

# A G E N D A

## AUDIT AND GOVERNANCE COMMITTEE

Tuesday 24 March 2015 at 6.00 pm  
Council Chamber, Royal Tunbridge Wells, Kent TN1 1RS

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<b>Borough Council Representatives:</b>	Councillors Horwood (Chairman), Hall (Vice-Chairman), Dawlings, Lockhart, Patterson, Scott, Ward and Webb
<b>Independent Members:</b>	Hedges, Hough, Lewis, Quigley and Segall Jones
<b>Parish/Town Council Representatives:</b>	Councillors Mrs Codd and Mackenzie
<b>Quorum:</b>	3 Members, to include at least one independent member

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**1 Apologies for Absence**

Apologies for absence as reported at the meeting.

**2 Declarations of Interest**

To receive any declarations of interest by Members in items on the agenda.

For any advice on declarations of interest, please contact the Monitoring Officer.

**3 Notification of Visiting Members wishing to speak (in accordance with Council Procedure Rule 18):**

Members should indicate which item(s) they wish to speak on and the nature of their concern/question/request for clarification.

**4 Minutes of the meeting of the Audit and Governance Committee dated 9 December 2014 (Pages 1 - 6)**

**5 Report of Legal Services Manager/ Monitoring Officer**

(A) Update on Member Complaints (Pages 7 - 12)

**6 Report of Finance Director**

(A) Strategic Risk Review (Pages 13 - 24)

(B) Certification of Grant Claims 2013/14 (Pages 25 - 34)

(C) Internal Audit Operation Plan (Pages 35 - 66)

(D) External Audit Plan 2014/15 (Pages 67 - 88)

**7 Future Work Programme 2015 (Pages 89 - 90)**

**8 Date of Next Meeting - 23 June at 6pm**

## EXEMPT ITEM

It is proposed that, pursuant to section 100A(4) of the Local Government Act 1972, and the Local Government (Access to Information) (Variation) Order 2006, the public be excluded from the meeting for the following items of business on the grounds that they may involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act and the Variation Order, by virtue of the particular paragraph shown on the agenda and on the attached report.

### 9 Report of Deputy Chief Executive

(A) Royal Victoria Place - Lease Management (Pages 91 - 100)

**Maria Burton**  
Democratic Services Officer  
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**Town Hall**  
**ROYAL TUNBRIDGE WELLS**  
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### Notes on Procedure

- (1) A list of background papers appears at the end of each report, where appropriate, pursuant to the Local Government Act 1972, section 100D(i). Items marked \* will be the subject of recommendations by Audit and Governance to full Council; in the case of other items, this Committee may make the decision.
- (2) Members seeking factual information about agenda items are requested to contact the appropriate Service Manager prior to the meeting.
- (3) Members of the public and other stakeholders are required to register with the Committee Section if they wish to speak on an agenda item at a meeting. Places are limited to a maximum four speakers per item. The deadline for registering to speak is 4.00 pm the last working day before the meeting. Each speaker will be given a maximum of 3 minutes to address the Committee.
- (4) Please note that this meeting may be recorded or filmed by the Council for administrative purposes. Any other third party may also record or film meetings, unless exempt or confidential information is being considered, but are requested as a courtesy to others to give notice of this to the Committee Administrator before the meeting. The Council is not liable for any third party recordings.

Further details are available on the website ([www.tunbridgewells.gov.uk](http://www.tunbridgewells.gov.uk)) or from the Committee Section.

◇ If you require this information in large print, Braille, on audiotape or in any other format, please contact us on 01892 526121

◇ **Accessibility into and within the Town Hall - In response to the requirements of the Disability Discrimination Act 1995, the Council has provided the following features to overcome physical barriers to access.**

There is a wheelchair accessible lift by the main staircase, giving access to the first floor where the committee rooms are situated. There are a few steps leading to the Council Chamber itself but there is a platform chairlift in the foyer.

◇ **Hearing Loop System - The Council Chamber and all the Committee Rooms have been equipped with hearing induction loop systems. The Council Chamber also has a fully equipped audio-visual system.**

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## AUDIT AND GOVERNANCE COMMITTEE

Tuesday, 9 December 2014

**Present: Councillor Len Horwood (Chairman)**  
**Independent Members: Hedges, Hough, Lewis, Quigley and Segall Jones**  
**Town/Parish Council Members: Councillors Mrs Codd and Mackenzie**  
**Borough Members: Councillors Dawlings, Patterson, Scott, Ward and Webb**

**Officers in Attendance:** William Benson (Chief Executive), Lee Colyer (Finance Director (s151 Officer)), Rich Clarke (Head of Audit Partnership (Mid Kent Audit)), Ian Cumberworth (Internal Audit Manager), John Scarborough (Head of Legal Partnership), Maria Burton (Democratic Services Officer) and Ade Oyerinde (Audit Manager, Grant Thornton)

### APOLOGIES FOR ABSENCE

AG27/14 Apologies for absence were received from Councillors Hall and Lockhart.

### DECLARATIONS OF INTEREST

AG28/14 No declarations of interest were received.

### NOTIFICATION OF VISITING MEMBERS WISHING TO SPEAK (IN ACCORDANCE WITH COUNCIL PROCEDURE RULE 18):

AG29/14 No notifications of any visiting members wishing to speak had been received.

### MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE DATED 23 SEPTEMBER 2014

AG30/14 The minutes of the meeting of the Audit and Governance Committee dated 23 September 2014 were submitted. It was agreed that minute AG25/14 be amended to 'Councillor Scott stated that he felt that the valuation of assets was a book-keeping exercise and that the true value could not be known until an asset was sold, adding that he felt that valuation should be based on the risk of assets *being crystallised*'.

**RESOLVED** – That the amended minutes of the Audit and Governance Committee dated 23 September 2014 be approved as a correct record.

### UPDATE ON COMPLAINTS RECEIVED UNDER THE MEMBERS' CODE OF CONDUCT

AG31/14 Mr Scarborough presented the report updating the Committee on complaints regarding Members' Code of Conduct. Since the previous meeting, two complaints had been received, with one being received between the agenda publication and the meeting. One complaint had been rejected, leaving two outstanding complaints. One of these was due to go to a hearing panel in the new year, and Mr Scarborough was in discussion with the complainant and councillor with regard to the other complaint.

Parish Councillor Mackenzie asked when the hearing panel members would be selected. Mr Scarborough explained that he was looking at possible dates, but that it would not be until January 2015.

**RESOLVED:**

That the update on complaints received under the Members' Code of Conduct be noted.

**ANNUAL AUDIT LETTER**

AG32/14 Mr Colyer introduced the external auditor's Annual Audit letter covering 2013/14, stating that it was reassuring for the Council. Mr Oyerinde explained that the Annual Audit Letter was a positive document and was the result of summaries and work undertaken by Grant Thornton throughout the year. He added that the housing benefit claim deadline on page 21 had been met within the 28 November deadline, and that the report for the certification of grant claim would be due at the next meeting of the Committee.

