endorsed at Overview and Scrutiny Committee January 24.	Climate Change Strategy, Corporate Strategy 2023 - 2025	Chief Executive	↓	May 2024 (next climate change action plan)



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score (1-6)	Impact score (1-4)	Overall risk score	Current Mitigation	Desired Likelihood Score (1-6)	Desired Impact score (1-4)	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
23	Waste/Recycling Income	F	Risk associated to the outcome of current government consultations on three waste aspects (Collection Consistency, Garden Waste and Extended Producer Responsibilities). High 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	01/09/2023	4	3	12	Consultations currently being monitored through the KRP and direct through DEFRA briefings/updates by Waste and Financial Services and updates being channelled through the Kent Chief Executives meetings.	3	3	9	Whilst consultations and implementation plans will be monitored, the influence on government policy may be limited. This restricts the ability for the Council to directly control the level of this risk and is why the risk remains the same following mitigations.	Statutory Requirement	Director of Street Scene, Leisure and Technical Services	↔	Jun-24
24	Contract/Contractor Procurement	F, R	Failure to appoint suitably experienced and qualified contractors leading to poor quality of service, reputational damage and increased costs to the Council.	01/02/2024	4	4	16	<p>Compliance with Council's adopted Procurement Rules and Strategy.</p> <p>Consultation undertaken with Property and Legal Services to ensure appropriate Lease/License/Contract arrangements are in place.</p> <p>Procedure adopted and monitored for the engagement of contractors setting out and seeking minimal requirements including Risk Assessment and Public Liability.</p> <p>Establishment of cross-departmental working groups for key contracts and projects.</p> <p>Contracts awarded on an evaluation of 'most economically advantageous' and 'best value' and not solely on financial benefit.</p> <p>Directorate representatives on the Council's Procurement OSG.</p> <p>Use of external specialist consultant (Dartford Borough Council) in the administration of contract procurement.</p> <p>Use of specialist advisors on major contracts.</p> <p>Contracts to include break clause and/or extension periods based on performance.</p> <p>Contracts to include break clause and/or extension periods based on performance.</p> <p>Use of contract frameworks where appropriate.</p> <p>Risk assessment approach to appointment of contractors.</p> <p>Risk assessment approach to appointment of contractors.</p>	1	3	3	<p>Corporate Procurement Rules & Strategy being addressed by Corporate Procurement Group as currently out of date.</p> <p>Corporate Procurement Group addressing adequacy of corporate procurement support.</p> <p>Decision awaited following recommendation to Cabinet 2 April for procurement resources through Mid Kent Partnership</p>	Procurement Strategy. Compliance with legislation. Health and Safety.	Director of Street Scene, Leisure & Technical Services	NEW	Jun-24

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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
Page 49 Central and Exec	Homes For Ukraine Scheme	Moved to Strategic Risk Register		
	UKSPF Programme (inc. REPF)	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). End of Year 2 report, setting out progress on the UKSPF and REPF Programmes will be going to MT and Cabinet in the coming months. Year 2 progress is likely to be substantially on track, however Year 3 may well prove to be more challenging.
	Gibson Building - unable to deliver financial saving which has been assumed within MTFS	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.
	Tonbridge Castle Gatehouse Roof - costs of resolving roof issue	Water ingress from roof in Great Hall. Feb 2023 rot discovered in roof beam ends. Facility now open following completion of remedial works in July 2023. Permanent works in autumn 2024 to now be scoped	Ongoing	Extent to permanent works required still unknown and therefore operational and financial risk remains
	Elections	Introduction of Elections Bill changes Tranche 2	Updated	All Election Act changes up and running and being improved including new Postal vote portal, Postal vote renewals changing to every 3 years Proxy Vote changes. Overseas electors renewal every 3 years, the last one EU citizenship eligibility starts 7/5/24. Some training has been undertaken for this.
	Elections	Changes to Parliamentary boundaries	Updated	Work completed and register changed 1/2/24, in readiness for a Parliamentary election.
	Elections	Pending Parliamentary Election	Updated	Parliamentary Election has to take place by 28/1/25, no set date, can be called at any time. Concern over lack of PO's and Count supervisors, due to Polling and Count being on the same day.
	Climate Change Action Scorecard	Climate Emergency UK conduct an annual review of all local authority's climate actions. For 2022-23, the Right to Reply process revealed that TMBC is likely to score only around 25% and, as such, we should expect to be one of the lower scoring authorities. Climate Emergency UK will seek national media coverage for its findings and publish its results in Autumn 2023, posing a reputational risk to TMBC.	Ongoing	Scorecard results not yet published so level of media interest and final TMBC score unknown. Climate Emergency UK will carry out the annual process again for 2023/24 and while some further actions will result in a higher score (e.g. we have started climate literacy training) it is hard to assess progress relative to other authorities at this stage.

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

	Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
Page 50 Finance and Transformation	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.
	Staffing	Year end processes are a significant demand on staffing resources.	New	This has been exhibited but staff shortages at the present time. Workloads will be monitored closely to ensure service delivery maintained.
	Corporate Insurance	Increases and changes to premiums for 2023/24 insured year	Ongoing	The Councils Insurers have made changes to the charges included within the premiums. Therefore changes will be required to capital and revenue project evaluations to include insurance assessment.
	Payroll	Key information being supplied to Payroll in a timely manner, causing risk of staff and members not being paid.	Ongoing.	The Payroll Team pay over 250 Staff and Councillors on a monthly basis. Due to the date of payment, being the closest working day to the 15th of the month, information to be included in the pay run must be received no later than three working days into the month. In recent months some delays have occurred on the submission of data due to incomplete or incorrect information being supplied. this has jeopardised the payment to all staff requiring addition unsocial hours to be worked by the payroll team.
	IT Resources	Resource capacity for Development Staff	Ongoing	The current demands on IT Development Staff are placing increased pressures on the resource capacity on the staff given competing demands of corporate systems being reviewed and implemented.
	GDPR Compliance findings	Redacted information being stored with unredacted information	Ongoing	Access being restricted and will be removed once uniform is fully deactivated.
	Security and Access to Information	Access to information with shared access with DWP	Ongoing	Review of staff access to be carried out and further additional checks to be carried out.
	Supported Accommodation	The Supported Housing (Regulatory Oversight) Act 2023 came in to force August 2023. Assessment of the act has been ongoing and a consultation on how the act will regulated in practice. The practice is likely to involve a Licensing duty for the responsibility of the Council. Further implications could effect Housing Benefit payments to Landlord where care levels are considered to be unsuitable for the tenant.	Updated	Further investigation work will need to be undertaken following the practice regulation are issued, this will involve potentially new service staffing and income to the council. Greater working relationship with Adult Social Care Services will need to be considered and protocols arranged.

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

Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
Temporary Accommodation (TA)	TA consultancy review undertaken Dec 2021, actions implemented in 2022. Cost of living crisis and DA legislation implementation are impacting on maintaining TA levels within the agreed range.	Ongoing	TA costs remain high, as does level of need. Project underway to look at sustainable TA portfolio approach to help manage unit costs for TA. This is alongside ongoing work/training in service to support demand.
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 agreed that development of a Workforce Strategy will include recruitment and retention. Part 2 report to GP in July 2023 to look at immediate pressures. This will likely be followed by a new recruitment campaign and therefore this risk remains.
Windmill Lane Gypsy Site	KCC have requested return of management of this site (which is already owned by TMBC) to TMBC on 31 March 2024. This is part of a programme of returns to districts of their owned G&T sites. Initial discussions about management issues and costs have been undertaken.	Ongoing	The return requires Member approval, proposing that this happens via Cabinet in Jan 2024. There are a mixture of Property and Housing risks relating to this potential transfer. Officers are awaiting detailed information from KCC on maintenance costs, the detailed works schedule for grant funded improvements that are scheduled to complete before end of financial year and rent roll. TMBC will require a management arrangement for the site, which is being explored with neighbouring authorities as well as external providers. There will also be a requirement for the Council to have a G&T Allocation Scheme. Risk that the approach to management of this site is not fully in place before the proposed transfer, which could cause liability issues. Also need to consider specific equalities considerations for this group of residents.
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. This is subject to a number of challenges including ongoing delays in Govt announcements on national planning policy. The Council has decided to continue progressing the Local Plan under the current legislative and National Planning Policy Framework. It will be critical that the new plan is prepared in compliance with the regulatory framework and relies on a robust evidence base that meets the requirement of the NPPF so that the plan can be found to be sound at the examination stage. Timing is of the essence as the Local Plan will need to be submitted to the Planning Inspectorate by 30th June 2025. The Council has recently engaged Trowers and Hamlins Law Firm to advise and support the Planning Policy Team up until adoption stage.

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

Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
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 years, Maintenance bridge confirmed safe for 3-5 years. Structural assessment being undertaken re Haysden Country Park bridge replacement.
Pay & Display machines	Continual issues with contractor, G4S in terms of cash collection.	Ongoing	Considering alternative options as very few companies in market place willing to undertake work.
Phone Signal	CEOs having difficulty enforcing parking in Tonbridge and customers having issues accessing Ringo due to deterioration in mobile phone signal.	Ongoing	Multi-network sim cards issues to CEO's and liaison taking place with service providers.
Garden Waste invoices	Delay in invoices being issued to subscribers wanting to renew due to IT issues.	Ongoing	Ongoing liaison with IT Services to resolve issue and distribute invoices.
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 to be placed for new system. Funded through BRREP and contribution from Leisure Trust.
KRF Review	The KRF have undertaken a review and plan to make adjustments to how the forum operates.	Ongoing.	Risks associated with increased responsibility being undertaken by LA's. The impact of this is currently being assessed and addressed by Kent Chief Executives. This appears to be requiring LA's to delivery work areas that were historically delivered through the KRF and KRT.
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.

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

15 April 2024

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

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. It also makes proposals in respect of the Lothbury Property Investment Fund.

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 2023 to 29 February 2024

1.2.1 A full list of investments held on 29 February 2024 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 2024.

	Funds invested on 29 February 2024	Average duration to maturity	Weighted average rate of return	SONIA benchmark February 2024	Interest / dividends earned	Gross annualised return
	£m	Days	%	%	1 April to 29 February 2024 £	%
Cash flow	27.63	8	5.28	5.20	1,458,690	4.82
Core cash	35.00	186	5.67	5.21	1,473,070	5.80
Sub-total	62.63	107	5.50	5.21	2,931,760	5.27
Long term	5.00				136,970	3.65
Medium term	4.25				191,930	4.92
Total	71.88				3,260,660	5.15

Table 1

Property funds pay dividends quarterly. The return quoted above is based on dividends received for the period April to December 2023 and on the return achieved since inception.

- 1.2.2 **Cash flow and core cash investments.** Interest earned of £2,931,760 from surplus cash flow and core cash balances to the end of February has exceeded expectation when compared to the revised estimate for the same period. This is due to the interest rates remaining elevated for longer than anticipated, and provides the authority with the opportunity to continue investing at the favourable rates currently available.
- 1.2.3 Members are advised that a forward deal for £3m with Close Brothers was agreed to commence in February 2024. Since agreeing the deal, and due to the current investigation by the FSA into motoring industry loans, Close Brother's long term rating has been downgraded. The short term rating remains unaltered. The situation will be closely monitored, and any emerging information will form part of the treasury updates while the deal remains active.
- 1.2.4 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 2023 the Council's return at 5.53% (purple diamond) was higher than the local authority average of 5.22%. 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.
- 1.2.5 **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%.
- 1.2.6 Income from property funds of £136,970 has been generated thus far in 2023/24 (quarter ending December 2023) which represents an annualised return of 3.65%. Income is in line with the original budget for the same period.
- 1.2.7 In previous reports, Members have been advised of the potential wind-up / merger options for the Lothbury property Fund.
- 1.2.8 The latest position is that the Lothbury Property Trust was granted an extension until 31 March 2024 to pursue a merger option and subsequently asked for a further extension to 30 June to continue discussions. The second unit holder vote fell short of the required vote to pass the extension.
- 1.2.9 A further vote was tabled on 28 March to provide investors with an alternative to redemption by way of exchanging their units into the new Fund. The result of the vote was 81.8% in favour of the resolution and therefore successfully passed.

- 1.2.10 Subsequent to the outcome of this vote, officers contacted Lothbury for clarification on any exit fees due should TMBC decide not to transfer to the new fund. Members are aware that 'exit fees' are payable if an organisation decides to redeem an investment – usually around 2% of the value of the investment (in this case circa £40k). However, due to these unusual circumstances, Lothbury have confirmed that, should TMBC decide to disinvest at this time and not proceed to the new fund, there would be no exit fees payable prior to the deadline of 1 May 2024.
- 1.2.11 Cabinet on 2 April endorsed the recommendations from the Finance, Regeneration and Property Scrutiny Select Committee regarding Phase 2 of the Tonbridge Town Centre Asset Review. As Members fully appreciate, in order to finance the costs of this work (including the provision of a new build leisure centre) the Council will need to corral different sources of funding including: potential liquidation of long term investments, external funding such as developer contributions, potential reallocation of existing reserves and ultimately borrowing.
- 1.2.12 Therefore, there is an opportunity at this point for TMBC to consider redemption of this particular property investment fund to avoid payment of 'exit fees'. It should be noted that the redemption is not 'instantaneous' and would take some months (possibly as much as 12 to 18 months) to complete given that assets would need to be sold in order to repay investors. Once the monies are received, sums can be placed in shorter term deposits (which as Members will note are current generating good returns in any event).
- 1.2.13 Any capital loss on the disinvestment would need to be recognised in the Council's financial statements once the funds have been received. Capital losses (if and as applicable) would then be financed from an earmarked reserve specifically set up for this purpose.
- 1.2.14 In summary, therefore, this does present the Council with an opportunity to redeem a long term investment - which will be needed to be redeemed in due course in any event to support the major regeneration project. In an ideal world of course we would not wish to redeem until the property market, which moves in peaks and troughs, was at a peak. At the moment, as Members will note, there has been a reduction in property values which could lead to a capital loss on redemption (albeit that we have an earmarked reserve specifically to offset losses). However, it is impossible to predict when the property market might fully recover and thereby negate any capital losses recorded.
- 1.2.15 Under the Council's constitution, the Director of Finance & Transformation has delegated authority "*to undertake matters relating to treasury management subject to compliance with the Council's Treasury Management Strategy Statement and Annual Investment Strategy*" (DFT 111). This is a difficult call given the current market and the future uncertainty, but ON BALANCE officers' recommendation is that, given the significant regeneration plans the Council is progressing and the need to liquidate funds in the not too distant future, the redemption opportunity is registered in advance of the deadline of 1 May 2024.

1.2.16 Members are asked to support the proposed redemption from the Lothbury Property Fund as advised by officers. The Cabinet Member for Finance & Housing has been consulted and is supportive of the proposal given the circumstances outlined.

1.2.17 Capital appreciation / depreciation is recorded in the table below. The Property Portfolios continue to face challenges which are reflected in the capital values below. Fund compositions are evolving in favour of student accommodation and industrial and disinvesting from sectors such as office and retail. All the property fund investments recorded capital depreciation in the period April 2023 to February 2024.

Property fund	Purchase price	Sale value at date of purchase	Sale value 29 February 2024	29 February 24 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	price (c-a)
	£	£	£	£
LAPF (Primary, July 2017)	1,000,000	922,200	880,900	(119,100)
Lothbury (Primary, July 2017)	1,000,000	927,700	735,500	(264,500)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	892,200	(107,800)
LAPF (Primary, June 2018)	1,000,000	922,200	844,600	(155,400)
Lothbury (Secondary, July 2018)	1,000,000	973,000	721,300	(278,700)
Total change in principal	5,000,000	4,684,100	4,074,500	(925,500)
			Total dividends received to December 2023	1,054,800
			Net benefit since inception	129,300

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 £191,930 up to 29 February 2024 which represents an annualised return of 4.92%. Income is some £31,510 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 2023/24 were increased by £1,272,000 when they were revised in January 2024. The final position for the investment income for 2023/24 is expected to be a favourable variance, circa £790,000 when compared to the revised income total of £2,730,000. The increase in investment income reflects the interest rates remaining elevated for longer, and projected rates cuts now being pushed out to August/September 2024.
- 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 over time 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.

1.7 Recommendation

1.7.1 Members are asked to support the proposed redemption from the Lothbury Property Fund as explained at paragraphs 1.2.7 to 1.2.16.

Background papers:

contact: Donna Riley

Link Asset Services - benchmarking data.

Sharon Shelton
Director of Finance and Transformation

Tonbridge and Malling Borough Council - Investment summary 29 February 2024

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	5.30	4.17%		3,000,000		
Close Brothers : Fixed Term Deposit	UK	BBB+	F2	N/A	27/02/2024	27/11/2024	9 Months	3,000,000 3,000,000	5.35	4.17%		3,000,000		
Goldman Sachs : Certificate of Deposit Certificate of Deposit	UK	A+	F1	6 months	03/07/2023 10/07/2023	03/04/2024 10/04/2024	9 Months 9 Months	5,000,000 2,000,000 3,000,000	6.14 6.34	6.96%		2,000,000 3,000,000		
Handelbanken : Fixed term deposit	UK	AA	F1+	1 year	17/01/2024	17/01/2025	1 Year	3,000,000 3,000,000	4.70	4.17%		3,000,000		
HSBC Bank : 31 day notice account 31 day notice account	UK	AA-	F1+	1 year	02/12/2019 02/12/2019	TBD 28/03/2024	31 Days 31 Days	3,000,000 3,000,000	5.25 5.05	8.35%	3,000,000 3,000,000			
Lloyds Bank : Certificate of Deposit Certificate of Deposit	UK	A+	F1	6 months	12/07/2023 15/11/2023	11/07/2024 14/11/2024	1 Year 1 Year	6,000,000 3,000,000 3,000,000	6.75 5.66	8.35%		3,000,000 3,000,000		
National Westminster Bank : Deposit account Certificate of Deposit	UK	A+	F1	1 year	29/02/2024 06/02/2024	01/03/2024 06/08/2024	Overnight 6 months	50,000 3,000,000	3.25 5.31	4.24%	50,000	3,000,000		
Rabobank : Certificate of Deposit Certificate of Deposit	Netherlands	A+	F1	1 year	15/09/2023 03/11/2023	17/06/2024 01/11/2024	9 Months 12 months	6,000,000 3,000,000 3,000,000	5.88 5.62	8.35%		3,000,000 3,000,000		
Toronto Dominion Bank : Certificate of Deposit Certificate of Deposit	Canada	AA-	F1+	1 year	06/10/2023 20/12/2023	04/10/2024 19/12/2024	1 year 1 year	3,000,000 3,000,000	5.89 5.23	8.35%		3,000,000 3,000,000		
Money Market Funds														
Blackrock MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	29/02/2024	01/03/2024	Overnight	1,918,000	5.27	2.67%	1,918,000			
BNP Paribas MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	29/02/2024	01/03/2024	Overnight	7,971,000	5.27	11.09%	7,971,000			
CCLA PSDF MMF - shares/units held	N/A	AAA	mmf	5 years	29/02/2024	01/03/2024	Overnight	3,694,000	5.26	5.14%	3,694,000			
DWS Deutsche MMF - shares/units held	N/A	AAA	mmf	5 years	29/02/2024	01/03/2024	Overnight	0	5.27		-			
Federated MMF - shares/units held	N/A	AAA	mmf	5 years	29/02/2024	01/03/2024	Overnight	8,000,000	5.33	11.13%	8,000,000			
Morgan Stanley MMF - shares/units held	N/A	AAA	mmf	5 years	29/02/2024	01/03/2024	Overnight	0	5.24		-			
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	1.39%			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	2,000,000 1,000,000 1,000,000	4.13 5.14	2.78%			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	2,000,000 1,000,000 1,000,000	2.89 2.89	2.78%			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		2.43%		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		1.39%		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		2.09%		1,500,000		
Total invested								71,883,000		100.00%	27,633,000	35,000,000	4,250,000	5,000,000

Number of investments	29	Average investment value £ 2,479,000			
Number of counter parties	21	Average counter party investment £ 3,423,000			
Group exposures:	Core £	Cash £	Combined £	%	
Royal Bank of Scotland + National Westminster (UK Nationalised MAX 20%)	3,000,000	50,000	3,050,000	4.24	
Bank of Scotland + Lloyds (MAX 20%)	6,000,000	-	6,000,000	8.35	
Property Funds Total			£	%	
Multi Asset Funds Total			5,000,000	6.96	
			4,250,000	5.91	

Total non-specified investments should be less than 60% of investment balances 12.87%

Notes:
Property fund returns are based on dividends distributed from the start of each investment. Capital appreciation / depreciation is recorded elsewhere. Last update December 2023.