Mr Lewis stated that Grant Thornton was the external auditor for a number of councils, and asked if any audits had been qualified. Mr Oyerinde explained that some value for money audits had been qualified. Mr Lewis asked if benchmarking against other councils was done, which Mr Oyerinde stated occurred in some areas.

In response to a question from Mr Segall Jones about the calculation of the audit fee, Mr Oyerinde explained that the Audit Commission set the fee for a 5-year period, and that the fee tended to be proportional to the Council's budget.

Mr Quigley noted that the audit fee on page 15 of the report did not mention a £900 additional audit fee as stated on page 22. He asked for confirmation that it had been included as part of the fee, which Mr Oyerinde gave.

Councillor Horwood offered his congratulations to those involved in the audit.

**RESOLVED:**

That the Annual Audit Letter be approved.

**EXTERNAL AUDIT PROGRESS REPORT**

AG33/14 Mr Oyerinde presented the External Audit Progress Report, explaining that it was a standard progress report including planned and completed work, as well as items potentially of interest to Members. He added that the progress report would return to Committee in March 2015.

Parish Councillor Mackenzie asked about the National Fraud Initiative report. Mr Clarke explained that the data matches had been investigated before March 2013 and that the next set of data matches was due in January 2015. He stated that he was satisfied with the matches investigated in 2013.

**RESOLVED:**

That the progress report be noted.

**STRATEGIC RISK REVIEW**

AG34/14 The Chief Executive, Mr Benson, presented the report regarding the risks that were the responsibility of the Chief Executive. These risks were resident engagement, national policy changes in the short term, being unable to meet expectations within resources, and not managing control and change

effectively. He explained the mechanism for managing risks, with involvement from Cabinet and management.

With regard to the risk of community engagement, Mr Benson informed the Committee that money had been received from central government to improve engagement in Sherwood ward. Mr Benson warned the Committee of the danger of diverting money and resources to areas where residents were vocal, rather than areas in most need.

Mr Lewis claimed that rather than there being an issue with a vocal minority, the greater problem was a quiet majority, comparing the number of people engaging through petitions against the number of people voting at local elections. Mr Benson stated that the nature of engagement formed part of the risk, pointing out the benefits on engagement of putting petitions online.

Mr Lewis stated that a major problem was a lack of public awareness that, for example, TWBC did not own the cinema site and a more general frustration with the complexity of the public sector.

Councillor Webb asked Mr Benson who made up the 'vocal minority' who did not represent the public, and stated that a vocal, engaged population would be better than a quiescent public. Mr Benson explained that he was noting the nature of the local population, not criticising the public. Mr Benson agreed that public sector fragmentation was an issue. He stated that there were 115,000 residents in the borough, but only a small proportion were vocal.

Councillor Ward expressed his concern that the Ward Walks had been stopped, and stated that opportunities for engagement were being missed, such as a Paddock Wood Town Council meeting that had been attended by hundreds of residents, but no officers. Mr Benson explained that he was not aware of the meeting, but stated that he was happy to attend parish and town council meetings. Councillor Ward noted that he would like to see more interaction between TWBC and parish and town councils.

Councillor Scott stated that the Town Forum had been working well at getting people engaged and involved. He added that engagement through social media would become increasingly important, especially with regard to engaging young adults.

Regarding the risk around national policy changes, Mr Benson explained that the main issues were fiscal constraints and legislative changes. He stated that local government had been affected by budgetary pressures and uncertainty, although partnership working could alleviate some pressures. He added that further uncertainty was likely with the general election due in May 2015.

In response to a question from Councillor Webb regarding the 'hostile rhetoric', Mr Benson explained that it came from the press, central government, individual politicians, as well as other sources. He explained that this impacted on the public perception on the council and that staff were trying to do a good job under increased expectations and pressure.

With regard to the risk of being unable to meet expectations within resources, Mr Benson explained that fewer staff were having to meet higher ambitions

and expectations from the public. He stated that sickness absences were below target and that by entering partnerships, resilience had increased. Mr Lewis stated that while partnerships increased resilience, they did not eliminate the issue of managing expectations. He drew the Committee's attention to a number of missed targets, and asked who had responsibility for partnerships. Mr Benson explained that he was responsible for entering partnerships, but that once in the shared service, it depended on which authority ran it.

Councillor Scott stated that Town Forum had been useful in the management of expectations. Mr Benson acknowledged the role that Town Forum had in the enabling approach of the council.

With regard to the enabling approach of the council, Councillor Patterson asked if it applied to parish councils, which had even less staff. Mr Benson stated that he had been working with parishes for 4-5 years, discussing issues such as provision of parking and public toilets. In response to a question from Councillor Patterson about the civic amenity vehicle, Mr Benson explained that while it was no longer in service, the funding for it was still there, and that the council was looking at potential options such as expanding its scope. Parish Councillor Mackenzie stated that his parish in Brenchley had conducted a survey which showed that 98% of respondents would be happy to pay more for a civic amenity vehicle.

Councillor Webb stated that there was a perception that local government was spending wastefully while cutting services, and asked if the council could lobby central government. Mr Benson explained that the council had made submissions to consultations as part of the LGA, and that he had spoken to Greg Clark MP.

Mr Hedges stated that at the town hall, fewer staff were using the same amount of space, and asked if there were any plans for the town hall site. Mr Benson explained that Cabinet had investigated options for the Assembly Hall and was now looking at professional advice, which should be completed in March 2015.

Mr Hedges raised the risks surrounding the traffic system. He stated that he had contacted Kent County Council regarding on-street parking, which he claimed slowed down traffic, but which KCC had not looked into. He asked if, although not in its remit, TWBC could look into on-street parking. Mr Benson replied that two risks related to parking had been identified, and agreed that Tunbridge Wells had a lot of on-street parking. He explained that at the most recent Cabinet it had been agreed to look at the parking strategy, stating that congestion risked the economic vitality of the borough. Councillor Scott stated that the Development Advisory Panel was investigating the parking situation and the Town Hall site.

With regard to the risk of not managing control and change effectively, Mr Benson spoke to Committee on the risks associated with shared services. He explained that partnerships could have a substantial impact on staff and resident if they were not successful, using the recent example of planning support. Mr Benson stated that when problems arose, staff tried to find a resolution as soon as possible. He added that Overview and Scrutiny Committee were investigating the governance arrangements of MKIP and that there was now a Director for MKIP. Mr Benson noted the success of the



legal and audit departments entering partnerships while keeping the necessary expertise and knowledge.

Mr Quigley explained that he was in favour of partnership working, but stressed that governance was something that had to be correct when entering a partnership. Mr Benson clarified that there was a governance structure in place, but that it was currently under review. He stated that this review would be looking into backbench involvement, and that the recommendations would go to Cabinet, although the review was still at an early stage. Mr Scarborough explained that each shared service had a Collaboration Agreement, and that now each Collaboration Agreement was being investigated to ensure that they were all satisfactory.

Mr Lewis stated that it was vital for the Council to have resources, adding that the Committee had looked into property management and the ability of the Council and officers to manage property. He expressed his hope that these issues were no longer relevant but asked if officers involved had appropriate expertise. Mr Benson explained that the Council had been trying to recruit surveyors for some time, but added that it was possible to use professional private sector expertise.

Councillor Horwood suggested that at the next meeting of the Committee, David Candlin and Jane Lynch would be asked to present their risks, which was agreed.

**RESOLVED:**

1. That the actions taken to manage the strategic risks under the responsibility of the Chief Executive be considered;
2. That the Committee review the risks that are under the responsibility of the Head of Economic Development and the Head of Planning at the next meeting

**INTERIM INTERNAL AUDIT REPORT**

AG35/14 Mr Clarke presented the Interim Internal Audit Report, stating that the Council was on track to meet its targets. The report detailed the assurance review, a new method of assurance, which revised the process for following up recommendations. The review showed that the investigated areas of compliance were ICT policies, replacement wheelie bins, bank arrangements and accounts review were effective and no recommendations were necessary.

Mr Clarke noted that there had been no whistle-blowers during 2014/15. With regard to fraud, Mr Clarke stated that the National Fraud Initiative would be starting again in 2015.

With regard to planning services, Mr Clarke explained that a review was due to go to Management Board on 10 December 2014.

Mr Clarke stated that he was pleased with the satisfaction ratings for internal audit, adding that with the new assurance measurements, the audit team were still developing the necessary skills, for example to complete audits on time.

Mr Hedges asked about the deferral of 19 actions related to partnerships. Mr Cumberworth explained that there had been significant changes so a full review was likely to be undertaken in November 2015.

With regard to compliance with ICT policies, Mr Quigley asked if the council undertook penetration testing, which Mr Cumberworth confirmed.

Parish Councillor Mackenzie asked about the commercial sensitivity of the cost per audit day. Mr Clarke explained that some authorities had hired external companies for internal audits, and that this provided the Council the potential opportunity to provide such a service. He stressed that the priority for the Audit Team would be to deliver the service to TWBC.

In response to a question from Parish Councillor Mackenzie regarding the percentage of audits completed on time, Mr Clarke explained that this target was new, and that in the past the targets had focussed on finishing the audit. He stated that officers needed to improve their forecasting of deadlines, but added that when the team was pressed with a deadline, they met it.

Parish Councillor Mackenzie asked about the 100% satisfaction rate, and whether any department would be satisfied with being subject to an audit. Mr Clarke explained that the team had surveyed customers, and that the 100% satisfaction rate showed that they were pleased with the service.

**RESOLVED:**

1. That the results of the work undertaken by the Internal Audit team for the first half year be noted
2. That the revised operational audit plan for the remaining year be noted

**FUTURE WORK PROGRAMME 2014/2015**

AG36/14      The Committee's work programme was presented for members' information.

**RESOLVED** – That the work programme be noted.

NOTE: The meeting concluded at 7.45 pm.

## **Update on Complaints received under the Member's Code of Conduct**

**To:** Audit and Governance Committee

**Date:** 24 March 2015

**Main Portfolio Area:** Leader

**Author of report:** John Scarborough, Head of Legal Partnership and Monitoring Officer

**Classification:** Non-Exempt

**Ward:** All

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### **Executive Summary**

This report provides an update on complaints received under the Member's Code of Conduct in the period ending 13 March 2015.

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### **LINK TO STRATEGIC COMPASS**

Passionate about providing value – we are open, transparent and accountable  
Passionate about our customers – customers are well communicated with  
Passionate about our community – A confident Tunbridge Wells

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### **Report status**

The report is for noting by the Audit and Governance Committee.

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### **Route to Implementation/Timetable:**

The Audit and Governance Committee will note the report.

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## BACKGROUND/INTRODUCTION

1. The current Members' Code of Conduct ("the Kent Code") for Tunbridge Wells Borough Council was adopted by the Borough Council on 18 July 2012. It was a requirement under the Localism Act 2011 that all Councils adopt a Code of Conduct and that the Code adopted must be based upon the Nolan Principles of Conduct in Public Life.
2. At the same Full Council meeting the Tunbridge Wells Borough Council also adopted arrangements for dealing with complaints ("the Kent Procedures") made under the Code of Conduct in the Tunbridge Wells area.
3. The same Localism Act 2011 requirement to adopt a Code of Conduct also applied to all the Parish and Town Councils in the Tunbridge Wells area. Therefore at around the same time, i.e. July 2012, all the Parish and Town Councils in the Tunbridge Wells area also adopted a Code of Conduct.
4. All the Parish and Town Councils in the Tunbridge Wells area adopted the same 'Kent Code' (apart from Paddock Wood Town Council) which had been agreed across Kent and was indeed adopted by the County Council, most of the District Councils and most of the Parish and Town Councils in Kent. Paddock Wood Town Council adopted the NALC (National Association of Local Councils) Code of Conduct.
5. Under the Localism Act 2011 Tunbridge Wells Borough Council is responsible for dealing with any complaints made under the Members' Codes of Conduct throughout the Tunbridge Wells area. Thus the Borough Council is responsible for dealing with any complaints affecting Members of, not only the Borough Council, but also all the Parish and Town Councils in the Tunbridge Wells Borough.
6. The arrangements for dealing with complaints ("the Kent Procedures") that were adopted by the Borough Council on 18 July 2012 therefore also apply in cases concerning Parish and Town Councils.
7. The Borough Council have resolved that oversight of the Kent Procedures falls under the Audit and Governance Committee.

## UPDATE ON COMPLAINTS RECEIVED

8. The Monitoring Officer provides an update to the Audit and Governance Committee upon complaints received at each meeting. The update is set out so that the names of the complainant and the Member complained about are both kept confidential. The reason for this is that the Localism Act 2011 repealed the previous statutory process for dealing with complaints whereby decisions including names would be published. In the absence of that statutory process, complaints must be dealt with in accordance with the Data Protection Act which means such data must be kept confidential.
9. Since the meeting of the Audit and Governance Committee on **9 December 2014**, one new complaint has been received. This has been assessed by the Monitoring Officer in consultation with the Independent Person and has been referred for formal investigation.
10. There were two outstanding complaints reported at the last meeting.
11. Both complaints had been assessed by the Deputy Monitoring Officers, in consultation with the Independent Person, as requiring investigation. The complaints were referred for investigation and the investigation reports have been completed. In both cases, the

# Agenda Item 5(A)

Monitoring Officer, having consulted with the Independent Person, has concluded that there is evidence of a failure to comply with the relevant Code of Conduct.