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" dated 01/03/24 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-	BBB+	F2	Exempt	£7m	N/A	N/A
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 :								
Australia & New Zealand Banking Group	Australia	AAA	A+	F1	n/a	£7m	1 year	1 year
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 11 March 2024	No change
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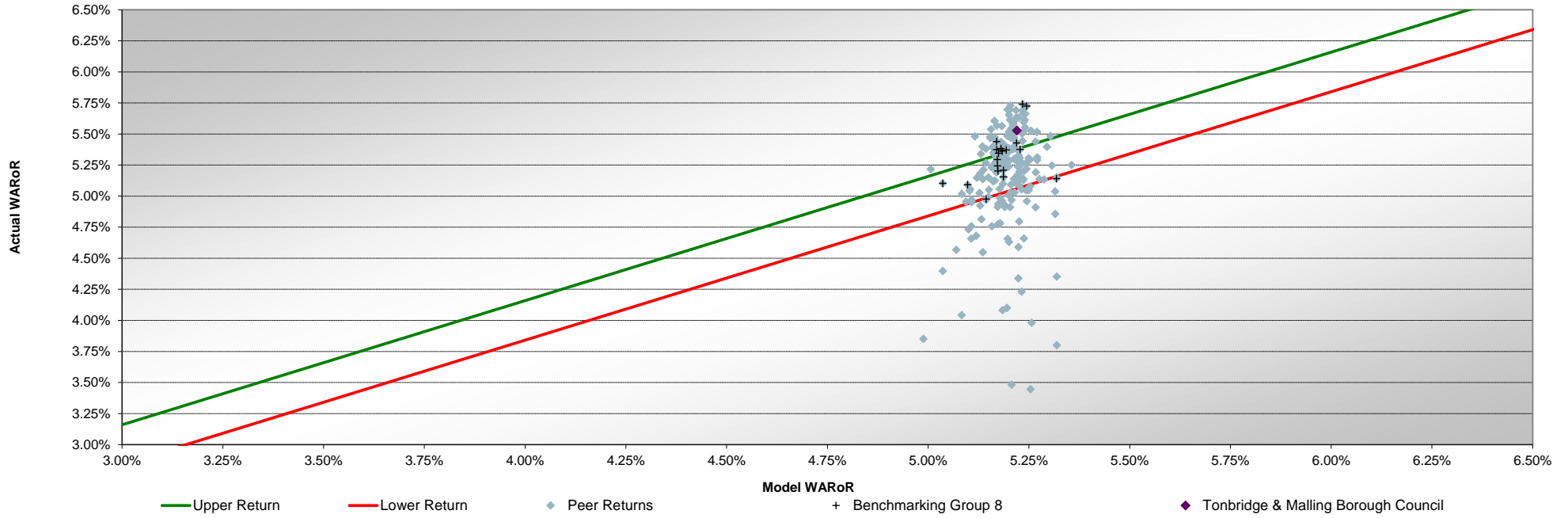
Note: Australia & New Zealand Banking Group added 17/05/2023

Note: Close Brothers removed from Link's Suggested Credit List 12/02/2024. Although removed, Link have stated that the Fitch long term rating change from A- to BBB+ would have no impact on the bank's suggested duration and would remain at 6 months.

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Tonbridge & Malling Borough Council

Population Returns against Model Returns December 2023



	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Tonbridge & Malling Borough Council	5.53%	5.22%	0.31%	5.06%	5.38%	Above

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

15 April 2024

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 LOCAL AUDIT CONSULTATION

This report informs Members of the Local Audit Consultation undertaken by the National Audit Office (NAO) on the progress for Local Authority Audit to be undertaken through to 2027/28.

The report also updates members on the proposed audit plan for the 2023/24 Financial Statements and consideration of the timing and signing of these statement.

1.1 Introduction

1.1.1 The increased requirements of various International Auditing Standards and a lack of resources in both Local Government Accounting and External Audit teams have resulted in a number of delays to Local Authority Audits covering the Statement of Accounts.

1.1.2 Whilst this has not affected Tonbridge and Malling Borough Council greatly, in that the Council's 2022/23 Accounts were signed off in October 2023, a number of councils have accounts dating back several years that are being worked on.

1.1.3 Proposals have now been developed and agreed by the Department for Levelling-Up Housing and Communities (DLUHC), the Financial Reporting Council (FRC), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW), and Public Sector Audit Appointments (PSAA).

1.2 Proposals

1.2.1 A Joint Statement from the Minister for Local Government on the proposed way forward for Local Government Account for the financial years up to 2027/28 is given in **[Annex 1]** and **[Annex 2]** to this report. The proposals contain three phases as described below.

- Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024.

- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

1.2.2 Phase 1 does not really concern TMBC because, as previously stated, the accounts were signed off in October 2023. However, the fallout from the delay to others will be explored later in this report.

1.2.3 Phase 2 will have impact on the accounts being prepared for financial years commencing on 1st April 2023 to 1st April 2027. The 2023/24 (current year) to 2027/28 financial Statements with proposed sign off dates for the accounts to be no later than the details shown below:-

<i>Financial year beginning</i>	<i>Financial Year</i>	<i>Date accounts to be signed by</i>
1 st April 2023	2023/24	31st May 2025
1 st April 2024	2024/25	31st March 2026
1 st April 2025	2025/26	31st January 2027
1 st April 2026	2026/27	30th November 2027
1 st April 2027	2027/28	30th November 2028

1.2.4 Phase 3 will require further work from the Professional Bodies mentioned in paragraph 1.1.3 and practitioners within Local Government to address the issues in Local Authority Accounting and build upon the recommendations of the Redmond review undertaken prior to the pandemic.

1.3 2023/24 Accounts

1.3.1 Work is commencing on the 2023/24 statements and the current timetable and legislation requires the Section 151 Officer's signature (i.e. the Director of Finance and Transformation) and Publication of the Accounts ready for Audit no later than 31st May 2024.

1.3.2 In a normal year we would expect our External Auditors, Grant Thornton, to commence the audit of the statements sometime from July with them issuing an Audit Finding Report (AFR) for this Committees consideration and Recommendation for the Chairman and the Section 151 Officer to sign off of the accounts at the end of September.

1.3.3 However, as Members will see from Phase 1 of the proposals, priority is being given to those authorities whose 2022/23 Accounts remain unsigned with a backstop date of 30 September 2024. Due to this we have been informed by our Audit Team that the Audit of the 2023/24 accounts is unlikely to commence until October 2024 with conclusion of the Audit in December 2024.

1.3.4 Members should note that this period of time is normally when the Council's Revised and Forward Estimates are formulated for initial discussion with Cabinet

in November/December and then presentation to Members of the Overview and Scrutiny Committee and January prior to the meeting of Full Council in February. The deadline for the setting of Council Tax is covered under statute and cannot be delayed beyond 11 March each year.

- 1.3.5 With this in mind the Accountancy Team have revised the timetable involving Service input into the estimated process to earlier in the financial year in order to avoid significant resource drag towards the review and production of the Estimates during the time of the Audit.
- 1.3.6 The current programme of meetings has the committee meetings scheduled for September 2024 and January 2025. It is normal to expect the Audit Committee, as those being charged with Governance, to consider the AFR prior to the accounts being signed by the Engagement Lead.
- 1.3.7 This leaves three options:
- 1) to move the January Meeting of Audit Committee to December but given the Christmas recess it is felt by Officer and the Engagement Lead that it would be unlikely that the AFR will be completed in time for a meeting prior to Christmas (and there are no scheduled meetings between Christmas and New Year). Furthermore, it is unlikely that the other reports for consideration at the January Committee such as Treasury and Risk Strategies would be completed in time due to the issues raised in paragraph 1.3.4 and 1.3.5.
 - 2) The second option is, if acceptable to both External Auditors and this Committee, is to circulate the AFR to members of the committee and give delegation to the Chairman to sign the necessary documents so that the Audit can be concluded by the 31 December 2024. The full Accounting Statement and the AFR would be published with the January Committee Papers for information only.
 - 3) The final option is that the Committee consider the accounts and AFR at their meeting on the 13 January 2025.
- 1.3.8 Discussion have been held with Grant Thornton and their preferred option would be for **option 3**. Members are asked to consider this response from Grant Thornton and determine an appropriate way forward.

1.4 Consultation Proposals and the Authority's Responses

- 1.4.1 There are two consultation proposals, one from the Department of Levelling Up, Housing and Communities, (DLUHC) and the National Audit Office (NAO). These can be found at **[Annex 3]** and **[Annex 5]** respectively.
- 1.4.2 The deadline for the responses to the consultation papers was 7 March 2024.

- 1.4.3 The Council's response to these questions were provided by the Chief Financial Services Officer and the Accounting Team and can be found at **[Annex 4]** and **[Annex 6]** respectively.
- 1.4.4 These responses were shared with the Chairman, Vice Chairman and the Cabinet Member for Finance and Housing for comment prior to submission.
- 1.4.5 Members are asked to **note** the responses.

1.5 Legal Implications

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

1.6 Financial and Value for Money Considerations

- 1.6.1 The proposed audit fee for the 2023/24 accounts is £139.930.

1.7 Risk Assessment

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

1.8 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 Business Continuity/Resilience

Due to the timing of the audit and the workload on the preparation of the Budget, there is a potential risk that work being split between the two statutory areas and the current resources could lead to delays if they audit enquiries are significantly challenging.

1.10 Recommendations

- 1.10.1 Members are asked to:

- 1) Consider the response from Grant Thornton on the preferred sign off on the 2023/24 financial statements and determine the most appropriate arrangement; and

- 2) Note the responses returned by Officers in liaison with the Chairman, Vice Chairman and the Cabinet Member for Finance and Housing on the two Consultation proposals.

Background papers:

contact: Paul Worden

Nil

Sharon Shelton
Director of Finance and Transformation

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Department for Levelling Up, Housing & Communities

Simon Hoare MP
Minister for Local Government
2 Marsham Street
London
SW1P 4DF

To All Chief Executives, Chief Financial Officers,
Local Authority Leaders and Local Audit Firm
Partners

8 February 2024

Dear Colleagues,

Local Audit Consultation

I am delighted that today the Government is launching a consultation and Joint Statement, progressing the commitments made by the previous Minister for Local Government to work with the Financial Reporting Council (FRC), and other organisations in the local audit system on cross-system proposals to clear the backlog and put the local audit system on a sustainable footing.

Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework. A significant number of local audits in England are outstanding. The issues facing local audit are widely recognised as multi-faceted and complex. Delays are to an extent affecting Scotland and Wales as well as England. They also impact different sectors, not just local government. It is widely recognised that many organisations in the local audit system have contributed to the delays experienced since 2017/2018 and that audits have become more challenging, with firms responding to a changing regulatory environment. In addition, pressures on the system were compounded during the COVID-19 pandemic and by an aging workforce.

The consultation seeks views on proposed legislative changes to the Accounts and Audit Regulations 2015 (the 2015 Regulations). We have published a draft statutory instrument alongside the consultation which covers the core elements of the proposed amendments. These, along with the Joint Statement are available at www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation.

These cross-system proposals have been developed and agreed by the Department for Levelling-Up Housing and Communities (DLUHC), the FRC, the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW), and Public Sector Audit Appointments (PSAA).

These are not proposals we take lightly, but these are exceptional times. Key organisations across the local audit system, including the Government, share the conviction that bold steps are necessary to reset the system.

The Joint Statement provides vital context, and explains the package of measures and how the various elements are intended to interact and explains that the wider package of measures consists of three stages:

- Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024.
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation itself covers questions on:

- Phase 1: 'Backstop' Proposals for Financial Years 2015/2016 to 2022/2023 and
- Phase 2: 'Backstop' Proposals for the Recovery Period, Financial Years 2023/2024 - 2027/2028

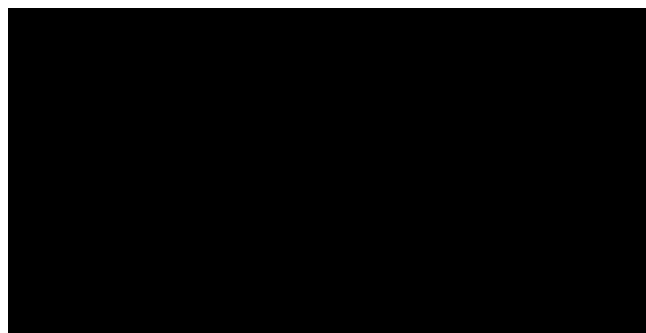
This consultation will run for four weeks from 8 February 2024 to 7 March 2024. This is an open consultation, and we welcome the views of any individual or entity interested in the proposals, including all Category 1 authorities and their Section 151 officers, audit firms, and other organisations which form part of the local audit framework. You can respond to this call for evidence through our online consultation platform Citizen Space: <https://consult.levellingup.gov.uk/local-audit-and-conduct/addressing-the-local-audit-backlog-in-england> .

The NAO is also consulting in parallel to this consultation, on related changes to the Code of Audit Practice. A link to the NAO consultation can be found here: www.nao.org.uk/code-of-audit-practice-consultation. Further detail on the NAO's proposals can also be found in the Joint Statement. The CIPFA LASAAC Board will be consulting shortly on related changes to the Code of Practice for Local Authority Accounting.

While I recognise the challenges there have been I would like to encourage you to continue undertaking existing work to produce and audit local authority financial statements while the consultations take place. Any slowdown in activity would lead to further issues in the future and, ahead of the first proposed backstop date. Please do continue to work together to ensure that as many audits can be completed in full as possible.

These proposals are an important step in restoring timely and high-quality financial reporting and audit for local bodies and I am grateful for the hard work and collaboration of system organisations in developing these measures. Please let us know your views so that we can work closely together to refine and implement measures to clear the backlog of local audit opinions, and develop the long-term reforms required to prevent a backlog recurring.

I look forward to seeing your responses.



SIMON HOARE MP
Minister for Local Government

Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit

Published 8 February 2024

Executive summary

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers.

The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level. The number of outstanding opinions peaked on 30 September 2023 at 918. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771.

In July 2023, the Minister for Local Government published a [Cross-System Statement](#) to Parliament setting out proposals to tackle this backlog. Since then, organisations involved in the regulation and oversight of local body financial reporting and audit (“system partners”) have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return. This new Joint Statement provides an update on the proposals. All system partners share the conviction that bold steps are necessary to reset the system and recognise the exceptional nature of the proposed measures.

To clear the backlog of historical accounts and ‘reset’ the system, the Department for Levelling Up, Housing and Communities (DLUHC) proposes putting a date in law (the “backstop date”) – 30 September 2024 – by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23.

The National Audit Office (NAO) is proposing changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published, and to allow them to provide a single commentary on value for money (VFM) arrangements for local bodies for all outstanding years up to and including 2022/23.

The duty for local bodies to publish a delay notice where the audit has not been concluded by the deadline will be withdrawn. This is because, with a backstop in place for both local bodies and auditors, authorities would be required to publish audited accounts by 30 September 2024. The introduction of a backstop date is intended to allow those who prepare and audit local body accounts to focus on more current financial periods.

The backstop date is likely to be a factor in local auditors issuing a modified or disclaimed opinion on outstanding accounts if they do not have enough time to complete all audit work before that date. It is important that local bodies, residents and other accounts users can distinguish between modified and disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues.

Auditors have a responsibility under auditing standards to clearly communicate the reasons for their opinion within their report, including where the backstop date causes a modified or disclaimed opinion. System partners will consider guidance for auditors to remind them of these responsibilities. System partners will also issue communications that explain what the different types of modified opinions mean and that clarify that local bodies should not be unfairly judged based on modified opinions caused by the introduction of a backstop date that are largely beyond their control.

As was set out in the July Cross-System Statement, auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (including to make statutory recommendations or issue Public Interest Reports) are important for enabling identification of areas of concern at an early stage, allowing councils to address them. These remain a high priority in our proposals.

For these measures to achieve their intended objectives, auditors and local bodies need to work together to ensure that as many audits can be completed in full as possible. Auditors should make prioritisation decisions within their portfolio of the audits of local bodies to limit the impact on other public bodies' audits and ensure they complete the work required to conclude and report on whether there are any significant weaknesses in VfM arrangements. Preparers must ensure that any unaudited accounts from 2022/23 or earlier years, that have not been published, are published as soon as possible and respond to auditor requests in a timely manner.

The Financial Reporting Council's (FRC) Audit Quality Review (AQR) team will not carry out routine inspections of major local audits for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so. Alongside this, the Institute of Chartered Accountants in England and Wales (ICAEW) has committed to mirroring this approach for its inspections of non-major local audits.

To ensure that delays do not re-emerge once the backlog of local body audit opinions has been cleared and 'recover' the system, DLUHC proposes to put further backstop dates into law for the publication of audited accounts by local bodies. These would cover the 5-year audit appointments awarded in 2022 by Public Sector Audit Appointments (PSAA) for financial years 2023/24 to 2027/28. As it is anticipated there would be modified and disclaimed opinions on outstanding accounts from the 30 September 2024 backstop date, this measure is designed to enable auditors to rebuild assurance over several audit cycles rather than in a single year, reducing the risk of the backlog re-emerging. This means there would also likely be modified or disclaimed audit opinions for several years.

To support the 'recovery' of the system, the CIPFA LASAAC Local Authority Code Board (CIPFA LASAAC) will consult on temporary changes to the Code of Practice on Local Authority Accounting to reduce burdens on those who prepare and audit local body accounts. These proposed changes include extending overrides on infrastructure assets, simplifying the professional revaluation of operational property, and reducing disclosure requirements around net pension assets and liabilities for at least 2 years.

PSAA will use its fee variation process to determine the final fees local public bodies will have to pay in relation to delayed audits and 2023/24 audits. PSAA will set the scale fees for 2024/25 in accordance with the Local Audit (Appointing Person) Regulations 2015. The FRC and the NAO will support PSAA as it determines the fee impact of changes in audit requirements. It will also review relevant aspects of the contracts for the audits from 2023/24 to identify changes required to align with the changes proposed in the consultations.

All system partners have a shared resolve that the current situation needs addressing and measures of this nature are needed to achieve the shared priority of restoring timely, high-quality financial reporting and audit. Further work is required to address the systemic issues that have led to the unprecedented backlog. The issues facing local audit are widely recognised as multi-faceted and complex with no single cause or solution.

The development of these proposals has involved widespread engagement since summer 2023, especially with auditors and finance teams. To support the further development and testing of the measures, 2 consultations have been launched today, in partnership with the FRC, to receive further feedback and inform the decision on how to proceed:

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements

CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors.

The 'local bodies' these proposals relate to include councils, but also other relevant authorities as defined under the Local Audit and Accountability Act (2014). It does not include NHS bodies.

Introduction

1. Local bodies need to have accurate and independently audited accounts, delivered on time, to help them effectively plan, make informed decisions and manage their services. Local residents, councillors, central government and other accounts users need timely audited accounts to understand what money the local body has received and how it has used its resources so they can hold it to account. This is key to transparent, trusted and accountable local democracy.

2. In July 2023, the Minister for Local Government published a [Cross-System Statement](#) setting out proposals to set a series of backstop dates to clear the backlog in local audit opinions in England and embed timely audit. The Statement included commitments by the Department for Levelling Up, Housing and Communities (DLUHC), the Financial Reporting Council (FRC), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW) and Public Sector Audit Appointments (PSAA).

3. Since the publication of the Cross-System Statement, the Department has worked collaboratively with the FRC, as incoming shadow system leader, and the other system partners, to develop proposals to achieve the objectives. The proposals maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)). The proposals consist of 3 stages:

- **Phase 1: Reset** involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024
- **Phase 2: Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles
- **Phase 3: Reform** involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit

4. Financial reporting and audit frameworks were not designed for the current backlog in local audit. Although these proposals have been designed to minimise risks and unintended consequences, the proposed measures are likely to result in a significant number of local authority accounts receiving modified or disclaimed opinions, during both Phase 1 and Phase 2. The work required to resolve the

local audit backlog will be challenging for both local body finance teams and auditors, as well as system partners.

Phase 1: Reset

5. In line with the Cross-System Statement in July 2023, Phase 1 involves using legislation and changes to the Code of Audit Practice to implement a backstop date for the publication of audited financial statements which are outstanding for all financial years up to and including 2022/23. The current duty, set out in legislation, for local bodies to publish a delay notice in instances where the audit has not been concluded ahead of the deadline, would be removed.
6. Local auditors would be required to issue an opinion based on the work they have been able to complete to enable local bodies to publish audited accounts ahead of the backstop dates. An audit opinion can be either unmodified, modified (qualified or adverse) or disclaimed.
7. Auditing standards allow auditors to issue modified or disclaimed opinions in the event of a statutory backstop date, even in cases where little to no substantive testing has been carried out. As set out in the Cross-System statement in July, the proposed backstop date is likely to result in modifications or disclaimers of the audit opinion. System partners will provide clear communications to the system explaining what the different types of opinions mean, including explaining that modified or disclaimed opinions caused by the backstop date do not necessarily indicate significant financial reporting or financial management issues in a local body.
8. The auditors' statutory duty to report on VFM arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) are an important for identifying areas of concern at an early stage, allowing local bodies to address them. Under these proposals this will remain a high priority including during Phase 1.
9. The NAO consultation asks for views on changes to the Code of Audit Practice to enable auditors to produce a single commentary on VFM arrangements covering all outstanding periods up to 2022/23 and remind auditors of their obligations to use their statutory reporting powers to draw significant matters to the attention of bodies and residents in a timely way.
10. The proposed backstop date for Phase 1, as set out in DLUHC's consultation on changes to the Accounts and Audit Regulations 2015, 30 September 2024. This has been designed to enable sufficient time for auditors to issue opinions, including modified or disclaimed opinions due to the backstop, and for bodies to publish accounts containing those audit opinions once the legislation has come into force.
11. The NAO's consultation on changes to the Code and any subsequent laying of a new Code of Audit Practice in Parliament would support the backstop date. The proposed backstop date also recognises the multiple priorities of preparers and auditors. For example, finance teams need to, amongst other things, prepare budgets and medium-term financial plans, and for auditors, there will be pre-existing commitments to carry out other public sector audit work, including NHS external audit work, most of which will take place between April and June 2024.
12. The government will publish a list of local bodies and their auditors which do not meet the backstop date, making it clear where unaudited accounts have also not been published.
13. There will be no exemptions for auditors or local bodies except in very limited circumstances. The NAO will consult on specific exemptions to auditors issuing their opinion ahead of the backstop date as part of its consultation on changes to the Code of Audit Practice. These include, for example,

if the auditor is unable to issue their opinion where there are outstanding elector objections to the accounts that could be material to the opinion. DLUHC's consultation also includes a question about creating an equivalent exemption for local bodies in this circumstance, as well as a question seeking views on any other exceptional circumstances in which exemptions may be justifiable.

14. If auditors have completed the required work then they are able to issue their audit opinion ahead of the backstop date. Auditors are expected to complete as much audit work as possible ahead of the backstop date. The NAO, working closely with the FRC, will produce statutory guidance and any additional advice needed to ensure the reset works as intended.

Phase 2: Recovery

15. The July Cross-System Statement set out that recovering from modified and disclaimed audit opinions requires significant work for preparers and auditors. Following modified or disclaimed audit opinions, auditors will need to audit some of the opening balances in order to obtain assurance over the current year closing balances. Where the audit opinion is modified or disclaimed, the auditor does not have assurance over all historical figures that carry forward into the subsequent year. Opening balances can impact closing balances and movements in the current year. In some cases, where the auditor does not have assurance over opening balances, they would be unable to obtain assurance over the closing balances.

16. System partners committed to consider the secondary effects of the proposals, which may impact the audit of opening balances within the accounts for future years. Under these proposals and to maintain compliance with the ISAs (UK), auditors need to perform sufficient testing on opening balances to rebuild assurance that enables them to issue unmodified opinions in the future.

17. To prevent this recovery work causing delays to future audits, the proposals involve establishing new statutory backstop dates for all financial years up to and including 2027/28. These backstop dates would replace the existing deadlines in the Accounts and Audit Regulations 2015. As at Phase 1, the current duty, set out in legislation, for local bodies to publish a delay notice in instances where the audit has not been concluded by the deadline, would be removed. The changes to the Code of Audit Practice in Phase 1 requiring auditors to discharge their statutory duties in relation to the financial statements audit in accordance with backstop dates would continue to apply in Phase 2.

18. These new backstop dates would enable auditors to rebuild assurance over local bodies' financial information which has been subject to modified opinion over a longer period of several years. The default position without backstop dates would be that auditors need to rebuild all assurance in the first year following a modified or disclaimed opinion, creating an exceptional workload in this first year, which would risk a recurrence of the backlog. Instead, these proposals enable spreading the work to rebuild this assurance over multiple periods, and we welcome responses on local bodies' and auditors' capacity to manage this work. Backstop dates may result in additional modifications or disclaimers of the audit opinion for some bodies. Unmodified opinions cannot be issued until assurance has been sufficiently rebuilt for the auditor to conclude that the financial statements as a whole are free from material misstatement. This proposal draws on the findings of the recent Levelling Up, Housing and Communities Committee report on financial reporting and audit in local authorities.

19. The FRC has confirmed that rebuilding assurance over multiple periods is compliant with ISAs (UK).

20. Taken together with the proposal outlined in 'Phase 1' for a backstop date of 30 September 2024 for all years up to and including 2022/23, the government is now consulting on the following additional backstop dates:

- Year ended 31 March 2024: 31 May 2025
- Year ended 31 March 2025: 31 March 2026
- Year ended 31 March 2026: 31 January 2027
- Year ended 31 March 2027: 30 November 2027
- Year ended 31 March 2028: 30 November 2028

21. These dates are intended to achieve a balance between restoring timely audit and returning to unmodified audit opinions for the majority of local bodies. They have also been designed, to the extent possible, to limit the impact on other public sector audits, including NHS audits.

22. As has been set out, returning to full and timely reporting on VFM arrangements is a priority. Whilst Phase 1 enables the auditor to incorporate outstanding VFM arrangements reporting for historical years into a single output under a reduced scope, proposals for Phase 2 involve the restoration of full scope VFM arrangements by 2023/24. In addition, it is proposed that the Code of Audit Practice will set a requirement that from 2023/24 the Auditors' Annual Report will be issued in draft to those charged with governance by 30 November each year, irrespective of the position on the audit, to enable auditors to report regularly on most of the VFM arrangements work in a more timely and predictable way.

23. To reduce burdens on preparers and support auditors spreading the work to rebuild assurance over multiple periods CIPFA LASAAC will consult on 3 temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25:

- extending the override relating to the valuation and disclosure requirements for infrastructure assets
- simplifying the revaluation of operational property and instead permitting the use of indexation until new requirements for revaluation of operational property are introduced in 2025/26 following HM Treasury's thematic review of the valuation of non-investments assets in the public sector
- reducing the requirements for disclosures around net defined benefit pension liabilities / assets for 2 years to align with those in FRS 102 (UK Generally Accepted Accounting Practice) rather than International Financial Reporting Standards (IFRS)

24. The current deadline for local bodies (other than NHS bodies) for the publication of unaudited accounts is 31 May following the financial year end. This means the 2024/25 unaudited accounts deadline is set to be the same date as the backstop date for 2023/24 audited accounts. The government's consultation includes questions asking for views over whether this will create any significant issues and for views on the 31 May deadline for 2024/25 to 2027/28.

Consultations to deliver Phase 1 and Phase 2

25. There will be 3 consultations to implement the Phase 1 and Phase 2 measures set out:

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements
- CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors

Commitments by the FRC to support delivery of Phase 1 and Phase 2

26. All system partners recognise that the exceptional nature of the proposed measures means there will need to be an extensive programme of communications and engagement with local bodies, auditors and wider system stakeholders including elected members.

27. The FRC will support the NAO and CIPFA to issue guidance for preparers and auditors. The guidance for auditors will be designed to support audit firms with implementing the proposed approach to Phase 1 and Phase 2 in a way that is compliant with the ISAs (UK) and the Code of Audit Practice whilst supporting the overall objectives of the reset and recovery.

28. It is important that local bodies, residents and other accounts users can distinguish between modified and disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues. Guidance for auditors will remind auditors of their responsibilities to communicate the reasons for a modified or disclaimed opinion in reports to audit committees and in the auditor's report. This includes indicating clearly where the modified or disclaimed opinion occurs because the auditor has not completed work ahead of the backstop date.

29. We expect audit committees and other stakeholders to take this into account and ensure that their decisions and judgements are cognisant of where modified or disclaimed opinions are a result of the introduction of backstop dates.

30. The FRC will also hold an exceptional local audit specific meeting of the Technical Advisory Group (TAG). TAG normally takes place every 2 months to consider the application of ISAs (UK), ethical and quality management standards. TAG provides a forum for firms to raise technical issues with the application of standards as well as a means for the FRC to informally consult on standards and guidance that it might issue. The purpose of the local audit specific TAG would be for the FRC to respond to queries from firms in applying the ISAs (UK) in light of the backstop dates as well as any technical guidance issued by the NAO or the FRC. It will also provide an opportunity for firms to discuss best practice and practical matters of implementation in a forum convened by the FRC. The FRC will invite all firms involved in local audit, and representatives from system partners, to this special TAG meeting.

31. In line with the July Cross-System Statement, the FRC's AQR team has recently set out changes to its regulatory approach as part of its [report on the quality of major local audits](#). This sets out that AQR will not carry out routine inspections of major local audits for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so. AQR will provide further details on its planned approach to individual inspections for 2023/24 onwards, once the proposed measures are finalised. ICAEW has committed to mirroring the FRC's approach for its inspections of non-major local audits.

32. Working with DLUHC, the FRC is developing an escalated reporting framework. The intention is for the framework to be fully operational for 2023/24 audits so local authorities and auditors can use it to raise risks to individual audits meeting backstop dates and / or emerging systemic issues ahead of backstop dates to enable them and system partners to take appropriate action as early as possible. The framework is being designed to enable a coordinated response where there are more significant risks and complexities facing entities and ensure that system wide issues are identified as soon as possible so they can be addressed. We will provide further details on the proposed framework by the point the legislation on the backstop dates is in place.

33. The FRC intends to conclude its Audit and Assurance Sandbox on the approach to materiality on local audits in the first quarter of 2024 and will publish the findings. The Sandbox has brought together groups of auditors, practitioners, regulatory bodies and interested parties to explore potential pathways whereby auditors could set differential materiality levels for balance sheet items, such as operational property, from overall account materiality set based on expenditure.

Commitments by ICAEW

34. ICAEW has committed to mirroring the FRC AQR's approach for its inspections of non-major local audits.

Commitments by PSAA

35. PSAA will set scale fees and determine fee variations where the auditor undertakes more or less work than assumed by the scale fee in line with the Local Audit (Appointing Person) Regulations 2015. It will also consult with bodies where appropriate. Where possible (subject to sufficient satisfactory data and information from key parties), PSAA will develop indicative fee ranges and assumptions for areas where there is expected to be a change in the audit work carried out.

36. When PSAA subsequently determines the fees payable, the principles set out in the Cross System Statement will apply: if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, and the body is due to pay the applicable fee, including where there is a modified or disclaimed opinion. Conversely, if an auditor has collected audit fees in part or in full, and the backstop date means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount – this ensures that the bodies pay only for work that has been done and reported.

Expectations of auditors and local bodies to deliver Phase 1 and Phase 2

37. If implemented, all system partners believe Phase 1 and Phase 2 taken together will result in an overall significant reduction in work compared to the option of not introducing backstop dates. Nevertheless, the success of these proposals depends on both auditors and audited bodies focusing on their obligations in the public interest for timely, high-quality financial reporting and audit.

38. During the consultation period, any local body with concerns about specific financial risk resulting from the proposals should discuss this with their auditors and engage with DLUHC or the relevant parent Department at the earliest opportunity. This may include, but is not limited to, bodies with covenants that require audited accounts with unmodified audit opinions. Any auditors with specific technical, practical, or ethical concerns should flag these with the FRC as soon as possible.

39. Any slowdown in activity would lead to further issues in the future. Ahead of the first proposed backstop date, auditors and local bodies should work together to ensure that as many audits can be completed in full as possible. Where work has already been completed to provide sufficient evidence to support the audit opinion, preparers and auditors should work together to publish the audited accounts as soon as possible.

40. The potential introduction of backstop dates does not preclude the legal responsibilities for local bodies to publish unaudited accounts and hold the 30-working day inspection period for local electors. Any local body that has not yet published unaudited accounts for all years up to and including the financial year 2022/2023, or held the inspection period, should do so as soon as possible.

41. Where a local body believes they will not be able to provide draft accounts, which have been subject to the 30-working day inspection period, to the auditor, with sufficient time ahead of the backstop date, they should, following engagement with their auditors, flag this with DLUHC or the relevant sponsor department as soon as possible. Auditors are only able to provide an opinion – whether unmodified, modified or disclaimed – on a set of accounts which have been certified by the Section 151 Officer as true and fair, subject to the 30-day inspection period and approved as final by those charged with governance.

42. It should not be necessary for the audit of the previous year's accounts for Section 151 Officers to comply with their responsibilities to certify that the unaudited accounts show a true and fair view as local bodies should have sufficient internal controls and processes for the Section 151 Officer to obtain this assurance.

43. In consultation with local bodies and those charged with governance, auditors will need to make prioritisation decisions about the work they complete on local bodies' audits. When making such prioritisation decisions, auditors should consider the impact on other local bodies' audits. For example, they may choose to prioritise conducting sufficient audit work on pension funds to provide IAS 19 assurances to auditors of other local bodies. Finance teams should ensure they provide high-quality evidence requested by auditors in a timely manner.

44. Where an auditor has not obtained sufficient audit evidence to conclude they have reasonable assurance that the financial statements as a whole are free from material misstatement, they will need to modify or disclaim their audit opinion, as required by the ISAs (UK). Auditors are reminded of their existing responsibilities to clearly communicate the reasons for modified or disclaimed opinions in the auditor's report. They should explain in reports to the audit committee if the modified opinion is caused by the introduction of statutory backstop dates and to communicate what work they have been able to carry out.

45. Auditors should also keep in mind that the July Cross-System Statement stated that the auditors' statutory duty to report on VFM arrangements and their wider reporting powers remain a high priority. Auditors will need to ensure that they are able to conclude and report significant weaknesses in VFM arrangements in the audit report ahead of the backstop date as this legal duty cannot be disclaimed. For audits undertaken under the 2015 Code of Audit Practice, covering years up to 2019/20, auditors will need to report their conclusion on VFM arrangements as part of the auditor's report. Where auditors have concerns about a local body's ability to prepare accounts of sufficient quality ahead of the backstop date, they should consider using their wider reporting powers.

46. The government recognises that all audit firms conduct a variety of public sector audit work in addition to local audit. Local auditors should plan and commit to deliver work ahead of the backstop dates that allows for their existing contractual commitments for other public sector audits. Apart from in exceptional circumstances, NHS England will not accept requests for extensions to audit deadlines for NHS bodies because of auditors needing to complete work ahead of backstop dates for non-NHS local audited accounts.

Phase 3: Reform

47. Further, longer term work is required to address the systemic challenges that have led to the current local audit backlog. All parties to the Cross-System Statement have committed to continue work to ensure that financial reporting, auditing and regulatory requirements are proportionate and based on a common understanding of the purposes of local audit and reporting.

48. This work will build on the recommendations of the [Redmond Review](#), the recent Levelling Up, Housing and Communities Committee report into financial reporting and audit in local authorities and Public Accounts Committee reports on the timeliness of local audit. The government remains committed to establishing the Audit, Reporting and Governance Authority as system leader for local audit when Parliamentary time allows.

49. CIPFA LASAAC's strategic plan includes a workstream looking at long-term reforms to financial reporting based on the needs of accounts users. CIPFA are in the process of relaunching the Better Reporting Group to inform this work.

50. HM Treasury will be setting out in the first quarter of 2024 the outcome of the thematic review into the valuation of non-investment assets. CIPFA will continue to work with HM Treasury on how the changes apply to local bodies with the intention that they are introduced to the Code of Practice for Local Authority Accounting for 2025/26.

51. The FRC intends to publish its Local Audit Workforce Strategy during 2024, following a presentation to the Local Audit Liaison Committee. The Strategy will include both short-term and longer-term recommendations to increase the supply of suitably skilled auditors, including for further changes to Key Audit Partner requirements.

52. Closely linked to the Local Audit Workforce Strategy, the government has successfully procured the development of a Local Audit Qualification which will shortly be launched by CIPFA, opening the training route for experienced Responsible Individuals to become Key Audit Partners. In addition, CIPFA and the Local Government Association (LGA) are working on a parallel Workforce Strategy for local government finance teams.

Conclusion

53. The measures proposed are an important step in restoring timely financial reporting and audit for local bodies. The government is grateful for the hard work and collaboration of system partners in developing these ambitious measures. All system partners are committed to continue to work closely together to, following the consultation, implement measures to clear the backlog of local audit opinions and develop the long-term reforms required to prevent a backlog arising in the future.

Addressing the local audit backlog in England: Consultation

Published 8 February 2024

Topic of this consultation:

Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework. The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level.

This consultation seeks views on amending the Accounts and Audit Regulations 2015 as part of a package of cross-system measures to clear the backlog and put the system on a sustainable footing.

This document should be read in conjunction with the [Joint Statement](#) from system partners, including the Department for Levelling Up, Housing and Communities.

Scope of this consultation:

The proposals covered by this consultation relate specifically to ‘Category 1’ Authorities. Category 1 bodies encompass local authorities, but also police and fire bodies, as well as bodies such as National Parks Authorities, waste authorities and Passenger Transport Authorities.

More specifically, in accordance with the [Accounts and Audit Regulations 2015](#), a “Category 1 authority” means a relevant authority that either—

(a) is not a smaller authority; or

(b) is a smaller authority that has chosen to prepare its accounts for the purpose of a full audit in accordance with the Local Audit (Small Authorities) Regulations 2015.

For the definition of “relevant authority”, see [section 2 of the Local Audit and Accountability Act 2014](#).

For the definition of a “smaller authority”, see [section 6 of the Local Audit and Accountability Act 2014](#).

Geographical scope:

The questions in this consultation relate to local bodies in England, as defined above.

Basic information

In accordance with section 32 of the Local Audit and Accountability Act 2014, there is a statutory duty to consult the following entities in relation to amendments to the Accounts and Audit Regulations 2015:

- the Comptroller and Auditor General,
- such representatives of relevant authorities as the Secretary of State thinks appropriate, and
- the recognised supervisory bodies

This is an open consultation, and we welcome the views of any individual or entity interested in the proposals, including all Category 1 authorities (as defined above), audit firms, and other organisations which form part of the local audit framework.

Body/bodies responsible for the consultation:

The Local Government Performance Division in the Department for Levelling-Up Housing and Communities is responsible for conducting this consultation.

Duration:

This consultation will be open from 8 February. It will be open for 4 weeks for public participation and will close on 7 March 2024.

Enquiries:

For enquiries about the consultation please contact: localaudit@levellingup.gov.uk

How to respond:

You can respond to this consultation through our [online consultation platform](#). We strongly encourage responses via the online survey. Using the online survey greatly assists our analysis of the responses, enabling more efficient and effective consideration of the issues raised for each question.

Alternatively you can email your response to the questions in this consultation to localaudit@levellingup.gov.uk

If you are responding in writing, please make it clear which questions you are responding to.

Written responses should be sent to:

Consultation on Addressing the Local Audit Backlog
 FAO Elizabeth Parckar/Local Audit Team
 Department for Levelling Up, Housing and Communities
 Local Government Performance Division
 Fry Building
 2 Marsham Street
 London, SW1P 4DF

When you reply it would be very useful if you confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name
- your position (if applicable)
- the name of organisation (if applicable)
- an address (including postcode)
- an email address
- a contact telephone number

Introduction

Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework.

A significant number of local audits in England are outstanding. The government, working with the Financial Reporting Council (FRC) and other system partners, is taking steps to clear the backlog and put the system on a sustainable footing moving forward.

This consultation seeks views on proposed legislative changes to the Accounts and Audit Regulations 2015 (the 2015 Regulations). These are central to cross-system proposals agreed by the Department for Levelling-Up Housing and Communities (DLUHC), the FRC, the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW), and Public Sector Audit Appointments (PSAA).

Given the requirement for concerted action, system partners have published a joint statement explaining the package of measures and how the various elements are intended to interact. This [Joint Statement](#) provides vital context for this consultation and should be reviewed before responding to the questions below.

As the Joint Statement explains, the wider package of measures consists of 3 stages:

- Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit

These are not proposals we take lightly, but these are exceptional times. All system partners, including the government, share the conviction that bold steps are necessary to reset the system.

The [NAO is also consulting](#), in parallel to this consultation, on related changes to the Code of Audit Practice. Further detail on the NAO's proposals can also be found in the [Joint Statement](#).

CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors. Further detail on CIPFA LASAAC's proposals can also be found in the [Joint Statement](#).

The government has published a [draft statutory instrument](#) (PDF, 179 KB) alongside this consultation. As explained further below, this covers the core elements of the proposed amendments to the 2015 Regulations.

Phase 1: 'Backstop' proposals for financial years 2015/2016 to 2022/2023

The proposed changes to the 2015 Regulations would require Category 1 authorities to ensure that (subject to consideration of potential exceptional circumstances – see below) by 30 September 2024 they have published audited accounts for financial years 2015/2016 to 2022/2023.

An authority's ability to meet the requirement above would be contingent on an audit opinion being issued in time. For this reason, the NAO is proposing that the Code of Audit Practice be amended so that auditors are required (unless specific circumstances apply – see below) to issue their opinion in time for the authority to publish its accounts by the specified date in the 2015 Regulations (in this case, 30 September 2024).

Regulation 10(2) currently imposes a duty on authorities to publish a delay notice if an audit of accounts has not been concluded before the date specified. We propose to disapply this duty for accounts with outstanding audits for financial years 2015/2016 to 2022/2023. This is because, under these proposals, authorities would be required to publish audited accounts by the backstop date.

The proposal to set the backstop date at 30 September 2024 reflects the need to ensure sufficient time for auditors to issue opinions, including modified or disclaimed opinions due to the backstop, and for bodies to publish accounts containing those audit opinions once the legislation has come into force.

The NAO's consultation proposes that the Code of Audit Practice would introduce exemptions from the proposed statutory deadline for auditors in certain circumstances. These would include, for example, if the auditor is unable to issue their opinion where there are outstanding objections to the accounts that could be material to that opinion.

Where there is an outstanding objection of this nature, we consider it may be desirable to create an equivalent exemption for Category 1 authorities. This consultation also seeks views on other exceptional circumstances in which Category 1 authorities might be exempted from the 30 September 2024 backstop date.

Our intention is to publish a list of Category 1 authorities and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not, making it clear any instances where unaudited accounts had also not been published by the required date.

Under these proposals, the existing requirements in the 2015 regulations relating to the publication of unaudited accounts and to public inspection periods would continue to apply in their current form (see 'Part 5' of the Regulations).

Under these proposals, the published, audited accounts must also be approved in accordance with regulation 9(2) and therefore the approval must be given before the backstop date.

Further context on these aspects of the proposals can be found in the [Joint Statement](#) (especially paragraphs 5 to 14 and 25 to 46) as well as the [draft regulations](#) (PDF, 179 KB).

Questions

Q1. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 3 and 4 below), do you agree that Category 1 authorities should be required to have published audited accounts for all financial years up to and including financial year 2022/2023 by 30 September 2024? (agree, disagree, unsure)

Do you have any comments on this issue?

Q2. Do you agree that the requirement at Regulation 10(2) for Category 1 authorities to publish a delay notice should be disapplied in relation to any outstanding audits covering financial years 2015/2016 to 2022/2023? (agree, disagree, unsure)

Do you have any comments on this issue?

Q3. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop date of 30 September in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)

Please explain your response.

Q4. Do you think there would be any other exceptional circumstances which might create conditions in which it would be appropriate for Category 1 authorities to be exempt from the 30 September backstop date? (agree, disagree, unsure)

Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption.

Q5. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadline of 30 September 2024? (agree, disagree, unsure)

Please explain your response and, where relevant, include any suggested consequences.

Phase 2: 'Backstop' proposals for the recovery period, financial years 2023/2024 to 2027/2028

The proposed changes to the 2015 Regulations would require (subject to consideration of potential exceptions – see below) Category 1 authorities to publish audited accounts by the following dates for financial years 2023/2024 to 2027/2028:

- 2023/24: 31 May 2025
- 2024/25: 31 March 2026
- 2025/26: 31 January 2027
- 2026/27: 30 November 2027
- 2027/28: 30 November 2028

As per the Phase 1 backstop proposals, the NAO is proposing that the Code of Audit Practice would require auditors (unless specific circumstances apply) to issue their opinion in time for the authority to publish its accounts by the specified dates.