12. In the first case, the matter has been referred for consideration by the Hearing Panel on 2 April 2015 in accordance with the relevant procedure detailed in the Kent Procedures.
13. In the second case, the matter has also now been referred for consideration by the Hearing Panel. The hearing was due to take place on 17 March 2015 but following a request for an adjournment from the subject member for personal reasons, a new date is presently being sought. The Committee will be updated verbally at the meeting.

## **WHAT IS THE ISSUE THAT REQUIRES A DECISION AND WHAT DOES THIS MEAN FOR THE PEOPLE OF TUNBRIDGE WELLS?**

14. To note the update upon complaints under the Member's Code of Conduct.

## **WHO HAVE WE CONSULTED AND HOW? (OR WHO WILL WE CONSULT FOLLOWING THE DECISION?)**

15. Members of the Audit and Governance Committee and the Independent Person in accordance with the Kent Procedures.

## **HOW WILL THE DECISION BE COMMUNICATED?**

16. The Committee's decision will be published in the minutes of this meeting on the Council's website in due course.

## **RECOMMENDATION**

That Members note the update on complaints received under the Member's Code of Conduct.

## **REASON FOR RECOMMENDATION:**

To note the update on complaints received under the Member's Code of Conduct.

**Contact Officer: John Scarborough, Head of Legal Partnership, Mid Kent Legal Services.**

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**Lee Colyer**  
**Head of Finance and Governance**

**Appendices to the Report:**  
Appendix A – Cross Cutting Issues

**Background Papers: None**

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## Update on Complaints received under the Member's Code of Conduct

### CROSS CUTTING ISSUES

#### LEGAL

##### Legal

1. The Member's Code of Conduct and Kent Procedures were adopted by Full Council on 18 July 2012.

##### Human Rights Act

2. There are no specific issues.

### VALUE FOR MONEY AND USE OF RESOURCES

##### Finance and other resources, including ICT

3. If a complaint proceeds to investigation then it can be carried out by an external person. If this is the case, there will be a fee for whichever external person carries out the work.

##### Staffing

4. No issues.

##### Value for Money

5. No issues.

##### Risk Management

6. An effective complaints system is part of an effective system of governance.

### COMMUNITY

#### Safer & Stronger Communities

7. There are no relevant issues identified within this report.

#### Section 17, Crime and Disorder Act 1998

8. There are no relevant issues identified within this report.

#### Environment / Sustainability

9. There are no relevant issues identified within this report.

## Equalities

10.

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		

## Health and Wellbeing

11. There are no relevant issues identified within this report.



## Strategic Risk Review

**To:** Audit & Governance Committee

**Date:** 24 March 2015

**Main Portfolio Area:** Finance & Governance

**Author of report:** Rich Clarke

**Classification:** Non Exempt

**Ward:** All

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### SUMMARY

The report relates to the Council's ongoing management of its strategic risks and has to principal aims for this meeting:

- To advise Members of general movements in the environment which affect the Council's strategic risks, in particular those which have caused a re-evaluation of the risk score, and
- To provide a detailed overview of a smaller range of risks to allow Members to probe more deeply into arrangement for managing those particular risks.

For this meeting, the Committee decided to invite Jane Lynch and David Candlin, and so the latter detailed section relates to the risks for which they are responsible.

### LINK TO STRATEGIC COMPASS

Risk management underpins achievement of all of the Council's objectives by ensuring that threats and opportunities are being identified, managed and exploited for the Council's best advantage. Risk management also forms part of the Corporate Governance framework.

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### Report status

For information




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### Route to Implementation/Timetable:

Risk management is a continuing action of the Council.

## BACKGROUND/INTRODUCTION

1. This report provides a general update on the environment around the Council's strategic risks and provides a more detailed description of mitigation arrangements around a sample of risks selected at the previous meeting of this Committee.
2. The Council's risk management process delegates day to day management of strategic risks to named individuals who consider the environment around the risk, the success of mitigating controls and the extent of ongoing threat as part of their regular duties. Periodic reports summarising the position on each risk go to the Council's Management Board for discussion and, if appropriate, action.
3. The chart at Appendix B (Strategic Risk Profile) shows each risk scored onto the risk matrix graph. The further towards the top right hand corner the greater the risk to the Council. Movement in that direction indicates the risk is becoming more severe, whereas risks moving towards the bottom left are receding. This is a dynamic and not always linear process; circumstances could mean changes in direction, identification of new risks or existing risks becoming resolved. The chart at Appendix B provides only a snapshot on a particular date.
4. The Audit & Governance Committee recommended the current risk register for approval by Cabinet on 25 March 2014 (AG51/13); approval which arrived on 16 May 2014 (CAB177/13). Since then, at the request of the Committee, we have provided periodic reports that give a general overview and support detailed discussion on a sample of specific risks as selected by the Committee.
5. Appendix B also provides a single page summary of all of the ten identified strategic risk, showing an overview of contributing factors, potential impact and current controls. It also notes (in the final column) updates this quarter, highlighting in bold those changes that, in the view of management, require a re-evaluation of the risk score to reflect its current threat.
6. The general trend in this quarter has been upward, with three of ten risks increasing in threat and only one of ten diminishing. All of those evaluated as having increased threat are now scored within the 'red' quadrant meaning they lay above the Council's risk tolerance threshold. As the sole diminished score moved a risk within the 'amber' band this means that eight of the ten risks now lay above the risk tolerance threshold.
7. The reasons for re-evaluation are described and, naturally, speak of a range of circumstances particular to each issue. However, one common theme crossing a number of scenarios is the inevitable increase in uncertainty in the future of public policy that comes with entering an election period.
8. Members have agreed previously to invite managers responsible for certain specific risks to attend and outline for the Committee the Council's approach to managing their particular risk. At this meeting the Committee has decided to invite Jane Lynch and David Candlin. Consequently, the risks for which they are responsible are highlighted in greater detail within appendix B, but also summarised below:

No.	Risk Scenario	Score	Movement
2	Being unable to maximise economic opportunities and resolve infrastructure issues ( <b>David Candlin</b> )	Likelihood: 5 (High) Impact: 3 (Severe)	
8	Inspector decision which challenges housing target vs housing supply ( <b>Jane Lynch</b> )	Likelihood: 4 (Significant) Impact: 4 (Major)	
10	Development Programme ( <b>David Candlin</b> )	Likelihood: 5 (High) Impact: 3 (Severe)	

**WHAT IS THE ISSUE THAT REQUIRES A DECISION AND WHAT DOES THIS MEAN FOR THE PEOPLE OF TUNBRIDGE WELLS?**

- The Audit and Governance Committee notes the ongoing risk management process and has received assurance that risks are being effectively managed.

**WHO HAVE WE CONSULTED AND HOW? (OR WHO WILL WE CONSULT FOLLOWING THE DECISION?)**

- All risks are reviewed by Management Board and Executive Members and considered by Audit and Governance Committee that receives periodic reports on risk management..

**HOW WILL THE DECISION BE COMMUNICATED?**

- Strategic Risks are communicated to Management Board, Cabinet and Audit & Governance Committee.