As per the Phase 1 backstop proposals, we propose to disapply regulation 10(2), which requires authorities to publish a delay notice if the audit of accounts has not been concluded before the date specified.

Also to maintain consistency with the proposals for phase 1, the NAO's consultation proposes that the Code of Audit Practice would introduce exemptions from the proposed statutory deadlines for auditors in certain circumstances. These would include, for example, if the auditor is unable to issue their opinion where there are outstanding objections to the accounts that could be material to that opinion.

Where there is an outstanding objection of this nature, we consider it may be desirable to create an equivalent exemption for Category 1 authorities. This consultation also seeks views on other exceptional circumstances in which Category 1 authorities might be exempted from the backstop dates for this period.

Our intention is to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not, making it clear any instances where unaudited accounts had also not been published by the required date.

Questions 10 and 11 below seek views on whether, in light of the proposed deadlines for the publication of audited accounts, the existing 31 May deadline for the publication of unaudited accounts (see regulation 15(1)(a)) remains appropriate for financial years 2024/2025 to 2027/2028. (Note that the deadline of 31 May 2024 for the publication of unaudited accounts for the current financial year is not under consideration.)

Under these proposals, the existing requirements in the 2015 regulations relating to public inspection periods would continue to apply in their current form (see 'Part 5' of the Regulations).

Under these proposals, the published, audited accounts must also be approved in accordance with regulation 9(2) and therefore the approval must be given before the backstop date.

Further context on these aspects of the proposals can be found in the [Joint Statement](#) (especially paragraphs 15 to 46), as well as the [draft regulations](#) (PDF, 179 KB).

Questions

Q6. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 7 and 8 below), do you agree that Category 1 local authorities should be required to publish audited accounts for financial years 2023/2024 to 2027/2028 by the following dates (agree, disagree, unsure)?

- 2023/24: 31 May 2025
- 2024/25: 31 March 2026
- 2025/26: 31 January 2027
- 2026/27: 30 November 2027
- 2027/28: 30 November 2028

Do you have any comments on these dates?

Q7. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop dates for Phase 2 in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)

Please explain your response.

Q8. Do you think there would be any other exceptional circumstances which might create conditions in which it would be appropriate for Category 1 authorities to be exempt from the backstop dates for Phase 2? (agree, disagree, unsure)

Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption.

Q9. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadlines for Phase 2? (agree, disagree, unsure)

Please explain your response and, where relevant, include any suggested consequences.

Q10. The Accounts and Audit Regulations 2015 (regulation 15(1)(a)) currently requires Category 1 local authorities to publish unaudited accounts by the 31 May following the end of the financial year. In light of the proposed deadlines for the publication of audited accounts, do you think the 31 May deadline remains appropriate for financial years 2024/2025 to 2027/2028? (agree, disagree, unsure)

Please explain your response.

Q11. The existing annual deadline for the publication of unaudited accounts is 31 May. As set out above, we are proposing a backstop date for the publication of audited accounts for the financial year 2023/2024 of 31 May 2025. This would mean that 31 May 2025 would be the statutory deadline for both the publication of audited accounts for financial year 2023/2024 and unaudited accounts for financial year 2024/2025. Do you expect this would create any significant issues? (agree, disagree, unsure)

Please explain your response.

Q12. The government anticipates that the Phase 1 backstop proposals will result in modified or disclaimed opinions. A modified or disclaimed opinion at the end of Phase 1 would require auditors to subsequently rebuild assurance. The Phase 2 backstop dates are intended to enable this work to be spread across multiple years. Given this additional work, and noting the further explanation at paragraphs 15 to 46 of the [Joint Statement](#), do you have any views on the feasibility of audited accounts being published by the proposed statutory backstop dates for Phase 2?

Publication of an audit letter

Regulation 20 of the 2015 Regulations places a duty on Category 1 authorities to consider and then publish any audit letter received from the auditor “following completion of an audit.”

The NAO’s Code of Audit Practice currently specifies that an auditor’s annual report meets the definition of an ‘audit letter’ in the 2015 Regulations. In practice, therefore, Category 1 authorities have a duty to consider and publish annual audit reports in accordance with Regulation 20.

The 2020 Code of Audit Practice states that an auditor’s annual report brings together all of the auditor’s work over the year. This should be presented at an appropriate forum at the body (e.g. Audit Committee or Full Council) and be made available on the authority’s website.

A core element of the auditor’s annual report is a commentary on the organisation’s arrangements to secure value for money through the economic, efficient and effective use of its resources. The commentary should be clear, readily understandable and highlight any issues that the auditor wishes

to draw to the attention of the body or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

These arrangements previously allowed for timely and reasonably predictable public reporting of local auditors' audit letters. The recent backlog issues have, however, resulted in both delays to this public reporting and much less predictability in terms of when the auditors' letters would be published.

Under the proposed changes to the NAO's Code of Audit Practice, aimed at helping with clearing the backlog of local audit opinions and restoring more timely reporting of auditors' work on arrangements to secure value for money, the NAO plans to consult on a fixed annual deadline of 30 November for production and subsequent publication of the auditor's annual report.

A fixed cycle may mean that, due to the proposed deadlines for publication of audited accounts for financial years 2023/2024 to 2027/2028, the auditor would issue their annual report before they have completed all of their work. However, it is hoped that these changes will enable the auditor to report the outcome of the majority of their work on financial sustainability and governance in a more timely and predictable way.

It may therefore be helpful for the 2015 Regulations to require reports categorised as 'audit letters' to be considered and published by Category 1 authorities whenever they are issued, rather than limiting this to circumstances in which an audit has been completed.

Further context on these proposals can be found in the [NAO's consultation](#).

Question

Q13. Do you agree that it would be beneficial for the 2015 Regulations be amended so that Category 1 bodies would be under a duty to consider and publish audit letters received from the local auditor whenever they are issued, rather than, as is currently the case, only following the completion of the audit? (agree, disagree, unsure)

Do you have any comments on this issue?

Equality impacts

In considering new legislation, under section 149 of the Equality Act 2010 (the Act), the government is required to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and those who do not; and
- foster good relations between people who share protected characteristics and those who do not.

Under the Act, protected characteristics refer to:

- age
- disability

- sex
- gender reassignment
- marriage or civil partnership
- pregnancy and maternity
- race
- religion or belief
- sexual orientation.

Question

Q14. Do you have any comments on whether any of the proposals outlined in this consultation could have a disproportionate impact, either positively or negatively, on people with protected characteristics or wish to highlight any other potential equality impacts?

Further feedback

Question

Q15. Finally, do you have any further comments on the proposed changes to the 2015 Regulations not covered by the questions so far, including relating to any unintended consequences?

(Where possible, please limit your response to 500 words)

About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Environmental Information Regulations 2004 and UK data protection legislation. In certain circumstances this may therefore include personal data when required by law.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the information access regimes and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department for Levelling Up, Housing and Communities will at all times process your personal data in accordance with UK data protection legislation and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included below.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the [complaints procedure](#).

Personal data

The following is to explain your rights and give you the information you are entitled to under UK data protection legislation.

Note that this section only refers to personal data (your name, contact details and any other information that relates to you or another identified or identifiable individual personally) not the content otherwise of your response to the consultation.

1. The identity of the data controller and contact details of our Data Protection Officer

The Department for Levelling Up, Housing and Communities (DLUHC) is the data controller. The Data Protection Officer can be contacted at dataprotection@levellingup.gov.uk or by writing to the following address:

Data Protection Officer
Department for Levelling Up, Housing and Communities
Fry Building
2 Marsham Street
London SW1P 4DF

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

We will collect your IP address if you complete a consultation online. We may use this to ensure that each person only completes a survey once. We will not use this data for any other purpose.

Sensitive types of personal data

Please do not share [special category](#) personal data or criminal offence data if we have not asked for this unless absolutely necessary for the purposes of your consultation response. By 'special category personal data', we mean information about a living individual's:

- race
- ethnic origin
- political opinions
- religious or philosophical beliefs
- trade union membership
- genetics
- biometrics

- health (including disability-related information)
- sex life; or
- sexual orientation.

By ‘criminal offence data’, we mean information relating to a living individual’s criminal convictions or offences or related security measures.

3. Our legal basis for processing your personal data

In accordance with section 32 of the Local Audit and Accountability Act 2014, there is a statutory duty to consult the following entities in relation to amendments to the Accounts and Audit Regulations 2015:

- the Comptroller and Auditor General,
- such representatives of relevant authorities as the Secretary of State thinks appropriate, and
- the recognised supervisory bodies

The collection of your personal data is lawful under article 6(1)(e) of the UK General Data Protection Regulation as it is necessary for the performance by DLUHC of a task in the public interest/in the exercise of official authority vested in the data controller. Section 8(d) of the Data Protection Act 2018 states that this will include processing of personal data that is necessary for the exercise of a function of the Crown, a Minister of the Crown or a government department i.e. in this case a consultation.

Where necessary for the purposes of this consultation, our lawful basis for the processing of any special category personal data or ‘criminal offence’ data (terms explained under ‘Sensitive Types of Data’) which you submit in response to this consultation is as follows. The relevant lawful basis for the processing of special category personal data is Article 9(2)(g) UK GDPR (‘substantial public interest’), and Schedule 1 paragraph 6 of the Data Protection Act 2018 (‘statutory etc and government purposes’). The relevant lawful basis in relation to personal data relating to criminal convictions and offences data is likewise provided by Schedule 1 paragraph 6 of the Data Protection Act 2018.

4. With whom we will be sharing your personal data

The data collected may be shared with other government departments and arms length bodies.

For any other bodies all data shared will be anonymised.

DLUHC may appoint a ‘data processor’, acting on behalf of the Department and under our instruction, to help analyse the responses to this consultation. Where we do we will ensure that the processing of your personal data remains in strict accordance with the requirements of the data protection legislation.

5. For how long we will keep your personal data, or criteria used to determine the retention period

Your personal data will be held for 2 years from the closure of the consultation, unless we identify that its continued retention is unnecessary before that point.

6. Your rights, e.g. access, rectification, restriction, objection

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have your data corrected if it is incorrect or incomplete
- d. to object to our use of your personal data in certain circumstances
- e. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

Please contact us at the following address if you wish to exercise the rights listed above, except the right to lodge a complaint with the ICO: dataprotection@levellingup.gov.uk or

Knowledge and Information Access Team
 Department for Levelling Up, Housing and Communities
 Fry Building
 2 Marsham Street
 London SW1P 4DF

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making

9. Your personal data will be stored in a secure government IT system

We use a third-party system, Citizen Space, to collect consultation responses. In the first instance your personal data will be stored on their secure UK-based server. Your personal data will be transferred to our secure government IT system as soon as possible, and it will be stored there for 2 years before it is deleted.

Addressing the local audit backlog in England: DLUHC Consultation

1. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 3 and 4 below), do you agree that Category 1 authorities should be required to have published audited accounts for all financial years up to and including financial year 2022/2023 by 30 September 2024?

agree
disagree
unsure

Do you have any comments on this issue?

Not relevant to Tonbridge and Malling Borough Council as accounts up to and including 2022/23 have been Audited and Published.

2. Do you agree that the requirement at Regulation 10(2) for Category 1 authorities to publish a delay notice should be disapplied in relation to any outstanding audits covering financial years 2015/2016 to 2022/2023?

agree
disagree
unsure

Please explain your response

Not relevant to Tonbridge and Malling Borough Council as accounts up to and including 2022/23 have been Audited and Published.

3. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop date of 30 September in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion?

agree
disagree
unsure

Please explain your response

Not relevant to Tonbridge and Malling Borough Council as accounts up to and including 2022/23 have been Audited and Published.

4. Do you think there would be any other exceptional circumstances which might create conditions in which it would be appropriate for Category 1 authorities to be exempt from the 30 September backstop date?

agree
disagree
unsure

Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption.

Not relevant to Tonbridge and Malling Borough Council as accounts up to and including 2022/23 have been Audited and Published.

5. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadline of 30 September 2024?

Addressing the local audit backlog in England: DLUHC Consultation

agree
disagree
unsure

Please explain your response and, where relevant, include any suggested consequences

Not relevant to Tonbridge and Malling Borough Council as accounts up to and including 2022/23 have been Audited and Published.

6. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 7 and 8 below), do you agree that Category 1 local authorities should be required to publish audited accounts for financial years 2023/2024 to 2027/2028 by the following dates?

2023/24: 31 May 2025,
2024/25: 31 March 2026,
2025/26: 31 January 2027,
2026/27: 30 November 2027,
2027/28: 30 November 2028

agree
disagree
unsure

Do you have any comments on these dates?

7. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop dates for Phase 2 in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion?

agree
disagree
unsure

Please explain your response

8. Do you think there would be any other exceptional circumstances which might create conditions in which it would appropriate for Category 1 authorities to be exempt from the backstop dates for Phase 2?

Agree
disagree
unsure

Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption

9. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadlines for Phase 2?

agree
disagree
unsure

Addressing the local audit backlog in England: DLUHC Consultation

Please explain your response and, where relevant, include any suggested consequences

Where the delay in the accounts sign off have been a result of poor management or resourcing on either party, I would expect the Authority or Auditors to be named and the Section 151 officer or Engagement Lead to provide the reasons for the delay.

If the delay is as a result of poor management on the case of the Auditor financial rebates should be awarded to the Local Authority, if it is the failure of the Local Authority additional charges can be rendered onto the Authority.

10. The Accounts and Audit Regulations 2015 (regulation 15(1)(a)) currently requires Category 1 local authorities to publish unaudited accounts by the 31 May following the end of the financial year. In light of the proposed deadlines for the publication of audited accounts, do you think the 31 May deadline remains appropriate for financial years 2024/2025 to 2027/2028?

Agree

disagree

unsure

Please explain your response

Given that the delays in Audit are placing significant pressure on the Local Authority Staff preparing the accounts and associated working papers, phasing of additional time, in line with the Redman proposals to allow unaudited accounts to be published no later than 30 June should be implemented.

11. The existing annual deadline for the publication of unaudited accounts is 31 May. As set out above, we are proposing a backstop date for the publication of audited accounts for the financial year 2023/2024 of 31 May 2025. This would mean that 31 May 2025 would be the statutory deadline for both the publication of audited accounts for financial year 2023/2024 and unaudited accounts for financial year 2024/2025. Do you expect this would create any significant issues?

agree

disagree

unsure

Please explain your response

As previously explained given the pressure and workload on Local Authority Staff additional time should be given for the preparation of the 2024/25 accounts, therefore a suggested date of 31 July for unaudited statements for 2024/25 would be more appropriate with move to 30 June each year after

12. The government anticipates that the Phase 1 backstop proposals will result in modified or disclaimed opinions. A modified or disclaimed opinion at the end of Phase 1 would require auditors to subsequently rebuild assurance. The Phase 2 backstop dates are intended to enable this work to be spread across multiple years. Given this additional work, and noting the further explanation at paragraphs 15 to 46 of the Joint Statement, do you have any views on the feasibility of audited accounts being published by the proposed statutory backstop dates for Phase 2?

Please respond in the free text box below

Whilst the explanation is welcome, for those who are completing the 2023/24 accounts in a timely manner the changes on asset and pensions have come too late where valuers and actuaries have been engaged and are progressing on previously issued guidance.

Addressing the local audit backlog in England: DLUHC Consultation

13. Do you agree that it would be beneficial for the 2015 Regulations be amended so that Category 1 bodies would be under a duty to consider and publish audit letters received from the local auditor whenever they are issued, rather than, as is currently the case, only following the completion of the audit?

agree

disagree

unsure

Do you have any comments on this issue?

14. Do you have any comments on whether any of the proposals outlined in this consultation could have a disproportionate impact, either positively or negatively, on people with protected characteristics or wish to highlight any other potential equality impacts?

None at present

15. Finally, do you have any further comments on the proposed changes to the 2015 Regulations not covered by the questions so far, including relating to any unintended consequences?

Where possible, please limit your response to 500 words



National Audit Office

Consultation document
by the National Audit Office

Local audit in England Code of Audit Practice

Draft Code Consultation

We are the UK's independent public spending watchdog.

We support Parliament in holding government to account and we help improve public services through our high-quality audits.

The National Audit Office (NAO) helps Parliament hold government to account for the way it spends public money. It is independent of government and the civil service.

The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether government is delivering value for money on behalf of the public, concluding on whether resources have been used efficiently, effectively and with economy. The NAO identifies ways that government can make better use of public money to improve people's lives. It measures this impact annually. In 2022, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £572 million.

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Introduction

- 1 The Local Audit and Accountability Act 2014 (the 2014 Act) makes the Comptroller and Auditor General (C&AG) responsible for the preparation and maintenance of the Code of Audit Practice (the Code) and gives the C&AG the power to issue guidance to auditors in support of the Code, to which auditors must have regard when carrying out their work. Schedule 6 of the 2014 Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2020.
- 2 This document provides a summary of the key changes included in the draft Code along with the main draft Code text. Note that the Code text included in this document excludes the preface, glossary and Schedules 1 and 2 which are factual references only and are to be updated during the consultation.

How to respond

- 3 **Please respond by Thursday 7 March 2024.**
- 4 We have set out in this paper the proposed changes to the relevant sections of the Code.
- 5 When answering the consultation questions, it would be very helpful if you could please refer as far as possible to the relevant Chapter of the draft Code and paragraph(s) and also provide additional explanation and detail where appropriate, to help us understand the basis for your comments.
- 6 You do not need to respond to all the consultation questions set out in this document; we welcome brief or partial responses addressing only those issues where you wish to put forward a view. If there are further observations you would like to make in addition to the questions included in this consultation, however, feel free to include these in your response.
- 7 Please email your response to lacg@nao.org.uk.
- 8 If you need paper copies of this consultation document, please let us know using the email address above and provide us with your contact details. We will be happy to post copies to you.
- 9 We may draw on your responses when explaining how we have acted on the consultation, or if we need to follow up matters raised with some or all other respondents. Therefore, your comments will be regarded as public unless you let us know that they should not be. If so, please let us know when you submit your response whether you consider all or part of your submission to be confidential.

Background and context

Scope of the consultation

- 1 The Code of Audit Practice is a key document setting out how local auditors in England meet their responsibilities under the 2014 Act. Local public services account for a significant amount of public spending, delivering many of the public services local taxpayers rely on every day. Much of this money is raised through taxation, so public audit is wider in scope than that of the private sector. Taxpayers, national bodies and other stakeholders reasonably expect that the auditor will be able to provide assurance over whether the accounts have been properly prepared and are free from material error, and whether the body has proper arrangements in place to manage its business and finances. Through the principles set out in the Code, local auditors are expected to have regard to this wider scope by maintaining their independence, acting proportionately and efficiently, and reporting effectively to the public.
- 2 In the C&AG's 'Progress update: Timeliness of local auditor reporting on local government in England', January 2023¹, he reported the significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. Just nine per cent of local government bodies received opinions in time to publish audited 2020-21 financial statements by the 30 September deadline. This was a significant reduction from 45% for 2019-20, even allowing for the tighter publication deadlines compared with the previous year. Only 12% of local government bodies received opinions in time to publish audited 2021-22 financial statements by the deadline, despite a further extension of the publication deadline to 30 November 2022.
- 3 At the LGA Local Government Finance Conference in January 2024, the C&AG noted that at the end of December 2023 only 45 audits for 2022-23 had been completed leaving 422 outstanding and a cumulative backlog of 771.
- 4 Delays in audit opinions undermine the effectiveness of local audit: for example, accountability and transparency are reduced for relevant authorities as users of the accounts cannot obtain an accurate picture of authorities' financial position. Delays also undermine the effectiveness of value for money arrangements work and the exercise of additional powers, as there is an increased risk that recommendations, reports and other interventions will come too late to have their desired impact.
- 5 There are also detrimental impacts elsewhere in the public audit system including delays to the certification of central government accounts that include material local government pension scheme information, delays in publication and risks of reduced quality for the Whole of Government Accounts. The delivery of audits at local NHS bodies is also affected, as they rely on the same market of local audit firms as local government bodies.
- 6 Minister Lee Rowley, the then Minister for the Department for Levelling Up, Housing and Communities'(DLUHC) issued a cross-system statement (14 July

7 Background and context Local audit in England Code of Audit Practice

2023)² on proposals setting out the actions that the local audit sector and others propose to take to tackle the issue of delays in local public audit, clear the current backlog and return local audit to a sustainable footing. In line with the system-wide objectives outlined by the Minister, the C&AG has established a Programme Board to develop proposals to consider in relation to a replacement Code which aims to play its part in bringing local auditor reporting up to date and ensure that reporting in future is more timely.

- 7 The new Minister for Local Government, Simon Hoare MP, also wrote to the Chair of the Levelling Up, Housing and Communities Committee on 9 January 2024, confirming that resolve to address these issues remained strong and acknowledging the forthcoming consultations on proposals to clear the backlog and restore timely local audit.
- 8 Given the requirement for concerted action, system partners have published a joint statement explaining the package of measures and how the various elements are intended to interact. This joint statement, which can be accessed at <https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation/local-audit-delays-joint-statement-on-update-to-proposals-to-clear-the-backlog-and-embed-timely-audit>, provides vital context for this consultation, and should be reviewed before responding.
- 9 DLUHC is also consulting, in parallel to this consultation, on related changes to the Accounts and Audit Regulations 2015. Further detail on DLUHC's proposals can also be found in the joint statement.
- 10 CIPFA is also consulting, in parallel to this consultation, on related changes to the Code of Practice for Local Authority Accounting. Further detail on CIPFA's proposals can also be found in the joint statement.

Summary of proposed changes to the draft Code

- 1 This section summarises the changes proposed within the main text of the draft Code.

Chapter One: Status of the Code, application and general principles

- 2 Paragraph 1.5 of the Code is amended so that it applies to all incomplete audits from 2015-16 onwards. This is to allow auditors to incorporate outstanding Value for Money (VFM) arrangements reporting for historic years into a single output under a reduced scope. Auditors will, however, still need to report by exception where they are not satisfied with arrangements to secure VFM in a particular year in that year's audit report.
- 3 Public Sector Audit Appointment's national auditor appointment scheme covers 470 (99%) out of 475 eligible local government bodies. The most recent procurement covered audits from 2023-24 to 2027-28. Major procurement exercises often lead to more changes in auditor portfolios, but on this occasion, in addition to the changes in auditor appointments, the period of time between a new auditor being appointed and the previous auditor completing their work is extended considerably by the backlog. The Code therefore aims to be more explicit that co-operation between auditors includes this extended 'handover period'. It also aims to ensure that any significant current issues arising during this extended period are identified and reported on in as timely a manner as possible.

Chapter Two: Audit of the financial statements

- 4 The 2014 Act sets out the requirement for local auditors to give an opinion on the body's statement of accounts. To meet their duties, the current Code requires auditors to comply with auditing standards currently in force (and as may be amended from time to time), having regard to any other relevant guidance and advice issued by the Financial Reporting Council (FRC), and the NAO on behalf of the C&AG.
- 5 One of the proposals outlined in the then Minister's cross system statement is for DLUHC to set a series of statutory deadlines known as 'backstop' dates for accounts preparers and auditors to clear the backlog of delayed audits for financial years 2015-16 to 2022-23. This would introduce for each

9 Summary of proposed changes to the draft Code Local audit in England Code of Audit Practice

financial year a date before which auditors would be required to give their opinion on a local authority's accounts. Local authorities would also be required to approve their accounts as 'final' by the same date. This would mean that for any given year, there would be a date by which almost all local authorities would have had their audits completed, even if that means the opinion is qualified or disclaimed (modified).

- 6 DLUHC also proposes to have ongoing backstop dates to be set out in the Accounts and Audit Regulations for years up to and including 2027-28. These backstop dates are intended to achieve a balance between restoring timely audit and returning to unmodified audit opinions for the majority of local authorities.
- 7 While the 'backstop' date(s) would be introduced through regulation and the Code, it will remain for the appointed local auditor to determine what type of opinion they issue and, especially in relation to more recent years, there is the likelihood that there will be fewer unqualified opinions issued than would normally be expected. Where a modified opinion is as a result of the introduction of backstop dates, it is expected that the audit report will make this clear.
- 8 The Code also sets out circumstances in which it may not be possible for the auditor to issue their audit report in time for the relevant authority to publish its accounts by the specified date. Such circumstances include where the auditor is considering an objection that may have a material impact on their opinion on the financial statements; where in the auditor's judgement recourse to the Court could be required; or where the auditor is unable to conclude as to whether they are satisfied with the body's VFM arrangements.

Chapter Three and Schedule 3: The auditor's work on value-for-money arrangements

- 9 The 2014 Act places a specific duty on the local auditor to be satisfied whether the body they are auditing has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. In the current Code. This is referred to as work on arrangements to secure value for money (VFM arrangements).

- 10 The Code currently requires auditors to write a commentary on the body's arrangements against specified reporting criteria: financial sustainability; governance; and improving economy, efficiency and effectiveness. Where the auditor identifies a significant weakness in arrangements, they should report them to the body and raise recommendations setting out what the body needs to do to address them.
- 11 It is clear from our on-going engagement with local auditors and the sector that significant delays to VFM arrangements work is reducing the value added. While we have evidence of some auditors using the approach to raise concerns in a more timely manner, given the extent of the backlog of work, this is not the case more generally.
- 12 While the Code is not proposing any significant changes to the principles of the overall approach currently applied, Schedule 3 introduces a reduced scope of VFM arrangements work for incomplete audits from 2020-21 up to and including 2022-23. To bring reporting up to date, the work required focusses on aspects of financial sustainability and governance, with full scope VFM arrangements work across all three criteria proposed to be restored by 2023-24, the first year of the new audit contracts.
- 13 We recognise that this will mean that VFM arrangements reporting for incomplete audits up to and including 2022-23 will vary in terms of its coverage depending on when the auditor undertakes the work and the approach taken by individual audit firms. We believe however, this compromise is necessary to restore timely VFM arrangements reporting as quickly as possible.
- 14 Where the auditor identifies significant weaknesses in arrangements, for historic years (incomplete audits up to and including 2022-23) auditors would not need to make a recommendation where they were satisfied that the issue had been resolved. From 2023-24, however, the proposal is that a requirement for recommendations would return.

Chapter Four and Schedule 4: Reporting the results of the auditor's work

- 15 Local auditors undertake a key role in providing local bodies, local people and other stakeholders with independent assurance about their financial statements and arrangements to manage their business and finances. It is therefore essential that the way this is reported to local bodies – and to the public – is as effective and transparent as possible and promotes local improvement. Auditors need to ensure that where they are identifying risks and issues, they are drawing attention to them promptly and clearly, so that bodies can take appropriate corrective action and the executive can be held to account.
- 16 Under the 2020 Code, the auditor's annual report brought together all of the auditor's work over the year. A key element of the auditor's annual report is the commentary on the specified reporting criteria regarding VFM arrangements set out in Chapter Three. In order to bring reporting up to date and recognising the perishability of the usefulness of this work for outstanding audits, Schedule 4 of the Code allows for the combining of historic years' auditor's annual reports to a single report covering incomplete years' VFM arrangements work and focussing on significant weaknesses.
- 17 For incomplete audits up to and including 2022-23, the draft Code sets the requirement that auditors should aim to issue their auditor's annual report as soon as they have completed their work on VFM arrangements.
- 18 Chapter Four then proposes to require that from 2023-24, the auditor's annual report instead provides a summary of progress on the audit at the time of issue, and for local government bodies only, will be expected to be issued in draft to those charged with governance by 30 November each year, irrespective of the position on the audit. This will enable auditors to report regularly on most of the VFM arrangements work in a more timely and predictable way. The Code will not require auditor's annual reports to be reissued once the audit is fully complete. Any issues identified by the auditor after issuing their auditor's annual report are expected to be included in their report for the following year.
- 19 For local NHS bodies, proposals are that auditors should aim to issue their auditor's annual report no later than one month after the date on which they have issued their audit report. Where the auditor is unable to issue their audit report in accordance with the requirements set out in the NHS timetable, the auditor should consider whether it is in the public interest to issue their auditor's annual report to reflect the work completed to date.

- 20 The C&AG has previously issued guidance to auditors (under paragraph 9 of Schedule 6 of the Local Audit and Accountability Act 2014), initially in response to the COVID-19 pandemic and the ongoing delays in local audit, known as 'special reporting provisions'. These enabled auditors to report in respect of significant weaknesses in VFM arrangements later than the time of issuing the opinion on the financial statements.
- 21 In order to encourage more timely reporting, the C&AG proposes to remove the 'special reporting provisions' relating to VFM arrangements work and again require auditors to report on significant weaknesses in arrangements by exception in the opinion on the financial statements.
- 22 This means that where auditors have not been able to complete their work to satisfy themselves as to whether there are significant weaknesses in VFM arrangements, they will not be able to issue their opinion on the financial statements until they have completed their work.

Chapters Five and Six: The auditor's additional powers and duties and Smaller Authority Assurance Engagements

- 23 A paragraph has been added to Chapter 5 relating to the auditor's additional powers and duties where a qualified or disclaimed opinion is issued on the financial statements that is not as a result of any statutory publication requirements for audited financial statements.

Code consultation questions

Code of Audit Practice Chapter One

Question 1 – Do you agree with the principles of effective co-operation during the handover period where there is a change in the appointed auditor? (The handover period is defined as the period from the date from which the new auditor’s appointment takes effect to the date on which the outgoing auditor certifies completion of their audit).

Code of Audit Practice Chapter Two: for relevant authorities other than local NHS bodies

Question 2 – Do you think that the proposed Code requirements in respect of the ‘backstop’ dates are sufficient to require and enable auditors to report their opinion at the backstop date, apart from in the exceptional circumstances set out?

If not, what needs to be added or strengthened?

Code of Audit Practice Schedules 3 and 4: For relevant authorities other than local NHS bodies and in relation to audit years prior to 2023-24 that are incomplete at the date on which this Code comes into force

Schedule 3

Question 3 – Do you agree that the Code should require auditors to perform a reduced scope of work on proper arrangements to secure VFM on a temporary basis for incomplete audits up to and including 2022-23?

Question 4 – Do you have any comments on the proposals for the reduced scope of proper arrangements set out under the reporting criteria that auditors are required to report for incomplete audits up to and including 2022-23?

Schedule 4

Question 5 – *Do you agree with the approach to enable the auditor to issue a combined commentary as part of a single auditor’s annual report for incomplete audits up to and including 2022-23?*

Code of Audit Practice Chapters 3 and 4: For relevant authorities including local NHS bodies and in relation to audit years from 2023-24 at the date on which this Code comes into force

Chapter Three

Question 6 – *Do you agree that auditors should be required to return to the full scope of VFM arrangements work under the three reporting criteria set out under paragraph 3.11 of Chapter Three of the Code from audit year 2023-24 (the year of which the new audit appointments contracts under PSAA’s national scheme start)?*

Chapter Four

Question 8 - *Do you agree that the Code should specify the 30 November as the date by which auditors should issue their auditor’s annual report based on the work they have completed so far rather than wait for the audit to be fully completed?*

General Comments

Question 9 - *Are there any other comments you wish to make?*

Equality Impacts

In considering new legislation, public bodies need to ensure that they eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.

Question 10 - *Do you have any comments on whether any of the proposals outlined above could have disproportionate impact, either positively or negatively, on people with protected characteristics or wish to highlight any other potential equality impacts?*

Appendix One

Draft Code text

(Note that proposed amendments to the text are highlighted)

Chapter One

Status of the Code, application and general principles

- 1.1 This chapter covers the status of the Code, provides details on its application and sets out principles which should underpin the conduct and work of the auditor in discharging their statutory duties.

Status of the Code

- 1.2 The Comptroller and Auditor General is required to prepare the Code of Audit Practice (the Code) under paragraph 1 of Schedule 6 to the Local Audit and Accountability Act 2014 (the Act), which must be laid before Parliament under paragraph 2 of that schedule. The Code is required to be approved by both Houses of Parliament.

Application of the Code

- 1.3 The Code applies to the audit of relevant bodies as set out in Schedule 2 and Schedule 13(3)(1) to the Act. Additionally, Schedule 6 to the Act extends the duty to prepare the Code to cover the audit of NHS foundation trusts. Auditors of these bodies are required to comply with the Code.
- 1.4 The auditor should use their professional judgement to apply the principles and requirements set out in this Code to the particular circumstances that exist at different audited bodies.
- 1.5 This Code comes into force on the date of publication ('commencement date') and applies until this Code is replaced. This Code supersedes the Code of Audit Practice 2020, which was published by the National Audit Office (NAO) in April 2020. This Code applies to incomplete audits from 2015-16 onwards. This new Code will then apply for future years of account until replaced.

Principles

- 1.6 The Code takes as its starting point long-established and enduring principles of public audit, which are the wider scope of public audit; independence; and public reporting, and builds on them as set out below:

Wider scope of public audit

Public accountability

- 1.7 The audit of a public sector organisation is wider in scope than that of a private sector body. Special accountabilities attach to the use of public money and the conduct of public business. It is not part of the auditor's responsibilities to question the merits of policy, but the auditor does have wider duties (depending upon the relevant legislation) to scrutinise and report not only upon the truth and fairness of the financial statements but also on aspects of stewardship of public funds. The auditor carries out this work on behalf of the public and in the public interest.
- 1.8 The auditor does not act as a substitute for the audited body's own responsibility for putting in place proper arrangements in support of the proper conduct of public business, and for ensuring that public money is safeguarded, properly accounted for and used with due regard to value for money.
- 1.9 The auditor should, however, be mindful of the unique position they hold as a public auditor, and ensure that they have open and transparent arrangements in place that recognise their responsibilities to both the audited body and also to local taxpayers and residents.

Proportionality

- 1.10 The auditor's work should be risk-based and proportionate. It should be designed to meet the auditor's statutory responsibilities, applying the auditor's professional judgement to tailor their work to the circumstances in place at the audited body and the audit risks to which they give rise. The auditor should also consider carefully the practical and resource implications for the audited body when framing recommendations arising from their work.
- 1.11 There may be circumstances in which it appears to the Comptroller and Auditor General that aspects of the Code need to be applied in a certain way in order to meet the specific circumstances of certain bodies, for example because of the nature of their business or the relatively small amounts of public money that they control. In such circumstances, the auditor should weigh the significance of the issue against the amounts involved in relation to the size of the body concerned to determine whether further action is proportionate and in the public interest, having regard to any statutory guidance issued on behalf of the Comptroller and Auditor General.

Cooperation

- 1.12 Local public bodies increasingly operate, commission and deliver services in a range of partnerships and other forms of joint working or contracts with other public, private or third-sector bodies. In meeting their statutory duties, therefore, the auditor should consider how best to obtain assurance over such arrangements, working effectively with other auditors where appropriate.
- 1.13 The auditor should, likewise, be mindful of the activities of inspectorates and other bodies and take account of them where relevant to prevent duplication and ensure that the demands on audited bodies are managed effectively. In so doing, the auditor should be informed by the reported results of inspectorates and other bodies in relation to corporate or service performance. The auditor is not required to carry out procedures to assess the quality of, or re-perform, the work of inspectorates and other bodies, except where it would be unreasonable not to do so, for example, to provide assurance in accordance with auditing standards issued by the relevant regulatory body in support of the audit opinion on the financial statements.
- 1.14 The auditor should adopt a constructive approach to their work with the audited body. The auditor should share and discuss their audit plan at an early stage with the audited body. The auditor should build effective coordination arrangements with internal audit, using the work of internal audit where, in the auditor's judgement and in line with professional standards, this is appropriate.
- 1.15 Where there is a change in the appointed auditor, auditors should also ensure that they co-operate effectively during the handover period², having regard to any guidance issued by the C&AG to support the efficient and effective discharge of responsibilities.
- 1.16 In addition to maintaining the Code and issuing statutory guidance to auditors, the NAO has functions in respect of considering value for money across local services. To support its functions, the NAO may request information from auditors. The auditor should provide such information in response to reasonable requests.³

Independence

Integrity and objectivity

- 1.17 The auditor should carry out their work with integrity and objectivity to underpin and safeguard their independence at all times. Auditors also need to comply with the ethical framework applicable to auditors, including any ethical standards set by a relevant regulatory body, along with any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work

² The handover period is defined as the period from the date from which the new auditor's appointment takes effect to the date on which the outgoing auditor certifies completion of their audit.

³ Relevant to this is Schedule 11, paragraph 2(1)(b) and Schedule 11, paragraph 2(1)(d)(i), Local Audit and Accountability Act 2014.

would impair their independence in carrying out any of their statutory duties or might reasonably be perceived as doing so.

Professionalism

1.18 The auditor should carry out their work in compliance with the requirements of the Code, which itself requires compliance, where applicable, with standards issued by a relevant regulatory body. The auditor should conduct their work economically, efficiently and effectively, and in as timely a way as possible. The auditor should adopt an integrated approach to their work under the Code, where the knowledge gathered, and work carried out in support of each of the auditor's statutory and reporting obligations, informs the auditor's judgements as a whole.

Professional scepticism

1.19 In carrying out their work, the auditor should exercise professional scepticism. They should obtain and document such information and explanations as they consider necessary to provide sufficient, appropriate evidence in support of their judgements, both in relation to their work on the financial statements and their work on arrangements to secure value for money. The auditor should meet the requirements of legislation, the Code and, where applicable, professional standards while also having regard to statutory guidance issued by the NAO, on behalf of the Comptroller and Auditor General, under paragraph 9 of Schedule 6 to the Act.

Public reporting

1.20 The auditor has a range of means at their disposal, by which their findings may be reported publicly. The auditor should report using their professional judgement on the most appropriate and effective means of reporting and applying the following principles, reflecting the wider scope of public audit. The auditor should, therefore:

- report on a timely basis, clearly, concisely and objectively without fear or favour. Timely reporting includes producing audit reports in time, insofar as the auditor can do so under auditing standards, to allow local bodies to comply with the requirements placed on them to publish their audited financial statements. It also means ensuring that when matters of concern arise during the course of the audit, the auditor raises them promptly with the body and considers whether the matter needs to be brought to public attention at the appropriate time;
- when reporting in public, use language that readers will understand, reflecting the principle that local audit reporting is for the benefit of the public as well as the body being audited;
- use the most appropriate form of reporting available in the expectation that audited bodies ensure that the report is sufficiently prominent and accessible to people when published;

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- set out to whom the report is addressed, the period to which it relates, its date, its purpose and the relevant duty or power under which the auditor is issuing it;
- reflect the wider scope of public audit by covering the range of audit responsibilities under the Code;
- be open and transparent about the scope and nature of the work carried out; and
- if making recommendations, set judgements out clearly, along with the evidence on which those judgements are based, explain the impact they have on the audited body, and the actions the body should take in response.

Appropriate knowledge and skills

- 1.21 In order to undertake audits effectively and report to local bodies and their stakeholders in accordance with these principles, the auditor should ensure that they have the necessary skills and knowledge to discharge their functions effectively and have arrangements in place to ensure that audit teams have sufficient knowledge of the relevant public sector financial reporting, regulatory and legislative frameworks.
- 1.22 The auditor should ensure that audit teams comply with statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information, particularly personal information received or obtained during the course of their audit work.

Chapter Two

Audit of the financial statements

- 2.1 This chapter addresses the auditor's statutory duties in respect of the audit of the financial statements. *Schedule 1: The auditor's statutory responsibilities* summarises the statutory duties of auditors of the different types of principal body covered by the Code.
- 2.2 The auditor of a body that meets the qualifying conditions of a smaller authority should apply procedures as set out in Chapter Six of the Code, unless the body chooses to be treated as a full audit authority in accordance with regulations made under Section 5 of the Act.

Responsibilities of the audited body

- 2.3 The specific responsibilities of different types of audited body regarding the production and reporting of financial statements and other information vary depending on relevant legislation, regulations and any other requirements that may be placed upon them. However, all audited bodies are expected to have effective corporate governance arrangements to deliver their objectives. To this end, the publication of the financial statements is an essential means by which the audited body accounts for its stewardship and use of the public money at its disposal.
- 2.4 The precise form and content of the audited body's financial statements, and any additional schedules or returns for consolidation purposes, should reflect the requirements of the relevant accounting and reporting framework in place for that particular type of audited body and any additional guidance issued in support of the accounting and reporting framework.
- 2.5 The audited body may also be required to prepare schedules or returns to facilitate the preparation of consolidated accounts such as HM Treasury's Whole of Government Accounts or other relevant group accounts.

Responsibilities of the auditor

- 2.6 To meet their duties in respect of the audit of the financial statements, the auditor should comply with auditing standards currently in force in the United Kingdom, as may be amended from time to time, having regard to any other guidance issued by a relevant regulatory body, and statutory guidance issued by the NAO on behalf of the Comptroller and Auditor General.

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2.7 The auditor should undertake work to support the provision of their audit report to the audited body. In respect of their audit of the financial statements, the auditor's report should include the following components:

Opinion on the audited body's financial statements

- whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Opinion on other matters

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Opinion on regularity

- where required – whether in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them.⁴

2.8 Other information published together with the audited financial statements covers material that the audited body chooses or is required to provide alongside its financial statements. For example, the governance statement, a strategic report, a directors' report or a narrative report or equivalent. In reading the information given with the financial statements, the auditor should take into account their knowledge of the audited body, including that gained through work in relation to the body's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources.

2.9 The auditor will report to the audited body by exception in respect of the governance statement, and other accompanying material as required, in accordance with relevant statutory guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

⁴ Auditors of certain local public bodies (for example, integrated care boards) are required to provide an opinion on regularity as part of their audit of the financial statements when this is required by the relevant framework of authorities.

Auditors' duties in relation to Accounts and Audit Regulations

- 2.10 Where relevant authorities other than local NHS bodies have adopted their accounts in accordance with the requirements of the Accounts and Audit Regulations (as may be amended from time to time), auditors must issue their audit report in time for the relevant authority to publish its accounts by the specified date. This paragraph does not apply where the auditor is considering an objection that may have a material impact on their opinion on the financial statements; where in the auditor's judgement recourse to the Court could be required; or where the auditor is unable to satisfy themselves about the body's arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 2.11 In cases where any of the above conditions apply, the auditor must issue their audit report as soon as practicable after the matters are resolved.
- 2.12 The auditor's report should address any additional reporting requirements set out in applicable auditing standards or as required by Schedule 1 to this Code. This may include issuing enhanced auditor reports under the relevant auditing standard. The NAO, on behalf of the Comptroller and Auditor General, will specify any such reporting requirements in statutory guidance to auditors.
- 2.13 Where the audited body is required to produce schedules or returns to facilitate the preparation of consolidated accounts, the auditor should, having regard to any relevant statutory guidance or group audit instructions prepared by the NAO on behalf of the Comptroller and Auditor General, examine and report on the consistency of the schedules or returns with the body's audited financial statements for the relevant reporting period.
- 2.14 The auditors of bodies that administer pension funds are also required to give a separate opinion on the part of the administering authority's financial statements that relates to the accounts of the pension fund. In doing so, the auditor should have regard to relevant statutory guidance issued by the NAO on behalf of the Comptroller and Auditor General.