**CONCLUSIONS**

- The report sets out the general approach to risk management, and provides specific updates on the circumstances around strategic risks. This allows the Committee to gain assurance that the risk is being managed effectively.

**RECOMMENDATIONS:**

Members note the strategic risk management review report and approve the arrangements for managing strategic risks as set out in the report.

**REASON FOR RECOMMENDATION:**

To provide assurance in relation to the control environment and inform the Annual Governance Statement.

**Contact Officer:** Rich Clarke, Head of Audit Partnership. rich.clarke@midkent.gov.uk

**Name of Director/Head of Service**

Lee Colyer

Director of Finance (interim) (s151 officer)

## **Background Papers**

None

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## **APPENDICES TO REPORT**

APPENDIX A Cross cutting issues

APPENDIX B Strategic Risk Profile and Specific Risk action plans

## **Strategic Risk Review**

### **CROSS CUTTING ISSUES**

#### **LEGAL**

1. No specific issues noted.

Human Rights Act

2. No specific implications

### **VALUE FOR MONEY AND USE OF RESOURCES**

Finance and other resources, including ICT

3. The majority of the Strategic Risks contain financial risk these are being monitored closely through action plans and regular reporting.

Staffing

4. No specific staffing matters.

Value for Money

5. No specific matters noted.

Risk Management

6. This report sets out the current position regarding the authority's strategic risks and will be used to assist in the compilation of the Governance Assurance Statement.

### **COMMUNITY**

Safer & Stronger Communities

7. There are no relevant issues

Section 17, Crime and Disorder Act 1998

8. There are no relevant issues

Environment / Sustainability

9. There are no relevant issues

Equalities

10. There are no relevant issues

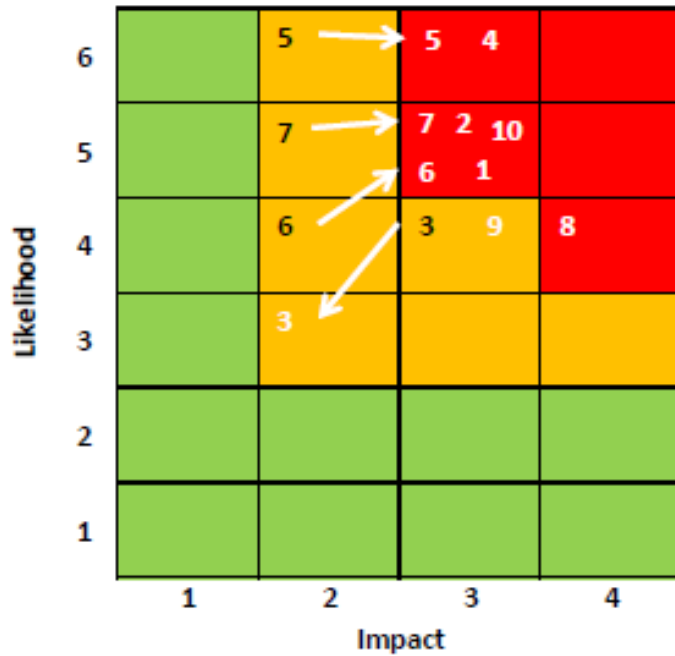
Health and Wellbeing

11. No relevant issues

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Risk profile

TWBC Risk Matrix: January 2015



Numbers in white represent the current (January 2015) evaluation of the risk. Where that evaluation has changed since October 2014, the previous position is shown in black text with an arrow towards the new position in the matrix.

- Likelihood**
- 6 = Very High
  - 5 = High
  - 4 = Significant
  - 3 = Low
  - 2 = Very Low
  - 1 = Minimal
- Impact**
- 4 = Major
  - 3 = Severe
  - 2 = Medium
  - 1 = Low

Key

- 1 Cinema site remains undeveloped
- 2 Being unable to maximise economic opportunities and resolve infrastructure issues
- 3 Resident engagement
- 4 Unable to plan financially over the longer term
- 5 National policy changes in short term that impact negatively on TWBC and on direction
- 6 Missing something significant (100 – 250k impact) – ‘dropping the ball’
- 7 Being unable to meet expectations within resources
- 8 Inspector decision which challenges housing target vs housing supply
- 9 Not managing control and change effectively – Staff, Management, and Political.
- 10 Development Programme.

## Tunbridge Wells Borough Council: Strategic Risk Register January 2015

Strategic Risk	Lead Officer & Member	Score Oct 2014	Score Jan 2015	Direction of travel	Contributing factors & Potential impact	Current controls	Updates this quarter (bold items reasons for change in rating)
1. Cinema site remains undeveloped	J MacDonald Cllr Jukes	5 Lk x 3 Im 15 RED	5 Lk x 3 Im 15 RED	↔	-Key site, not in TWBC ownership/control (CF) - <i>Reputational damage (PI)</i> - <i>Discouraging town centre investment (PI)</i>	- Planning notice to owners - Regular developer contact	- Site cleared - Current owner seeking sale?
2. Being unable to maximise economic opportunities and resolve infrastructure issues	D Candlin Cllr McDermott	5 Lk x 3 Im 15 RED	5 Lk x 3 Im 15 RED	↔	- Competition for opportunity (CF) - Housing cost & infrastructure weakness (CF) - <i>Impact on economic success (PI)</i>	- A21 & North Farm works - Maintain good relations - Dev. Advisory Panel	- Local Growth Fund - Delayed infrastructure projects - Professional advice secured
3. Resident engagement	W Benson Cllr Jukes	4 Lk x 3 Im 12 AMBER	3 Lk x 3 Im 9 AMBER	↓	- Finance limits use of schemes (CF) - Disproportionate minority highly vocal (CF) - <i>Decisions out of step with public need (PI)</i>	- Forums/advisory groups - Social media use	- <b>Increased resident engagement</b>
4. Unable to plan financially over the longer term	L Colyer Cllr Rusbridge	6 Lk x 3 Im 18 RED	6 Lk x 3 Im 18 RED	↔	- Govt funding lower & major uncertainty (CF) - <i>Reactive decision making only (PI)</i> - <i>Staff retention/services limited (PI)</i>	- Balanced budget - User pays principle - Varying sources of income	
5. National policy changes in short term impact negatively on TWBC and direction	W Benson Cllr Jukes	6 Lk x 2 Im 12 AMBER	6 Lk x 3 Im 18 RED	↑	- Significant changes with more to come (CF) - Hostile environment affecting LG (CF) - <i>Unpredictable/frequent change (PI)</i>	- Flexibility among staff - Partnership working	- <b>Upcoming election</b> - <b>New Homes Bonus at risk</b>
6. Missing something significant (dropping the ball)	L Colyer Cllr Jukes	4 Lk x 2 Im 8 AMBER	5 Lk x 3 Im 15 RED	↑	- Reduced staffing limits flexibility (CF) - <i>Key person dependency/staff pressure (PI)</i> - <i>Mistakes, complaints and loss (PI)</i>	- Partnership working - H&S as standing item - EP review	- H&S establishment up 1 FTE - <b>Increasing competition for professional qualified staff</b> - <b>Accounts timetable bfwd</b>
7. Being unable to meet expectations within resources	W Benson Cllr Jukes	5 Lk x 2 Im 10 AMBER	5 Lk x 3 Im 15 RED	↑	- Reduced staff & vocal local community (CF) - <i>Increased stress/reduced morale (PI)</i> - <i>Poor public satisfaction (PI)</i>	- Manage strategic plan - Performance monitoring - Enabling approach	- <b>New Homes Bonus at risk</b> - <b>NNDR revaluation risk transfer</b> - <b>RSG likely gone by 2018</b>
8. Inspector decision which challenges housing target vs housing supply	J Lynch Cllr McDermott	4 Lk x 4 Im 16 RED	4 Lk x 4 Im 16 RED	↔	- Uncertainty in law/decision making (CF) - <i>Loss of council control, and income (PI)</i> - <i>Member/public dissatisfaction (PI)</i>	- Regular report/LP review - Planning policy review - Specialist legal advice	- Legal advice no longer required - Full Council agreement to site allocations
9. Not managing control and change effectively	W Benson Cllr Jukes	4 Lk x 3 Im 12 AMBER	4 Lk x 3 Im 12 AMBER	↔	- MKIP management spread (CF) - <i>Service delivery affected (PI)</i> - <i>Staff/political dissatisfaction (PI)</i>	- MKIP Board - Shared service boards - MKS Director	
10. Development programme	D Candlin Cllr Jukes	5 Lk x 3 Im 15 RED	5 Lk x 3 Im 15 RED	↔	- Identified development sites (CF) - <i>Insufficient expertise/funding (PI)</i> - <i>Loss of investment/reputation (PI)</i>	- Dev Advisory Panel/Group - Professional advice - Staged approvals/risk logs	- Professional staff appointed