Chapter Three

The auditor's work on value-for-money arrangements

- 3.1 This chapter addresses the auditor's statutory duties in respect of the audited body's arrangements to secure value for money through the economic, efficient and effective use of its resources. *Schedule 1: The auditor's statutory responsibilities* summarises the statutory duties of auditors of the different types of principal body addressed by this Code. The auditor of a body that meets the qualifying conditions of a smaller authority should apply procedures as set out in Chapter Six of this Code, unless the body chooses to be treated as a full audit authority in accordance with regulations made under Section 5 of the Act.
- 3.2 For audit years 2023-24 onwards, auditors should comply with paragraphs 3.6 to 3.15 of Chapter Three and the requirements of Chapter Four. For relevant authorities other than local NHS bodies and in relation to audit years prior to 2023-24 that are incomplete at the date on which this Code comes into force, auditors should comply with the requirements set out in Schedules 3 and 4.**

Responsibilities of the audited body

- 3.3 Local public bodies are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.
- 3.4 As part of the material published with its financial statements, the audited body is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement.
- 3.5 In preparing its governance statement, the audited body will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. While this introduces variation in the detail of what should go into the governance statements for different types of audited body, for most local bodies there is a requirement to provide commentary on their arrangements for securing value for money from their use of resources.

Responsibilities of the auditor

3.6 Auditors of the different types of local public body covered by the Code have a consistent statutory responsibility in respect of the audited body's use of resources – to satisfy themselves that the audited body:

...has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.⁵

3.7 In practice, this means that the auditor should, having regard to relevant statutory guidance issued by the NAO on behalf of the Comptroller and Auditor General, undertake sufficient work to be able to satisfy themselves as to whether, in the auditor's view, the audited body has put arrangements in place that support the achievement of value for money. In carrying out this work, the auditor is not required to satisfy themselves that the audited body has achieved value for money during the reporting period. However, should evidence of poor value for money come to the auditor's attention during the course of the audit, the auditor should consider the implications of this for their work.

3.8 The auditor's work should be underpinned by consideration of what arrangements the audited body is expected to have in place. This should be based on the relevant governance code or framework for the type of local public body being audited, together with any other relevant guidance or requirements.

3.9 The auditor should take into account their knowledge of the relevant sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, are relevant to the auditor's work on value-for-money arrangements. An understanding of the sector includes the relevant regulatory framework in which the audited body operates.

3.10 The auditor's work on value-for-money arrangements should be informed by:

- the audited body's governance statement and any additional reporting by the body on the arrangements it has in place to manage risks to the achievement of value for money through the economic, efficient and effective use of its resources;
- evidence that the audited body's arrangements were in place during the reporting period;
- evidence obtained from the auditor's other work – including previous work on value-for-money arrangements, work completed as part of the audit of the financial statements and the audited body's response to this work;

5 Section 20(1)(c) and Section 21(1)(c) Local Audit and Accountability Act 2014 and Schedule 10(1)(d) National Health Service Act 2006.

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- the work of inspectorates and other bodies – where the scope and results are relevant to the auditor’s value-for-money responsibilities. The auditor is not required to quality-assure or re-perform the work of others and may use such work to the extent that, in their judgement, it is appropriate to do so; and
- any other evidence source that the auditor regards as necessary to facilitate the performance of their statutory duties.

3.11 Determining how much work to do on arrangements to secure value for money is a matter of auditor judgement. The auditor should clearly document the work they have undertaken and report each year in accordance with Chapter Four of this Code having regard to the following specified reporting criteria:

- 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; and
- 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.

3.12 The auditor should keep their risk assessment under continuous review. Where appropriate, the auditor should update their work to reflect emerging risks or findings. The auditor should document any changes to their planned work and ensure these are communicated with the audited body.

3.13 In reviewing the audited body’s value-for-money arrangements, it is not part of the auditor’s function to question the merits of the audited body’s policy decisions. However, the auditor may examine the arrangements by which policy decisions are reached and implemented. In making recommendations, the auditor should avoid any perception that they have any role in the decision-making arrangements of the audited body.

3.14 The auditor’s work should be designed to provide the auditor with sufficient assurance to enable them to report to the audited body in accordance with Chapter Four of this Code and with the specified reporting criteria on the arrangements the body has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

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3.15 Where the auditor identifies significant weaknesses in arrangements as part of their work on arrangements to secure value for money, they should make recommendations setting out:

- their judgement on the nature of the weakness they have identified;
- the evidence on which their view is based;
- the impact on the local body; and
- the action the body needs to take to address the weakness.

Chapter Four

Reporting the results of the auditor's work

- 4.1 This chapter addresses the auditor's statutory duties for reporting the results of their work as summarised within *Schedule 1: The auditor's statutory responsibilities*. The auditor of a body that meets the qualifying conditions of a smaller authority should apply procedures as set out in Chapter Six of the Code, unless the body chooses to be treated as a full audit authority in accordance with regulations made under Section 5 of the Act.
- 4.2 The auditor should report the results of their work using a range of outputs at the appropriate point in the audit process as set out in this chapter.
- 4.3 **For audit years 2023-24 onwards, auditors should comply with paragraphs 4.4 to 4.11 of Chapter Four. For relevant authorities other than local NHS bodies and in relation to audit years prior to 2023-24 that are incomplete at the date on which this Code comes into force, auditors should comply with the requirements set out in Schedule 4.**

Planning the audit

- 4.4 The audit planning report sets out how the auditor intends to carry out their duties in respect of the accounts in accordance with auditing standards. In addition to planned work on the audit of the financial statements, the audit planning report should encompass the auditor's planned work to meet their duties in respect of the audited body's arrangements to secure value for money through the economic, efficient and effective use of its resources. The responsibility for establishing the overall audit strategy and the audit plan rests solely with the auditor. The auditor should discuss their risk assessment and planned approach as set out in the audit planning report with management and with those charged with governance.

Completion of audit fieldwork

- 4.5 In support of the completion of their work, and at least annually, the auditor should report to those charged with governance. Reports to those charged with governance should comply with auditing standards and may include any matters the auditor wishes to bring to the body's attention.

Conclusion of the audit

4.6 In order to promote timely and impactful reporting that supports local bodies to improve and provides appropriate assurance to wider stakeholders, the auditor should report in a way that is consistent with the principles of public reporting set out in Chapter One. To achieve this, the Code requires that the auditor issues the following reports when they have concluded their audit:

- Audit report on the financial statements – the audit report should cover the results of the auditor’s work on the financial statements as set out in Chapter Two of the Code. Where the auditor has issued referrals to the Secretary of State as set out in Schedule 2 (Reporting of additional matters by exception), these should also be included in the auditor’s report on the financial statements. The partner or director who is the relevant engagement lead should sign the audit report with his or her name as well as the name of the firm of auditors. Where the auditor is not satisfied in respect of arrangements to secure value for money, they should refer to this by exception.
- Audit completion certificate – the auditor should certify the completion of the audit. The effect of the certificate is to close the audit. This marks the point when the auditor’s responsibilities in respect of the audit of the period covered by the certificate have been discharged. There may be occasions when the auditor is able to issue the audit report on the financial statements but cannot certify completion of the audit because they are considering an objection made under Section 27 of the Local Audit and Accountability Act 2014. In such circumstances, the auditor should consider whether to issue their audit report ahead of certifying closure of the audit. Auditors may identify significant weaknesses in arrangements after the auditor’s annual report has been issued (for example as a result of completing work on the opinion or in the case of an objection under section 27 of the 2014 Act). Where auditors identify significant weaknesses relevant to the year under consideration after issuing the auditor’s annual report, the weakness should be reflected in either the audit report or the certificate as relevant.

Auditor’s annual report

- Auditor’s annual report – the auditor’s annual report should provide an annual summary of the position of the audit at the time of issue.⁶ A core element of the auditor’s annual report will be the commentary in accordance with the specified reporting criteria set out in Chapter Three (and as supplemented in statutory guidance issued by the NAO). The commentary should be clear, readily understandable and highlight any issues that the auditor wishes to draw to the attention of the body or the wider public. This should include details of any recommendations issued to the body from the audit and follow-up of recommendations related to previous years, along with the auditor’s view as to whether they have been implemented satisfactorily.

⁶ The auditor’s annual report constitutes an audit letter for the purposes of local bodies complying with the Accounts and Audit Regulations.

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- 4.7 The auditor should aim to issue their auditor's annual report for local NHS bodies no later than one month after the date on which they have issued their audit report. Where the auditor is unable to issue their audit report in accordance with the requirements set out in the NHS timetable, the auditor should consider whether it is in the public interest to issue their auditor's annual report to reflect the work completed to date.
- 4.8 For relevant authorities other than local NHS bodies, auditors should issue their draft auditor's annual report to those charged with governance by 30th November each year. This includes where the auditor has not yet issued the auditor's report on the financial statements or is considering an objection. The auditor should reflect the work completed to date since the issue of the last auditor's annual report. If during the completion of opinion work, or consideration of the objection, any significant weaknesses are identified in arrangements to secure value for money, these should be reported to the body promptly and reflected in the audit report on the financial statements or in the certificate as appropriate.
- 4.9 The auditor's annual report should also include:⁷
- confirmation of the status of the work on the opinion on the financial statements, including the type of opinion given where it has been issued; and
 - (by exception), reference to any reporting by the auditor on a range of additional matters as appropriate. *Schedule 2: Reporting of additional matters by exception* sets out these additional matters and the types of audited body to which each applies.

Other reporting

- 4.10 Statement on consolidation schedules – the auditor should provide a statement on whether any schedules or returns the audited body is required to produce for the purposes of preparing consolidated accounts are consistent with the audited body's financial statements for the relevant reporting period. The auditor's statement should refer to any modification of the auditor's opinion on the financial statements.

⁷ Schedule 1 sets out the different reporting requirements that apply to different types of audited body.

Any stage during the audit

4.11 The auditor should consider whether any matters coming to their attention require them to progress the actions and outputs identified below before the end of the audit:

- Communication on specific elements of the auditor's work – the auditor should maintain regular communication with the audited body to ensure that emerging findings are raised on a timely basis in the form, and at the level within the audited body, that the auditor judges appropriate.
- Reports in the public interest – the auditor should consider whether, in the public interest, they should report on any matter that comes to their notice so that it is brought to the attention of the audited body and the public:
 - When preparing and issuing reports in the public interest, the auditor should tailor their approach to the urgency and significance of their concerns. The auditor should make a report during the audit if they consider the matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.
 - If the auditor issues a report in the public interest, this should be referred to in the next auditor's annual report.
- Written recommendations – the auditor should consider whether to use the powers Schedule 7 of the Act provides to make written recommendations to the audited body which need to be considered by the body and responded to publicly. Where the auditor considers it appropriate to make such recommendations, these can be made during or at the end of the audit and can be included, where relevant, within other written outputs from the audit or they may be the subject of a specific report to the audited body. Where the auditor makes a recommendation under Schedule 7, they should clearly identify the recommendation as such so as to distinguish it from other, more general, recommendations for improvement that may arise during the audit (or as a result of an objection). The power to make such recommendations under the Act does not apply to the auditors of NHS foundation trusts.
- Referral of matters arising – the auditor of an NHS body has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate.⁸ The auditor should still consider the need for a report in the public interest in respect of matters so referred.

Chapter Five

The auditor's additional powers and duties

- 5.1 This chapter addresses the auditor's use of additional powers and duties, as summarised below. These powers and duties apply to all types of bodies covered by the Code, except for health service bodies.

Power or duty	Legislation
To give local government electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts.	Sections 26 and 27 Local Audit and Accountability Act 2014.
To apply to the court for a declaration that an item of account is contrary to law.	Section 28 Local Audit and Accountability Act 2014.
To consider whether to issue and, if appropriate, to issue an advisory notice or to make an application for judicial review.	Sections 29 and 31, Schedule 8 Local Audit and Accountability Act 2014.
Matters reported in the public interest.	Schedule 7 Local Audit and Accountability Act 2014.
Written recommendations made to the audited body under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014.	Schedule 7 Local Audit and Accountability Act 2014.

- 5.2 In exercising any of the above powers and duties, including when performing a smaller authority assurance engagement as specified at Chapter Six of the Code, the auditor should tailor their approach to the particular circumstances of the matters under consideration, having particular regard to the principle of proportionality set out in Chapter One.
- 5.3 Where any representations are made to the auditor or information is provided that is relevant to the audit or smaller authority assurance engagement, or relevant matters otherwise come to their attention, the auditor should consider whether the matter needs investigation and action under these additional powers and duties or whether it can be considered more effectively within planned work programmes and reporting arrangements under the auditor's other audit or smaller authority assurance engagement responsibilities.

Local audit in England Code of Audit Practice **Appendix One: Draft Code text 32**

- 5.4 In considering whether to exercise any of their additional powers and duties, and in determining the time and resource to be spent on dealing with matters that come to their attention, the auditor should consider the relevant requirements of the Act and:
- the significance of the subject matter;
 - whether there is wider public interest in the issues raised and/or whether it would be in the public interest for the auditor to comment publicly on an issue;
 - whether the substance of the matter has been considered and/or reported upon previously by the body's auditor;
 - whether the substance of the matter falls within the scope of work conducted by an inspectorate or other body;
 - the costs of dealing with the matter when set against the sums involved and the size of the audited body, bearing in mind that these costs are borne by the taxpayer and so should be proportionate and in the public interest; and
 - in the case of objections, the rights of both those subject to objection and of the objector.
- 5.5 Where the auditor issues a qualified or disclaimed opinion on the financial statements that is not as a result of any statutory publication requirements for audited financial statements, they should consider whether to issue a statutory recommendation or public interest report to draw attention to the significance of the issue(s).

The exercise of public rights and considering objections

- 5.6 Under Section 27 of the Act, local electors have the right to object to a local authority's draft accounts during a fixed 30-working day period each year. Where a local auditor receives an objection, they should:
- determine whether the objection is eligible;
 - decide whether or not to consider the objection; and
 - where they decide to consider the objection, look into the matter being raised and decide whether to exercise any of their additional powers.

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5.7 When considering objections, the auditor should do so in a timely manner, keeping the objector and the authority updated as to their progress. Specifically:

- when considering eligibility, the auditor should use best endeavours to determine whether the objection is eligible within one week of receipt;
- when exercising their discretion whether or not to consider the objection, the auditor should use best endeavours to reach their decision and to inform the objector and the authority of their decision within one month of determining eligibility; and
- where the auditor decides to consider the objection, use best endeavours to complete their work and inform the objector and the authority of their decision within six months of their decision to accept the objection for consideration. Where the auditor is not able to decide the objection within six months, they should inform the objector and the authority and provide a further update on progress every three months until the objection is decided.

Chapter Six

Smaller authority assurance engagements

6.1 This chapter addresses the auditor's statutory duties in respect of the audit of the accounts of smaller authorities as set out in the Act and in relevant regulations made by the Secretary of State. Under the Act and supporting regulations, an audit means carrying out the assurance engagement functions of a local auditor in relation to the accounts of the smaller authority:

- in compliance with the relevant parts of this Code; and
- in accordance with any procedures specified in statutory guidance issued by the NAO on behalf of the Comptroller and Auditor General.

6.2 A smaller authority is one whose annual income or annual expenditure is below a financial threshold as prescribed in relevant regulations. The NAO, on behalf of the Comptroller and Auditor General, may provide details of relevant thresholds in statutory guidance to auditors.

Responsibilities of the smaller authority

6.3 A smaller authority is responsible for putting in place arrangements to ensure the proper conduct of their financial affairs and to monitor the adequacy and effectiveness of those arrangements in practice. A smaller authority should maintain proper accounting records and control systems and operate an adequate system of internal audit of those accounting records and control systems.

6.4 A smaller authority should prepare and publish financial statements and related information within an annual return in accordance with proper practices specified by the Secretary of State.

Responsibilities of the auditor (smaller authority assurance engagements)

6.5 Unless the smaller authority is exempt under regulations, or chooses to be treated as a full audit authority in accordance with regulations, the auditor of a smaller authority should undertake a smaller authority assurance engagement. The auditor should meet their responsibility under this engagement by performing specified procedures as set out in statutory guidance to auditors provided by the NAO on behalf of the Comptroller and Auditor General.

Responsibilities of the auditor (additional powers and duties)

6.6 When conducting a smaller authority assurance engagement, or performing work as a consequence of questions or objections from a local elector, the auditor should follow the requirements of Chapter Five – The auditor's additional powers and duties together with the following elements of Chapter Four of the Code:

- communication on specific elements of the auditor's work;
- reports in the public interest; and
- written recommendations.

6.7 When considering the exercise of additional powers in relation to matters at smaller authorities, the auditor should have regard in particular to the principle of proportionality in Chapter One, unless they have significant concerns about the way the smaller authority is being managed or led, or they judge that the exercise of additional powers would be in the public interest.

Schedule 3 - Auditors' work on value-for-money arrangements relating to incomplete audits for bodies other than local NHS bodies

The auditor's work on value-for-money arrangements

3.1 This **schedule** addresses the auditor's statutory duties in respect of the audited body's arrangements to secure value for money through the economic, efficient and effective use of its resources. *Schedule 1: The auditor's statutory responsibilities* summarises the statutory duties of auditors of the different types of principal body addressed by this Code. The auditor of a body that meets the qualifying conditions of a smaller authority should apply procedures as set out in Chapter Six of this Code, unless the body chooses to be treated as a full audit authority in accordance with regulations made under Section 5 of the Act.

3.2 This schedule applies to incomplete audit years prior to 2023-24 that are incomplete at the date on which this Code comes into force.

Responsibilities of the audited body

3.3 Local public bodies are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

3.4 As part of the material published with its financial statements, the audited body is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement.

3.5 In preparing its governance statement, the audited body will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. While this introduces variation in the detail of what should go into the governance statements for different types of audited body, for most local bodies there is a requirement to provide commentary on their arrangements for securing value for money from their use of resources.

Responsibilities of the auditor

3.6 Auditors of the different types of local public body covered by the Code have a consistent statutory responsibility in respect of the audited body's use of resources – to satisfy themselves that the audited body:

...has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.⁹

3.7 In practice, this means that the auditor should, having regard to relevant statutory guidance issued by the NAO on behalf of the Comptroller and Auditor General, undertake sufficient work to be able to satisfy themselves as to whether, in the auditor's view, the audited body has put arrangements in place that support the achievement of value for money. In carrying out this work, the auditor is not required to satisfy themselves that the audited body has achieved value for money during the reporting period. However, should evidence of poor value for money come to the auditor's attention during the course of the audit, the auditor should consider the implications of this for their work.

3.8 The auditor's work should be underpinned by consideration of what arrangements the audited body is expected to have in place. This should be based on the relevant governance code or framework for the type of local public body being audited, together with any other relevant guidance or requirements.

3.9 The auditor should take into account their knowledge of the relevant sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, are relevant to the auditor's work on value-for-money arrangements. An understanding of the sector includes the relevant regulatory framework in which the audited body operates.

3.10 The auditor's work on value-for-money arrangements should be informed by:

- the audited body's governance statement and any additional reporting by the body on the arrangements it has in place to manage risks to the achievement of value for money through the economic, efficient and effective use of its resources;
- evidence that the audited body's arrangements were in place during the reporting period;
- evidence obtained from the auditor's other work – including previous work on value-for-money arrangements, work completed as part of the audit of the financial statements and the audited body's response to this work;

Local audit in England Code of Audit Practice **Appendix One: Draft Code text 38**

- the work of inspectorates and other bodies – where the scope and results are relevant to the auditor’s value-for-money responsibilities. The auditor is not required to quality-assure or re-perform the work of others and may use such work to the extent that, in their judgement, it is appropriate to do so; and
- any other evidence source that the auditor regards as necessary to facilitate the performance of their statutory duties.

3.10 In relation to incomplete audits from 2015-16 up to and including 2019-20, auditors should have considered arrangements to secure value for money in accordance with the scope of the 2015 Code of Audit Practice and supporting auditor guidance. For incomplete audits from 2020-21 up to and including 2022-23, auditors will discharge their responsibility under the Code in respect of arrangements to secure value for money by considering the following:

- **Financial sustainability - how the body plans and manages its resources to ensure it can continue to deliver its services:**
 - how the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
 - how the body plans to bridge its funding gaps and identifies achievable savings;
 - how the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities; and
 - how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.
- **Governance - how the body ensures that it makes informed decisions and properly manages its risks:**
 - how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
 - how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships; and
 - how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

- **Other matters that have come to the auditor's attention.**

- In some cases, in order to be satisfied in respect of bodies' arrangements to secure value for money, auditors may identify a significant risk relating to arrangements falling outside of the criteria specified above, for example evidence of poor value for money as illustrated in paragraph 3.7. In such cases, the auditor should document their judgement as to whether additional work is required in order to conclude whether a significant weakness exists. However, where no significant risks have been identified that fall outside the scope of this schedule, the auditor is not required to document why they have not considered it necessary to undertake additional work.

3.11 Determining how much work to do in order to gain sufficient assurance to be able to discharge their duties in relation to arrangements to secure value for money is a matter of auditor judgement. The auditor should clearly document the work they have undertaken and report in accordance with Schedule 4 of this Code. There is no requirement for auditors to document why they have not undertaken work on areas outside of those specified above.

3.12 Where auditors have begun or already undertaken work that no longer falls under the scope of this schedule, they may still report on it in accordance with Schedule 4.

3.13 The auditor should keep their risk assessment under continuous review. Where appropriate, the auditor should update their work to reflect emerging risks or findings. The auditor should document any changes to their planned work and ensure these are communicated with the audited body.

3.14 In reviewing the audited body's value-for-money arrangements, it is not part of the auditor's function to question the merits of the audited body's policy decisions. However, the auditor may examine the arrangements by which policy decisions are reached and implemented. In making recommendations, the auditor should avoid any perception that they have any role in the decision-making arrangements of the audited body.