## Risk Scenario 2: Being unable to maximise economic opportunities and resolve infrastructure issues

<b>Risk Description:</b>		<b>Likelihood/Impact</b>	High (5) / Severe (3)
<b>Economic development and infrastructure</b>			
<b>Member Risk Owner</b>	Jane March/Alan McDermott	<b>Officer Risk Owner</b>	David Candlin
<b>Vulnerability/ Contributing factors</b>		<b>Potential Impact/ Consequences</b>	<b>Current Controls/ Mitigations in place</b>
<ul style="list-style-type: none"> <li>• There are economic opportunities but other areas are also chasing these.</li> <li>• The local economic offer and reputation is strong and improving with latent demand, particularly in retail and 'in town' while the Council has developed wider Borough opportunities, e.g. North Farm.</li> <li>• There are issues around cost of housing and infrastructure, particularly traffic congestion which could affect ability to make the most of opportunities.</li> <li>• <i>Local Growth Fund based on competitive funding</i></li> <li>• <i>Insufficient development of infrastructure projects (shovel ready)</i></li> </ul>		<ul style="list-style-type: none"> <li>• Lose out to other areas</li> <li>• Unable to secure sufficient opportunities</li> <li>• Local area and people lose out</li> <li>• Insufficient inward investment</li> <li>• Impact on economic vitality of area</li> <li>• Curtails attractiveness</li> <li>• Impact on revenue streams and income</li> <li>• Suffer in comparison to others</li> <li>• Damage to reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Delivery by Highways Agency of A21 Tonbridge to Pembury dualling.</li> <li>• Delivery of North Farm infrastructure improvements.</li> <li>• Secure KMEP and SELEP support for delivery of key infrastructure improvements.</li> <li>• Maintain and develop relationships with key partners, landowners &amp; developers.</li> <li>• Ensure Local Plan and Transport Strategy address economic &amp; transport issues.</li> <li>• Development Advisory Panel to review and inform Council development programme.</li> <li>• Professional advice sought to establish viability and support delivery of Council development programme schemes.</li> <li>• <i>Professional advice secured to establish viability of transport schemes</i></li> </ul>

## Risk Scenario 8: Inspector decision which challenges housing target vs housing supply

Risk Description:		Likelihood/Impact	Significant (4) / Major (4)
Housing target/supply			
Member Risk Owner	Alan McDermott	Officer Risk Owner	Jane Lynch
Vulnerability/ Contributing factors		Potential Impact/ Consequences	Current Controls/ Mitigations in place
<ul style="list-style-type: none"> <li>There has been a change in housing formula towards growth. There is resistance to housing growth locally with a difference between housing target and housing supply levels</li> <li>A number of recent legal/planning decisions raising uncertainty on process and ability to progress the Site Allocations Development Plan Document</li> <li>Uncertainty in law as to status of housing numbers, in turn affecting core strategy</li> <li>Risk of appeals has increased</li> </ul>		<ul style="list-style-type: none"> <li>Council lose control</li> <li>Increase in level of housing on greenfield sites</li> <li>Member/community dissatisfaction</li> <li>Increased traffic congestion</li> <li>Impact on infrastructure</li> <li>Financial benefit of planned growth – opportunity impact</li> <li>Significant new costs to support production of new Core Strategy/Local Plan</li> <li>Potential significant appeal related costs following refusal of major resident development</li> <li>Planning by appeal leading to loss of New Homes Bonus</li> <li>Potential legal fees/officer costs/loss of section 106</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring any new evidence base to support Site Allocations DPD is viable for use with any future new Plan should it be needed</li> <li>Regular reporting to Planning Policy Working Group/Cabinet member/ Planning Committee on risk and legislative changes</li> <li>Inclusion of early Local Plan review within Local Development Scheme to support decision to <del>accept</del> <i>continue with</i> Site Allocations DPD <del>at least in short term</del></li> <li>Restructure of Planning Policy Team to support flexible working</li> <li><i>Agreement to site allocations DPD by Full Council so progressing towards Submission and adoption</i></li> <li><del>Procuring legal advice</del></li> <li>Consideration by the constitutional working party</li> </ul>

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## Risk Scenario 10: Development Programme

<b>Risk Description:</b>		<b>Likelihood/Impact</b>	<b>High (5) / Severe(3)</b>
<b>Development Programme</b>			
<b>Member Risk Owner</b>	David Jukes	<b>Officer Risk Owner</b>	David Candlin
<b>Vulnerability/ Contributing factors</b>		<b>Potential Impact/ Consequences</b>	<b>Current Controls/ Mitigations in place</b>
<ul style="list-style-type: none"> <li>The Council has identified a number of development opportunities to support the growth of the local economy.</li> <li>Development of these Council owned sites is to be led by the Council which brings additional financial and property risks.</li> </ul>		<ul style="list-style-type: none"> <li>Impact on revenue streams and income</li> <li>Damage to reputation</li> <li>Insufficient professional expertise</li> <li>Procurement and issues of delay</li> <li>Economic climate</li> </ul>	<ul style="list-style-type: none"> <li>Development Advisory Panel (DAP) to review and inform Council development programme.</li> <li>Officer Group established to manage and control programme.</li> <li>Professional advice sought to establish viability and support delivery of Council development programme schemes.</li> <li>Utilisation of framework agreements where appropriate to manage procurement timetables.</li> <li>Specific risk logs developed for each development site and monitored by DAP and Officer Group.</li> <li>Staged approvals for development progress to manage cost exposure and risk</li> <li><i>Appointment of additional professional staff to enhance in-house experience</i></li> </ul>

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## **Certification of Grant Claims 2013/14**

**To:** Audit and Governance Committee

**Date:** 24 March 2015

**Main Portfolio Area:** Finance and Governance

**Author of report:** Lee Colyer, Finance Director

**Classification:** Non-Exempt

**Ward:** All Wards

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### **SUMMARY**

This report summarises the outcomes of Grant Thornton's work to certify the grant and subsidy claims that the Council submitted during 2013/14.

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### **LINK TO STRATEGIC COMPASS**

This report supports the 'value' quadrant on the Strategic Compass.

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### **Report status**

For information.

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## **BACKGROUND/INTRODUCTION**

1. The Audit Commission prescribes the arrangements for the audit of key grant and subsidy claims. This is to provide assurance to the grant paying body that the claims for grant and subsidies are made properly and that the financial returns are reliable. Grant Thornton are the Council's external auditors and are acting as agents of the Audit Commission.

## **SUMMARY OF WORK UNDERTAKEN**

2. Grant Thornton undertook work to certify the Housing Benefits subsidy claim submitted by the Council, with a value of £34.9 million.
3. The level and form of testing varies between claims to reflect the value and specific requirements of the grant paying body.

## **RESULTS OF THE 2013/14 CERIFICATION WORK**

4. Grant Thornton concluded that they are satisfied that the Council has appropriate arrangements in place to compile; complete, accurate and timely claims/returns for audit certification. However they did identify some errors which resulted in minor agreed amendments to the claim which are detailed in Appendix B.

## **WHO HAVE WE CONSULTED AND HOW? (OR WHO WILL WE CONSULT FOLLOWING THE DECISION?)**

5. Grant Thornton has consulted with the Head of Revenues and Benefits Partnership.

## **HOW WILL THE DECISION BE COMMUNICATED?**

6. This report will be published on to the Council's website.

## **WHAT ALTERNATIVE ACTION COULD WE TAKE? (where appropriate)**

7. The report is provided for information only.

## **CONCLUSIONS**

8. That Grant Thornton has certified that the Council has prepared and submitted grant and subsidy claims to a good standard.

## **RECOMMENDATION:**

9. That the Audit and Governance Committee notes the findings of Grant Thornton's report in Appendix B.

## **REASON FOR RECOMMENDATION:**

10. The Audit and Governance Committee's functions and delegations, as outlined in its constitution and terms of reference states that it should:
  - agree the external Audit Plan for the year;
  - approve the cost of the audit;

# Agenda Item 6(B)

- consider specific reports as agreed with the external audit work and to ensure it gives value for money; and
- comment on the scope and depth of external audit work and to ensure it gives value for money.

**Contact Officer:** Stephen McGinnes, Head of Revenues and Benefits Shared Service

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**Lee Colyer**  
Finance Director

**Background Papers**  
None

**APPENDICES TO REPORT**

Appendix A: Cross Cutting Issues

Appendix B: Certification work report 2013/14

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## Certification of Grant Claims

### CROSS CUTTING ISSUES

#### LEGAL

1. The Audit Committee has a legal obligation of oversight for the Council's governance arrangements.
2. Human Rights Act – There are no new direct implications.

### VALUE FOR MONEY AND USE OF RESOURCES

3. Finance and other resources, including ICT – A core element of the Audit Commission's work is to review the Council's financial statements which are approved each September.
4. Staffing – The report has not identified any direct implication on staffing.
5. Value for Money – The auditing of the Council is part of the process to ensure the delivery of value for money.
6. Risk Management – This is assessed as part of the value for money conclusion.

#### COMMUNITY

7. Safer & Stronger Communities – No new implications.
8. Section 17, Crime and Disorder Act 1998 – No new implications.
9. Environment / Sustainability – No new implications.
10. Equalities

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	The detail contained within the report provides information on auditing and will therefore cause no adverse impact or discriminate against different groups in the community.
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	The information contained within the report will lead to an opinion of the external auditor.

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		

11. Health and Wellbeing – No new implications.

## **COMMUNICATION AND CONSULTATION**

12. The Statement of Accounts will be subject to consideration by the Audit Committee and published onto the Council's website.

Lee Colyer  
Head of Finance and Corporate Governance  
Tunbridge Wells Borough Council  
Town Hall  
Royal Tunbridge Wells  
Kent

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24 February 2015

Dear Lee

## **Certification work for Tunbridge Wells Borough Council for year ended 31 March 2014**

As you are aware, we are required to certify certain claims and returns submitted by the Council. Certification arrangements are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return. The Audit Commission arrangements require us to report the outcome of certification work.

We certified one claim for the financial year 2013/14 relating to expenditure of £34.9 million (appendix A.)

We found the Council had put in place adequate arrangements to compile and complete, accurate and timely claims for audit certification. However, we did identify some errors from our testing of the Housing benefit subsidy claim in respect of non HRA Rent Rebates which resulted in minor amendments to the claim (appendix A).

The indicative fee set by the Audit Commission for 2013/14 is based on the final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. The indicative scale fee set by the Audit Commission for the Council for 2013/14 is £16,192. We are not proposing to make any changes to the indicative scale fee (appendix B).

Yours sincerely

For Grant Thornton UK LLP

## Appendix A - Details of claims and returns certified for 2013/14

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£34,895,220	Yes	£36 from Cell 014 to Cell 012	No	Amendment in respect of misclassification of:  Accommodation type
Housing benefits subsidy claim	£34,895,220	Yes	£4,801 from Cell 028 to Cell 027	No	Amendment in respect of misclassification of:  Non-HRA Overpayments (Current Year)
Housing benefits subsidy claim	£34,895,220	Yes	£163 from Cell 033 to Cell 032	No	Amendment in respect of misclassification of:  Non-HRA Overpayments (Prior Year)