3.15 The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report to the audited body in accordance with Schedule 4 of this Code and with the specified reporting criteria on the arrangements the body has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

Local audit in England Code of Audit Practice **Appendix One: Draft Code text 40**

3.16 Where the auditor identifies significant weaknesses in arrangements as part of their work on arrangements to secure value for money, they should make recommendations where the auditor judges it appropriate to do so setting out:

- their judgement on the nature of the weakness they have identified;
- the evidence on which their view is based;
- the impact on the local body; and
- the action the body needs to take to address the weakness.

3.17 In relation to incomplete audits up to and including 2022-23, there is no expectation for auditors to make recommendations where they are satisfied the significant weakness has already been addressed.

Schedule 4 - Auditor reporting relating to incomplete audits for bodies other than local NHS bodies

Reporting the results of the auditor's work

- 4.1 This **schedule** addresses the auditor's statutory duties for reporting the results of their work as summarised within *Schedule 1: The auditor's statutory responsibilities*. The auditor of a body that meets the qualifying conditions of a smaller authority should apply procedures as set out in Chapter Six of the Code, unless the body chooses to be treated as a full audit authority in accordance with regulations made under Section 5 of the Act.
- 4.2 The auditor should report the results of their work using a range of outputs at the appropriate point in the audit process as set out in this chapter.
- 4.3 **This schedule applies to incomplete audit years prior to 2023-24 that are incomplete at the date on which this Code comes into force.**

Planning the audit

- 4.4 The audit planning report sets out how the auditor intends to carry out their duties in respect of the accounts in accordance with auditing standards. In addition to planned work on the audit of the financial statements, the audit planning report should encompass the auditor's planned work to meet their duties in respect of the audited body's arrangements to secure value for money through the economic, efficient and effective use of its resources. The responsibility for establishing the overall audit strategy and the audit plan rests solely with the auditor. The auditor should discuss their risk assessment and planned approach as set out in the audit planning report with management and with those charged with governance.

Completion of audit fieldwork

- 4.5 In support of the completion of their work, and at least annually, the auditor should report to those charged with governance. Reports to those charged with governance should comply with auditing standards and may include any matters the auditor wishes to bring to the body's attention.

Conclusion of the audit

- 4.6 In order to promote timely and impactful reporting that supports local bodies to improve and provides appropriate assurance to wider stakeholders, the auditor should report in a way that is consistent with the principles of public reporting set out in Chapter One. To achieve this, the Code requires that the auditor issues the following reports when they have concluded their audit:
- Audit report on the financial statements – the audit report should cover the results of the auditor’s work on the financial statements as set out in Chapter Two of the Code. The partner or director who is the relevant engagement lead should sign the audit report with his or her name as well as the name of the firm of auditors. Where the auditor is not satisfied in respect of arrangements to secure value for money, they should refer to this by exception having regard to any associated statutory guidance issued by the C&AG in support of this Schedule.
 - Audit completion certificate – the auditor should certify the completion of the audit. The effect of the certificate is to close the audit. This marks the point when the auditor’s responsibilities in respect of the audit of the period covered by the certificate have been discharged. There may be occasions when the auditor is able to issue the audit report on the financial statements but cannot certify completion of the audit because they are considering an objection made under Section 27 of the Local Audit and Accountability Act 2014. In such circumstances, the auditor should consider whether to issue their audit report ahead of certifying closure of the audit. Where auditors identify significant weaknesses relevant to the year under consideration after issuing the auditor’s annual report, the weakness should be reflected in either the audit report or the certificate as relevant.

Auditor’s annual report

- Auditor’s annual report – the auditor’s annual report should provide a summary of the position of the audit at the time of issue.¹⁰ A core element of the auditor’s annual report will be the commentary in accordance with the specified reporting criteria set out in Schedule 3 (and as supplemented in statutory guidance issued by the NAO). The commentary should be clear, readily understandable and highlight any issues that the auditor wishes to draw to the attention of the body or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor’s view as to whether they have been implemented satisfactorily. For audits from 2015-16 to 2019-20, a commentary on arrangements is not required; auditors need only report whether significant weaknesses were identified.

¹⁰ The auditor’s annual report constitutes an audit letter for the purposes of local bodies complying with the Accounts and Audit Regulations.

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- 4.7 For incomplete audits up to and including 2022-23, the auditor may issue a combined commentary as part of a single auditor's annual report. The commentary should focus on any significant weaknesses identified but auditors may include additional information for context where they consider it to be useful.
- 4.8 Where the auditor has identified significant weaknesses that have not been addressed at the time of issuing their auditor's annual report, they should make a recommendation in accordance with paragraph 3.16 of Schedule 3.
- 4.9 Once this Code comes into force, auditors should aim to issue their auditor's annual report containing their commentary on arrangements as soon as they have completed their work on VFM arrangements.

4.10. The auditor's annual report should also include:¹¹

- confirmation of the status of work on the opinion on the financial statements, including the type of opinion given where it has been issued; and
- (by exception), reference to any reporting by the auditor on a range of additional matters as appropriate. *Schedule 2: Reporting of additional matters by exception* sets out these additional matters and the types of audited body to which each applies.

Other reporting

- 4.11 Statement on consolidation schedules – the auditor should provide a statement on whether any schedules or returns the audited body is required to produce for the purposes of preparing consolidated accounts are consistent with the audited body's financial statements for the relevant reporting period. The auditor's statement should refer to any modification of the auditor's opinion on the financial statements.

Any stage during the audit

- 4.12 The auditor should consider whether any matters coming to their attention require them to progress the actions and outputs identified below before the end of the audit:
- Communication on specific elements of the auditor's work – the auditor should maintain regular communication with the audited body to ensure that emerging findings are raised on a timely basis in the form, and at the level within the audited body, that the auditor judges appropriate.

¹¹ Schedule 1 sets out the different reporting requirements that apply to different types of audited body.

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- Reports in the public interest – the auditor should consider whether, in the public interest, they should report on any matter that comes to their notice so that it is brought to the attention of the audited body and the public:
 - When preparing and issuing reports in the public interest, the auditor should tailor their approach to the urgency and significance of their concerns. The auditor should make a report during the audit if they consider the matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.
 - If the auditor issues a report in the public interest, this should be referred to in the auditor's annual report.
- Written recommendations – the auditor should consider whether to use the powers Schedule 7 of the Act provides to make written recommendations to the audited body which need to be considered by the body and responded to publicly. Where the auditor considers it appropriate to make such recommendations, these can be made during or at the end of the audit and can be included, where relevant, within other written outputs from the audit or they may be the subject of a specific report to the audited body. Where the auditor makes a recommendation under Schedule 7, they should clearly identify the recommendation as such so as to distinguish it from other, more general, recommendations for improvement that may arise during the audit (or as a result of an objection).

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National Audit Office

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National Audit Office

Code consultation questions

Code of Audit Practice Chapter One

Question 1 – *Do you agree with the principles of effective co-operation during the handover period where there is a change in the appointed auditor? (The handover period is defined as the period from the date from which the new auditor’s appointment takes effect to the date on which the outgoing auditor certifies completion of their audit).*

Not relevant to Tonbridge and Malling as Audit firm has remained with Grant Thornton.

Code of Audit Practice Chapter Two: for relevant authorities other than local NHS bodies **Question 2** – *Do you think that the proposed Code requirements in respect of the ‘backstop’ dates are sufficient to require and enable auditors to report their opinion at the backstop date, apart from in the exceptional circumstances set out?*

Yes agree with proposed dates.

If not, what needs to be added or strengthened?

Nothing at present.

Code of Audit Practice Schedules 3 and 4: For relevant authorities other than local NHS bodies and in relation to audit years prior to 2023-24 that are incomplete at the date on which this Code comes into force

Schedule 3

Question 3 – *Do you agree that the Code should require auditors to perform a reduced scope of work on proper arrangements to secure VFM on a temporary basis for incomplete audits up to and including 2022-23?*

Not relevant to Tonbridge and Malling Borough Council as 2022/23 Accounts have been signed.

Question 4 – *Do you have any comments on the proposals for the reduced scope of proper arrangements set out under the reporting criteria that auditors are required to report for incomplete audits up to and including 2022-23?*

Not relevant to Tonbridge and Malling Borough Council as 2022/23 Accounts have been signed.

Schedule 4

Question 5 – Do you agree with the approach to enable the auditor to issue a combined commentary as part of a single auditor’s annual report for incomplete audits up to and including 2022-23?

Not relevant to Tonbridge and Malling Borough Council as 2022/23 Accounts have been signed.

Code of Audit Practice Chapters 3 and 4: For relevant authorities including local NHS bodies and in relation to audit years from 2023-24 at the date on which this Code comes into force

Chapter Three

Question 6 – Do you agree that auditors should be required to return to the full scope of VFM arrangements work under the three reporting criteria set out under paragraph 3.11 of Chapter Three of the Code from audit year 2023-24 (the year of which the new audit appointments contracts under PSAA’s national scheme start)?

Until the backlog is cleared it is felt that the focus should be getting the accounts up to date. Therefore, a stepped approach would be better to move to full VFM once the backlog has been cleared.

Chapter Four

Question 8 - Do you agree that the Code should specify the 30 November as the date by which auditors should issue their auditor’s annual report based on the work they have completed so far rather than wait for the audit to be fully completed?

The auditors should provide members and officers with regular updates on the progress of the audit, therefore the report should wait until the Audit is fully completed.

General Comments

Question 9 - Are there any other comments you wish to make?

None

Equality Impacts

In considering new legislation, public bodies need to ensure that they eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.

Question 10 - Do you have any comments on whether any of the proposals outlined above could have disproportionate impact, either positively or negatively, on people with protected characteristics or wish to highlight any other potential equality impacts?

None

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

15 April 2024

Report of the Management Team

Part 1- Public

Delegated

1 INFORMING THE AUDIT RISK ASSESSMENT FOR TONBRIDGE AND MALLING BOROUGH COUNCIL 2023/24

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
- Laws and Regulations
- Related Parties
- Going Concern

- Accounting Estimates

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]** and there are no major issues to be raised by Management.

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

Adrian Stanfield
Interim Chief Executive

Sharon Shelton
Director of Finance and Transformation
For Management Team



Informing the audit risk assessment for Tonbridge & Malling Borough Council 2023/24

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

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Tonbridge & Malling Borough Council's external auditors and Tonbridge & Malling Borough Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

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 also specify matters that should be communicated.

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.

Communication

As part of our risk assessment procedures, we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Tonbridge & Malling Borough Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2023/24?	Prevailing economic conditions on high levels of inflation.
2. Have you considered the appropriateness of the accounting policies adopted by Tonbridge & Malling Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	The accounting policies to be used for the 2023/24 financial statements were considered and approved by the Audit Committee in January 2024. No events or transactions have occurred since that date to change or adopt new accounting policies.
3. 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.
4. 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.

General Enquiries of Management

Question	Management response
5. 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.
6. 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.
7. 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	There is one unasserted claim in respect of a planning obligation, auditors have been made aware of the current situation, management are currently considering how to present this to Members and the readers of the Accounts.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Tonbridge & 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.

General Enquiries of Management

Question	Management response
9. Have any of Tonbridge & Malling Borough'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.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	None.
11. 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

Matters in relation to fraud

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

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Tonbridge & Malling Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Tonbridge & Malling Borough Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Tonbridge & Malling Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>We consider that the potential for material misstatement within the financial statements due to fraud is negligible. This assessment is based upon the use of budgetary control, risk management and significant peer review by senior officers as part of the closure of accounts process. No material risks have been identified for 2023/24.</p> <p>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.</p> <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>

Fraud risk assessment

Question	Management response
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The payment of Housing Benefits is considered to be most at risk, the Council uses an in-house Fraud team to deal with these matters. Other transactions are subject to various levels of approval, and it is hoped that any potential fraud would be identified through these processes.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Tonbridge & Malling Borough Council as a whole, or within specific departments since 1 April 2023? If so, please provide details</p>	<p>There are no instances of internal fraud as far as we are aware and no other significant concerns in 2023/24 have been reported to Management Team. The zero-tolerance culture of the organisation towards fraud is reinforced by use of Anti-Fraud, Bribery and Corruption Policies supported by a Whistleblowing Policy with outcomes being reported to Members. Any reported allegations of fraud will be investigated and dealt with according to the relevant policies.</p>

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	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.
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Tonbridge & Malling Borough Council where fraud is more likely to occur?</p>	None, other than those in respect of question 2 above.
6. What processes do Tonbridge & Malling Borough Council have in place to identify and respond to risks of fraud?	See response to question 1 & 9.

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Tonbridge & 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>	<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.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>None to the best of our knowledge.</p>

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Fraud risk assessment

Question	Management response
<p>9. How does Tonbridge & Malling Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>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, the Council ran an e-mail 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.</p>
<p>10. 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>	<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.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>None to the best of our knowledge.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The council's Anti-Fraud policy requires management to report any instances of fraud to the Audit Committee.</p> <p>Management provide regular internal control and anti-fraud update reports to each committee, Members are free to challenge management on assertions and issues identified.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>There were no issues raised during the year 2023/24.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>None.</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Tonbridge & Malling Borough Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make enquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Tonbridge & 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 Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>The Director of Central Services and Deputy Chief Executive fulfilled the statutory Monitoring Officer role until December 2023 at which point the Head of Legal was made Interim Monitoring Officer, following the departure of the former Chief Executive, both members of staff are required 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>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>See above.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2023 with an on-going impact on the 2023/24 financial statements? If so, please provide details</p>	<p>None to the best of our knowledge.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>There is a current planning inspectorate claim for costs currently under negotiation, management are considering how it is best to report this to Members and readers of the Accounts.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Tonbridge & Malling Borough Council have in place to identify, evaluate and account for litigation or claims?	Litigation and claims are considered on an individual basis and depending on the size of either triviality or materiality, they will be reported as appropriate.
<p>Page 166</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>	No.

Related Parties

Matters in relation to Related Parties

Tonbridge & Malling Borough Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Tonbridge & Malling Borough Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Tonbridge & Malling Borough Council's 2024/23 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Tonbridge & Malling Borough Council whether Tonbridge & Malling Borough Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>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.</p>
<p>2. What controls does Tonbridge & Malling Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Members and Officers are required to disclose relationships through the register of interest, these are available on the Council's website for members and the Interim Chief Executive for Officers.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Where a member or officer has a related interest, they are required, under the constitution, to exclude themselves from the decision making process.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>The Council's constitution requires any expenditure/income outside of the current budgetary framework in excess of £100,000 to be reported and approved by Full Council.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for public sector bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Tonbridge & Malling Borough Council will no longer continue?</p>	<p>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.</p>
<p>2. Are management aware of any factors which may mean for Tonbridge & Malling Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>There are no doubts to cause concern at this stage.</p>
<p>3. With regard to the statutory services currently provided by Tonbridge & Malling Borough Council, does Tonbridge & Malling Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for the Council to cease to exist?</p>	<p>Tonbridge & Malling Borough Council expect to continue services provided by the Authority. There are no current plans for Local Government reorganisation within Kent.</p>
<p>4. Are management satisfied that the financial reporting framework permits Tonbridge & Malling Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes, management are satisfied.</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;

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The body's information system as it relates to accounting estimates;

The body's control activities in relation to accounting estimates; and

How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	None, no change at present.
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	Management assesses the risk of estimated transactions for reporting within financial statements at the time that they arise. All statutory officers and their deputies would be involved in such decisions, and these would be fully endorsed by Corporate Management Team.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Review of estimates and accounting processes and policies are reviewed annually, following the outcome of previous years accounts and the audit findings report, presented to those charged with governance. Changes in estimates, policies and processes will be explained to Members via the Audit Committee.
4. How do management review the outcomes of previous accounting estimates?	See response to question 3.
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	A change has been made to the de-minimus level for revenue accruals, this has been raised from £500 to £1,000. The calculation of depreciation will now take place based on the Net Book value of assets brought forward at the 1 st April each year instead of 31 st March, acquisitions will not be depreciated in year.

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Specialisms are required for actuarial and valuation processes and reliance is placed on professionals in those fields.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	See response to question 6.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	See response to question 6.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	Refer to question 3.

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	None.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Accounting estimates are reviewed for appropriateness each year. They reflect the requirements of The Code.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Audit Committee are presented with unaudited accounts, allowing them to challenge assumptions and accounting treatment in any year.

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Professional judgement	RICS Red Book Guidance.	Yes – Wilks Head & Eve	Degrees of uncertainty and consideration of alternatives, will be considered by the valuer as part of their review.	No
Depreciation	Net book value brought forward, over a straight line of the estimated asset life.		No, although qualified Property services staff,	Asset lives get reviewed annually. The Land and Buildings valuations are reviewed as part of a 5-year cyclical cycle. Vehicles, Plant & Equipment are based on historic costs.	Yes

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Heritage assets	In line with Code Guidance, Heritage Assets are held at insured value, with periodical external valuation undertaken.	Information based on insurers guidance.	Yes – Zurich Municipal Insurance.	This approach is in line with The Code.	No
Investment property valuation	Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use.	RICS Red Book guidance.	Yes – Wilks Head & Eve	Degrees of uncertainty and consideration of alternatives, will be considered by the valuer as part of their review.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions and accruals	<p>NNDR appeals – assessment carried out using County Wide model, based on rateable value and discounts awarded.</p> <p>Accruals – level determined by accountancy team and all accruals are reviewed by accountancy team prior to posting them.</p>		No experts used.	No changes to previous years with the exception of limits.	Yes – change of accrual limit from £500 to £1,000.
Credit loss and impairment allowances	Aged debt model used to provide higher provision to debts that have been outstanding longer.	Aged debt analysis reports from sales ledger and revenue systems.	No experts used.		No change from prior years.

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Defined benefit pension liability	Calculations made in line with IAS 19 and IFRIC14 if pension asset is identified.	In line with IAS 19. Information provided by payroll system to KCC administrator.	Yes – Barnett Waddingham as appointed by KCC pensions.	Given by actuaries prior to calculation of IAS 19 and are provided to the Auditors prior to year-end.	No change to previous years.
Financial instruments	Assessed in line with The Code, depending on nature identified within accounting statement.		Information supplied by Fund managers and credit risk will be assessed by Link, the treasury advisors.	Our property investment and multi-asset diversified income funds are an actively quoted value per share on the market, which is described as a level 1 type investment, and have been valued in accordance with the closing value at year end. Other deposits, which are described as level 2 type investments, are held on	No change to previous years

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Any other account (if applicable) Page 179	N/A				



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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

15 April 2024

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 2023.

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 there have been no amendments made. The Charter is attached at **[Annex 1]**.

1.2.3 The Charter was approved by Management Team on 26th March 2024, 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 (Annex 1).

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, Page 185



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 2024

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

15 April 2024

Report of the Chief Audit Executive

Part 1- Public

Delegated

1 INTERNAL AUDIT AND FRAUD PLAN 2024/25

This report seeks Member approval of the Internal Audit and Fraud Plan for the year 2024/25.

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 2024/25 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 2024/25

1.2.1 A copy of the proposed Internal Audit and Fraud Plan 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 and Heads of Service, 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 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 2024/25. 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 The audit reviews under consideration, and detailed activities from the Counter Fraud Plan are contained in pages 2 and 3 of Annex 1.
- 1.2.7 The proposed Plan has been reviewed and endorsed by Management Team.
- 1.2.8 Based on the current staffing levels and assumptions, there is sufficient resource to deliver the 2024/25 Internal Audit and Counter Fraud Plan.

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 2024/25 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:

Nil

Richard Benjamin
Chief Audit Executive

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Annex 1 Internal Audit and Counter Fraud Plan
2024/25

Audit Title	Indicative Days	Assurance/ Consultancy	Cross ref to Strategic Risk Register	Rationale for inclusion/High-level Scope
Tonbridge Town Centre Review	20	A	Change Programme	Embedded Assurance of project management and assessment of the options appraisal
Gibson Building Project	8	A	Change Programme	Ongoing embedded assurance for the disposal of Gibson West and refurbishment of Gibson East
Volunteer Management - Health and Safety	12	A	Service Risk	Council wide, including leisure parks, volunteer litter pickers. Review how TMBC engage with and utilise volunteers, if there is appropriate management especially for Health and safety. Considering public safety.
Planning applications and fees (Fee payback)	12	A	Service Risk	Review of the Planning application process and fees overseen by the Council.
Housing Allocation Process, Assessment and Review	12	A	Change Programme	The reassessment of cases based on the new housing allocation scheme. Consider adequacy of assessment , including evidence collected, quality assurance and resolution of complaints.
Treasury Management	12	A	SRR 6	Review of Treasury Management controls for the council
Discretionary Housing Payments	10	A	Service Risk	Consider the most efficient use of Discretionary Housing Payments to prevent homelessness. Review of decision making and allocations.
Digital Strategies and Automation	12	A	SRR 6	Solutions to provide tangible time and/or monetary savings and service improvements to be made by all directorates.
Castle Project	8	A	Change Programme	Ongoing embedded assurance on project management and implementation of services at the Castle
Climate Change	15	A	SRR 23	Assurance on the progress against the climate strategy and the embedding of culture across the Council
Local Plan	8	C		Embedded assurance of the development of the Local Plan for the Council
Rolling plan audits Quarter 3-4	98			To provide flexibility with emerging risks for the Council.
Follow up of recommendations raised.	10			
	<u>237</u>			
Counter Fraud				
Proactive fraud activity	146			
Investigations	170			
	<u>316</u>			
	<u>135</u>			
Management Resource				
TMBC Internal Audit and Counter Fraud Plan	<u>688</u>			
Kent Intelligence Network				
KIN Investigation resource	180			KIN data matching, revenue based NFI and SPD credit matches
	<u>868</u>			

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

15 April 2024

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.

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 Public Sector Internal Audit Standards (PSIAS) require that periodic reports on the work of Internal Audit should be prepared and submitted to those charged with governance.
- 1.1.3 This Progress Report provided at **[Annex 1]** gives the Audit Committee with an accumulative summary view of the work undertaken by Internal Audit for the period January 2024 to April 2024, together with the resulting conclusions where appropriate.

1.2 Legal Implications

- 1.2.1 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.
- 1.2.2 The Council 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.
- 1.2.3 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.

1.3 Financial and Value for Money Considerations

- 1.3.1 An adequate and effective Internal Audit function provides the Council with assurance on the proper, economic, efficient, and effective use of Council resources in the delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the finances of the Council.
- 1.3.2 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.

1.4 Risk Assessment

- 1.4.1 This report, summarising the work of the Internal Audit function, provides a key source of assurance for the Council on the adequacy and effectiveness of its framework for governance, risk management and control.
- 1.4.2 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.

1.5 Recommendation

- 1.5.1 Members are requested to note the Internal Audit Progress Report for the period January 2024 to April 2024.

Background papers:

contact: Richard Benjamin

Nil

Jonathan Idle
Chief Audit Executive



**INTERNAL AUDIT AND COUNTER FRAUD
PROGRESS REPORT
AUDIT COMMITTEE
15 April 2024**

1. Introduction

The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives.

Upon completion of an audit, an assurance opinion is given on the effectiveness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.

The activity report provides Members of the Audit Committee and Management with 6 summaries of completed work between January and April 2024.

2. Key Messages

- 5 audits have been finalised to draft/final report in the period. The summaries are contained in **Appendix A**
- All 18 audits from the 2023/24 rolling Audit Plan are either completed or in progress. **Appendix B**

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3. Resources

In accordance with the Public Sector Internal Audit Standards, Members need to be appraised of relevant matters relating to the resourcing of the Internal Audit function. The key updates are as follows:

- Permanent recruitment for an Audit Manager post is now underway.
- Permanent recruitment for the Counter Fraud Technician supporting Tonbridge and Malling has now been completed, role duties will continue to be covered by the Fraud team until the newly recruited person commences employment and is in post.

4. 2023-24 Internal Audit Plan

The audit summaries are provided at [Appendix A](#). A summary is provided on current progress against the 2023-24 Audit Plan.

Table 1- Audit Plan Status

Status	Number of Audits	%
Not yet started	0	0%
Planning	3	17%
Fieldwork	2	11%
Ongoing	2	11%
Draft Report	5	28%
Final Report	6	33%
On Hold	0	0
Removed/ Deferred	0	0
Total	18	100%

[Appendix B](#) sets out progress against the Rolling 2023-24 Audit Plan.

Table 2 – Summary of Audits by Committee Meeting

With each Progress report, Internal Audit turns the spotlight on the audit reviews, providing the Governance and Audit Committee with a summary of the objectives of the review, the key findings, conclusions and recommendations; thereby giving the Committee the opportunity to explore the areas further, should it wish to do so.

In this period, the following report summaries are provided at **Appendix A** for the Committee’s information and discussion.

Audit Definitions are provided at **Appendix D**

Audit Committee – 15 th April 2024			
Page No	Audit	Opinion	Prospects for Improvement
1	TM18-2024 Corporate Performance Management Framework	Substantial	Very Good
2	TM06-2024 Business Continuity Planning	Adequate	TBC
3	TM07-2024 Parking – Follow Up	Adequate	Good
4	TM11-2024 GDPR – Incident Reporting	Substantial	TBC
5	TM13-2024 Communications Strategy	Substantial	TBC

7. Counter Fraud Update

Prevention and Detection of Fraud, Bribery and Corruption

This section of the report provides details of the Council's activity in preventing and detecting fraud and corruption during quarter one to three of 2023-24.

National Fraud Initiative

The Counter Fraud Team has collated the data specified by the Cabinet Office for the 2023-24 exercise. This includes reviewing the data to ensure it complies with the formats required and uploading in the required timescale.

The NFI biennial and flexible data matching service has largely been completed, with exceptions coming from a new release of matches on 2 November 2023. A summary of activity is shown in **Appendix D**. To date this has identified £23,584 in benefit overpayments in addition to estimated savings going forward of £39,674.

Kent Intelligence Network

The Kent Intelligence Network continues to support Local Authorities in Kent in preventing and detecting fraud. 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 and residential premises.

In addition, a review of all discounts/exemptions within Business Rates is under way, the review is to reaffirm the award of a discount/exemption or to amend the account if circumstances have changed.

During the three quarters of this year the following results have been achieved:

- Single person discount to financial matches £6,856 increased council tax liability
- Single person discount to NFI matches £66,475 increased council tax liability
- Single person discount reviews from fraud referrals £3,877 increased council tax liability
- Unrated businesses £788,516 increased liability
- Retriever debtor tracing £189,234 for recovery action
- Business rates review £64,290 increased rates liability

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7. Counter Fraud Update

Investigating Fraud, Bribery and Corruption

A summary of cases referred or carried into the current fiscal year can be found in **Appendix E**

A total of 75 referrals have been received by the Counter Fraud Team during the first three quarters of 2023-24. The most reported fraud type is council tax with universal credit or housing benefit where a total of 25 referrals have been reported. The second most reported fraud type is single person discount, where a total of 24 referrals have been received. Further detail is available in Annex 4

A total of 27 cases were carried forward from 2022-23, of which 25 are now closed. The outcomes of these cases are:

- 4 cases have been referred externally to the DWP.
- 14 cases closed, where no further action is required.
- 5 cases have been referred internally.
- 2 cases closed, housing application withdrawn

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TM18-2024 Corporate Performance Management Framework

Audit Opinion	SUBSTANTIAL
Prospects for Improvement	VERY GOOD

Key Strengths

- All key performance indicators (KPIs) are aligned with priorities and actions set out in the Corporate Strategy and include all services within Tonbridge and Malling Borough Council (TMBC).
- The aligned KPI's have been reviewed and approved by Cabinet to ensure they are relevant and are beneficial in monitoring the Councils performance.
- KPI's are a standing item within Scrutiny and select Committees and Management Team meetings to improve reporting and encourage the KPIs to be embedded across the Council.
- Trends in performance are reviewed by management team, and poor performance is questioned and followed up in subsequent meetings.
- KPI's are reported on a timely basis, helping the data reported to be relevant and reflective of the Councils performance.
- In a review of a sample of 10 KPI's, from discussion with the responsible officers all data is reported on time without delay and include data assurance to increase reliability of the source data. 8 of 10 KPI were able to provide evidence of the data assurance.
- TMBC have recently subscribed to LGInform Plus and this will now allow them to assess their performance and KPI's against other local authorities' data and benchmark their performance indicators.

Areas for Development

- Although key performance indicators are a standing item in Management Team and Scrutiny and Select Committee Meetings and trends, and performance is discussed and monitored within these from discussion there are no current examples of KPI's informing any management decisions. There is a risk of underutilisation of the KPIs reported if they are not used to give direction to the Council where needed, this may improve after benchmarking with LGInform Plus has progressed and the Council can assess their performance against other authorities.

Prospects for Improvement

- The introduction of LGInform Plus will allow TMBC to assess their performance against other authorities.
- The Strategic Economic Regeneration Manager has addressed previously raised issues of the need for data assurance and benchmarking raised by Internal and External Audit.

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	2	2	0
Low Risk	2	2	0

TM06-2024 Business Continuity Planning

Audit Opinion	Adequate
Prospects for Improvement	TBC

Key Strengths

- There are clear plans to formally approve the revised Business Continuity Plan (BCP) by Management Team and raise awareness with Officers through StaffNet and Staff Briefing.
- Key risks are identified and scored within the BCP, with mitigating actions and required responses clearly documented.
- Roles and Responsibilities are adequately set out within the Business Continuity Plan and associated Appendices, including Terms of reference for working and incident groups as well as incident checklists.
- Service level plans have all been reviewed and amended by services and Management Team.
- Service level plans are all complete and identify, Key services, Impact analysis, Interdependencies and also include minimum service requirements addressing recommendations raised in the previous BCP Internal Audit.
- There are plans to share the Service Level BCP documents with IT to ensure timescales identified for services and systems can be realistically achieved.

Areas for Development

- There are a number of potential inconsistencies within the Service Level Continuity Plans that need to be challenged.
- The risks register is reviewed annually but there is no process to ensure that individual Service Level BCP plans are updated as new emerging risks are identified.
- There have been no test exercises conducted recently, and although there are some tabletop exercises identified none have been scheduled.
- Although there are locally provided training sessions and briefings planned, there is no wider training for Senior Management and Duty Coordinators scheduled.

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	2	2	0
Low Risk	2	2	0

TM07-2024 Parking – Follow Up

Audit Opinion	Adequate
Prospects for Improvement	Good

Key Strengths

- New strong room security with limited access to authorised personnel. This room addresses the vulnerabilities identified during the initial audit.
- There is an improved reconciliation framework with progress being made in accuracy and reliability.
- Despite challenges the Parking Team has improved the resolution on non-collection issues with the Operational Team, addressing previous communication gaps and inaccuracies.
- Implementation of a maintenance schedule which includes two annual servicing sessions marked distinctly to ensure timely upkeep of equipment.

Areas for Development

- Establishing an ongoing reconciliation exercise of cash processing statements, Flowbird Weboffice and accounting information to maintain its accuracy and reliability, not allowing this process to lapse.

Prospects for Improvement

- The service was fully engaged with the audit process.
- The parking team was able to implement three of the four outstanding actions, even though they are faced with many challenges.

Progress on Issues Raised

Issue	Priority Level	Conclusion from Testing
Cash Storage in TMBC Offices	High	Implemented
Reconciliation of Cash Against Flowbird Weboffice	High	In Progress
Non-Collection of Cashboxes by G4S	Medium	Implemented
Maintenance Schedule	Low	Implemented

TM11-2024 GDPR – Incident Reporting

Audit Opinion	Substantial
Prospects for Improvement	TBC

Key Strengths

- Data breach forms are very clear and easy to complete.
- After identifying an issue that was causing a large proportion of the recorded data breaches, the root cause was identified and subsequently this feature in Outlook was removed. This resulted in a decline of breaches for this reason.
- Data breaches have been recorded within a timely manner.
- Evidence is available to confirm that data incidents are discussed as part of quarterly Operation Service Group (OSG) meetings. All evidence was present for the OSG meetings that occurred quarterly last year.
- Policies and procedures in relation to GDPR are reviewed regularly and updated promptly as necessary.

Areas for Development

- There is currently no regular reporting or provision of data to facilitate reviews of trends in the types of data breaches being reported.
- No refresher training has been provided to staff with regards to the reporting of incidents.

Prospects for Improvement

- TBC

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	1	1	0
Low Risk	1	1	0

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TM13-2024 Communications Strategy

Audit Opinion	Substantial
Prospects for Improvement	TBC

Key Strengths

- A communications strategy was developed and published in 2022.
- Training is provided to the Communications Team on an ongoing basis. Recent training has included video training, digital editing, and Google analytics.
- The MyTMBC app has been introduced and a quarterly newsletter is now published online and distributed via email to expand the audience reached.
- TMBC communication strategy is aligned and consistent with the corporate strategy.

Areas for Development

- A review of the communications team and its work was carried out by the Local Government Association (LGA) in 2022. As of 1 February 2024, three recommendations had not been addressed.
- Social media is the main communications channel used for external communications.

Prospects for Improvement

- TBC

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	1	1	0
Low Risk	1	1	0

Appendix B – 2023-24 Internal Audit Plan Status

Ref	Audit	Status	Assurance	Prospects for Improvement	Committee
TM01-2024	Estates Management	Complete	Substantial	TBC	January GAC
TM02-2024	Savings plan / Transformation Strategy	Draft Report			
TM03-2024	IT Development	Complete	Adequate	TBC	January GAC
TM04-2024	Local Plan	Complete	Advisory	N/A	January GAC
TM05-2024	S106 Agreements	Complete	Substantial	Very Good	January GAC
TM06-2024	BCP	Draft Report	Adequate	TBC	April GAC
TM07-2024	Parking - Follow Up	Draft Report	Adequate	Good	April GAC
TM08-2024	Agile Board	Ongoing	Advisory	N/A	
TM09-2024	Castle Project	Ongoing	Advisory	N/A	
TM10-2024	Accounts Receivable	Complete	Substantial	Good	January GAC
TM11-2024	GDPR - Incident Reporting	Draft Report	Substantial	TBC	April GAC
TM12-2024	Agile Post Implementation review - Lessons Learnt	Fieldwork			
TM13-2024	Communications Strategy	Draft Report	Substantial	TBC	April GAC
TM14-2024	IT Helpdesk	Planning			
TM15-2024	Planning Enforcement	Planning			
TM16-2024	Waste Partnership	Fieldwork			
TM17-2024	Contract Management - Leisure Trust	Planning			
TM18-2024	Corporate Performance Management Framework	Complete	Substantial	Very Good	April GAC

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Audit Opinion

High

Internal control, Governance and the management of risk are at a high standard. The arrangements to secure governance, risk management and internal controls are extremely well designed and applied effectively.

Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives.

There are examples of best practice. No significant weaknesses have been identified.

Limited

Internal Control, Governance and the management of risk are inadequate and result in an unacceptable level of residual risk. Effective controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied.

Certain weaknesses require immediate management attention as there is a high risk that objectives are not achieved.

Substantial

Internal Control, Governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively.

Whilst there is a largely sound system of controls there are few matters requiring attention. These do not have a significant impact on residual risk exposure but need to be addressed within a reasonable timescale.

No Assurance

Internal Control, Governance and management of risk is poor. For many risk areas there are significant gaps in the procedures and controls. Due to the absence of effective controls and procedures no reliance can be placed on their operation.

Immediate action is required to address the whole control framework before serious issues are realised in this area with high impact on residual risk exposure until resolved

Adequate

Internal control, Governance and management of risk is adequate overall however, there were areas of concern identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.

There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.

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Prospects for Improvement		Issue Risk Ratings	
Very Good	There are strong building blocks in place for future improvement with clear leadership, direction of travel and capacity. External factors, where relevant, support achievement of objectives.	High	There is a gap in the control framework or a failure of existing internal controls that results in a significant risk that service or system objectives will not be achieved.
Good	There are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place. External factors, where relevant, do not impede achievement of objectives.	Medium	There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system objectives.
Adequate	Building blocks for future improvement could be enhanced, with areas for improvement identified in leadership, direction of travel and/or capacity. External factors, where relevant, may not support achievement of objectives	Low	There is scope to improve the quality and/or efficiency of the control framework, although the risk to overall service or system objectives is low.
Uncertain	Building blocks for future improvement are unclear, with concerns identified during the audit around leadership, direction of travel and/or capacity. External factors, where relevant, impede achievement of objectives.		

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Appendix E – National Fraud Initiative

Report	Title	Description	All	Outstanding	Estimated Savings	Overpayment Reclaimed	Notes
2	Housing Benefit Claimants to Student Loans	To identify individuals who are claiming benefits, but whose student loan eligibility results in them being ineligible for those benefits	4	0	£0	£0	Housing benefit had been cancelled already on all matches bar one, on which the student loan had been declared
29.1	Housing Benefit Claimants to Housing Benefit Claimants - Phone Number	To identify an individual that is claiming housing benefit from one or more local authority simultaneously	1	0	£0	£0	Poor quality match
49.1	Housing Benefit Claimants to DWP Deceased	The purpose of the match is to identify instances where the claimant has passed away but the payment of benefit may have continued after the date of death	10	0	£0	£0	Accounts closed prior to investigation
66	Payroll to Payroll	To identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working for another employer at the same time	1	0	£0	£0	Employment dates did not overlap
80	Payroll to Creditors	The match identifies instances where an employee and creditor are linked by the same bank account or the same address to identify employees with interests in companies with which your organisation is trading	33	0	£0	£0	Identified to be internal petty cash claims, verified by finance
81	Payroll to Creditors		20	0	£0	£0	Identified to be internal petty cash claims, verified by finance
91	Housing Benefit Claimants to Waiting List	To identify possible cases of housing benefit fraud where an individual appears to be resident at two different addresses as the address on the housing benefit system differs from the one they have declared on their waiting list application	11	0	£0	£0	All set to closed as part of a batch
93	Housing Benefit Claimants to Waiting List		1	0	£0	£0	Applicant removed from housing list prior to investigation
243	Waiting List to Housing Benefit Claimants		15	0	£8,566	£0	All closed as no issues found with the exception of two applications which were cancelled as a result of the NFI match
172.3	Resident Parking Permit to DWP Deceased		21	0	£0	£0	All permits expired or cancelled prior to investigation
233	Waiting List to Housing Tenants	To identify where an individual appears to have registered on the waiting list using a different address to the one on the housing rents system suggesting possible undisclosed changes in circumstances or that false information has been provided	5	0	£0	£0	All applicants removed prior to investigation
242	Waiting List to Housing Benefit Claimants		5	0	£0	£0	All applicants housed or removed from housing register prior to investigation

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29.1	Housing Benefit Claimants to Housing Benefit Claimants - Phone Number	To identify an individual that is claiming housing benefit from one or more local authority simultaneously	1	0	£0	£0	Poor quality match
49.1	Housing Benefit Claimants to DWP Deceased	The purpose of the match is to identify instances where the claimant has passed away but the payment of benefit may have continued after the date of death	10	0	£0	£0	Accounts closed prior to investigation
66	Payroll to Payroll	To identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working for another employer at the same time	1	0	£0	£0	Employment dates did not overlap
80	Payroll to Creditors	The match identifies instances where an employee and creditor are linked by the same bank account or the same address to identify employees with interests in companies with which your organisation is trading	33	0	£0	£0	Identified to be internal petty cash claims, verified by finance
81	Payroll to Creditors		20	0	£0	£0	Identified to be internal petty cash claims, verified by finance
91	Housing Benefit Claimants to Waiting List	To identify possible cases of housing benefit fraud where an individual appears to be resident at two different addresses as the address on the housing benefit system differs from the one they have declared on their waiting list application	11	0	£0	£0	All set to closed as part of a batch
93	Housing Benefit Claimants to Waiting List		1	0	£0	£0	Applicant removed from housing list prior to investigation
243	Waiting List to Housing Benefit Claimants		15	0	£8,566	£0	All closed as no issues found with the exception of two applications which were cancelled as a result of the NFI match
172.3	Resident Parking Permit to DWP Deceased		21	0	£0	£0	All permits expired or cancelled prior to investigation
233	Waiting List to Housing Tenants	To identify where an individual appears to have registered on the waiting list using a different address to the one on the housing rents system suggesting possible undisclosed changes in circumstances or that false information has been provided	5	0	£0	£0	All applicants removed prior to investigation
242	Waiting List to Housing Benefit Claimants		5	0	£0	£0	All applicants housed or removed from housing register prior to investigation

Report	Title	Description	All	Outstanding	Estimated Savings	Overpayment Reclaimed	Notes
459.1	Council Tax Reduction Scheme to Taxi Driver	To identify cases where an individual in receipt of council tax reduction may have failed to declare income that may remove or reduce entitlement to the reduction	3	0	£0	£0	Earnings declared on the two current licences - no issues identified
459.2	Council Tax Reduction Scheme to Taxi Drivers		1	0	£0	£0	License had already expired
459.6	Council Tax Reduction Scheme to Taxi Drivers		1	0	£0	£0	Match linked to a previous occupant at the address
477	Council Tax Reduction Scheme to Housing Benefit Claimants	To identify cases where an individual is in receipt of council tax reduction and housing benefit from one or more local authority simultaneously that may remove or reduce entitlement to the reduction	7	0	£0	£0	Claims cancelled prior to investigation
482	Council Tax Reduction Scheme to DWP deceased	The purpose of the match is to identify instances where the claimant has passed away but the council tax reduction may have continued after the date of death	21	0	£0	£0	Claims cancelled prior to investigation
701	Duplicate creditors by creditor name	Duplicates identified in this match suggest poor creditor management as the system has permitted a creditor reference to be used more than once	8	0	£0	£0	Two of the eight matches resulted in duplicate accounts being identified and merged. In neither case had payments been duplicated so no savings achieved
702	Duplicate creditors by address detail		42	0	£0	£0	Only one of the 42 matches resulted in duplicate accounts being identified and merged. In neither case had payments been duplicated so no savings achieved
703	Duplicate creditors by bank account number		12	0	£0	£0	Six of twelve matches resulted in accounts being merged, but no overpayments have been identified as a result
708	Duplicate records by amount and creditor reference	This match highlights possible duplicate payments in excess of £1,000 that may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff	17 4	0	£0	£0	No errors have been found on these matches, most of which were instalments against large purchases or services, and others were multiple invoices
709	VAT overpaid	This report identifies instances where VAT may have been overpaid	3	0	£0	£0	Split invoices resulted in VAT being paid on one and not another, creating anomalous percentages

Report	Title	Description	All	Outstanding	Estimated Savings	Overpayment Reclaimed	Notes
711	Duplicate records by invoice number and amount but different creditor reference and name	This match highlights possible duplicate payments for the same goods/services but to creditors with different reference numbers, which may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff	2	0	£0	£0	Both payments reversed and funds returned prior to investigation
713	Duplicate records by postcode, invoice amount but different creditor reference and invoice number and date		2	0	£0	£0	Separate companies trading from the same location
750	Procurement - Payroll to Companies House (Director)		To identify potential undeclared interests that have given a pecuniary advantage	5	0	£0	£0
Totals			595	13	£36,950	£14,896	

Percentage Complete

98%

Appendix F – Fraud Referrals

Number of Referrals	Open Referrals	Closed Referrals	Referrals Under Investigation	Referrals Awaiting Sifting	% Referrals Closed
71	8	63	8	0	89%

Opened cases closed within 3 months	5
Opened cases closed between 3 and 6 months	1
Opened cases closed over 6 months	2
All cases closed within 3 months	58
All cases closed between 3 and 6 months	2
All cases closed over 6 months	3
Percentage of referrals reviewed within 10 working days	54%
Percentage of reviewed cases sifted within 10 working days	79%

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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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