### Summary of errors and agreed amendments

Housing Benefits – Error Details	Action Taken	Evaluation
<p><b>Non HRA Rent Rebates:</b></p> <p>Two types of errors were identified from 11 cases within our initial sample of 20 cases:</p> <p>i) The first error was due to a failure to identify the correct type of temporary accommodation and the applicable LHA rate and the subsequent calculation of the LHA Cap. The assessor incorrectly identified the type of accommodation as self-contained rather than not self-contained</p> <p>ii) The second type of error related to the misclassification of Non-HRA Overpayments where claimants had vacated temporary accommodation without notifying the Authority. A total of 10 cases were identified whereby the Authority had classified these overpayments as Claimant (eligible) Error rather than Technical Overpayments which do not attract any subsidy</p>	<p>An additional review was carried out of all temporary accommodation claims within Cell 014 (Self Contained Accommodation) to ensure the accommodation type was correctly classified</p> <p>ii) The Authority undertook additional work to review all overpayments contained within Cell 028 (Current Year) and Cell 033 (Prior Year). The additional work was reviewed and agreed with the Authority</p>	<p>No further mis-classification was identified. The claim was amended to correct the error as follows:</p> <p>Reduce cell 014 by £36.00 Increase cell 012 by £36.00</p> <p>ii) The review indicated that the majority of the overpayments within Cells 028 and 033 had been classified incorrectly resulting in the following adjustment to the claim:</p> <p>Reduce Cell 028 by £4,801 Increase Cell 027 by £4,801 Reduce Cell 033 by £163 Increase Cell 032 by £163</p>

## Appendix B: Fees for 2013/14 certification work

Claim or return	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	16,192	16,192	0	n/a
National non-domestic rates return (NNDR3)	n/a	n/a	n/a	No requirement to certify this return in 2013/14
Total	<b>16,192</b>	<b>16,192</b>	0	

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## Internal Audit Operational Plan

**To:** Audit & Governance Committee

**Date:** 24 March 2015

**Main Portfolio Area:** Finance & Governance

**Author of report:** Rich Clarke

**Classification:** Non Exempt

**Ward:** All

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### SUMMARY

This report details the methodology and result of Internal Audit's risk assessment in drawing together an operational plan for 2015/16. It includes details of audit projects proposed and includes an assessment of the resources held and required by the Internal Audit service to deliver the required annual opinion on the Council's internal control, corporate governance and risk management.

### LINK TO STRATEGIC COMPASS

This report supports the Corporate Priorities and Strategic risks

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### Report status

For decision

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### Route to Implementation/Timetable:

The plan, if effective, will be pursued from 1 April 2015. Progress will be reported back to the Committee in line with its work programme.

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## **BACKGROUND/INTRODUCTION**

1. This report details the methodology and result of internal audit's risk assessment in drawing together an operational plan for 2015/16. It includes details of audit projects proposed and includes an assessment of the resources held and required by the Internal Audit service to deliver the required annual opinion on the Council's internal control, corporate governance and risk management
2. The role of the Audit & Governance Committee is required to obtain assurance on the control environment of the organisation; therefore, the Committee needs to have an awareness of the work conducted by Internal Audit in order to adequately fulfil its duties.
3. The internal control environment comprises the whole network of systems and controls established to manage the Council, to ensure that its objectives are met. It includes financial and other controls, and arrangements for ensuring the Council is achieving value for money from its activities

## **WHAT IS THE ISSUE THAT REQUIRES A DECISION AND WHAT DOES THIS MEAN FOR THE PEOPLE OF TUNBRIDGE WELLS?**

4. The outcome of Internal Audit work and opinion of the Head of Audit Partnership help to demonstrate to the people of Tunbridge Wells that the Council has good governance, risk and control processes in place.

## **WHO HAVE WE CONSULTED AND HOW? (OR WHO WILL WE CONSULT FOLLOWING THE DECISION?)**

5. On the plan itself we have consulted with the Council's s.151 officer and sought the views of Heads of Service. Responses are incorporated within the attached plan.
6. As noted in the report, our plan must remain flexible and attentive to need and so discussion and consultation will continue once the plan is approved here to ensure it retains currency.
7. Before any audit work commences the respective Head of Service is consulted on the proposed brief agreeing the content and timing of the review.

## **HOW WILL THE DECISION BE COMMUNICATED?**

8. The decision will appear in the minutes of the meeting.

## **WHAT ALTERNATIVE ACTION COULD WE TAKE?**

9. There is a requirement under the Public Sector Internal Audit Standards that the Head of Audit should prepare a risk based plan to determine the priorities of the Internal Audit activity. There are no alternative options.

.

## **CONCLUSIONS**

10. The report sets out (at Appendix C) the one year operational plan for 2015/16 together with the longer term plan up to 2018/19. The Audit and Governance Committee is asked to review and approve the 2015/16 operational plan and in principle the longer term plan.



## RECOMMENDATIONS

- 1) The Audit & Governance Committee approves the operational plan for 2015/16.
- 2) The Audit & Governance Committee approves in principle the longer term plan up to 2018/2019 but notes this will be subject to annual review and refresh
- 3) The Audit & Governance Committee delegates to the s151 officer responsibility for managing operationally the content of the audit plan in conjunction with the Head of Internal Audit and subject to regular review by Committee

## REASON FOR RECOMMENDATIONS

The recommendations are made to enable the Audit and Governance Committee to consider and approve proposed Internal audit operational Plan for 2015/16 and the longer term plan to 2018/19.

**Contact Officer:** Rich Clarke, Head of Audit Partnership,  
Rich.clarke@midkent.gov.uk – Tel: (01892) 554020

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## Name of Director/Head of Service

Lee Colyer Finance Director (interim) (s151 Officer)

## Background Papers

None

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## APPENDICES TO REPORT

APPENDIX A Cross Cutting Issues  
APPENDIX B 4 Year Audit Plan  
APPENDIX C 2015/16 Audit Plan Mapping  
APPENDIX D Risk assessment Criteria  
APPENDIX E Mid Kent Audit Team  
APPENDIX F Assurance & Recommendation Ratings  
APPENDIX G Performance Indicators

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## Internal Audit Operational Plan

### CROSS CUTTING ISSUES

#### 1 LEGAL

##### Legal

Internal Audit is a statutory requirement in accordance with the Accounts and Audit Regulations 2015. Internal Audit review a number of operational areas which are subject to legal consideration.

##### Human Rights Act

No specific issues

#### 2 VALUE FOR MONEY AND USE OF RESOURCES

##### Finance and other resources, including ICT

Internal Audit reviews key financial systems and aspects of ICT.

##### Staffing

It is considered that this level of resources for Internal Audit is a 'de minimus' level and any reduction would place the Councils statutory duty to provide an effective internal audit in doubt.

##### Value for Money

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations.

##### Risk Management

Internal Audit helps an organisation accomplish its objectives by bringing a systematic .disciplined approach to evaluate the effectiveness of risk management, control and governance.

#### 3 COMMUNITY

Safer & Stronger Communities : No relevant issues.

Section 17, Crime and Disorder Act 1998: No relevant issues

Environment / Sustainability : No relevant issues

Equalities: No relevant issues

##### Health and Wellbeing

No relevant issues

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**MID KENT AUDIT**

**Internal Audit Plan  
2015/16 to 2018/19**

**Tunbridge Wells  
Borough Council**



## Introduction

1. Internal audit is an independent and objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes<sup>1</sup>.
2. Statutory authority for Internal Audit is within the Accounts and Audit Regulations 2015 (the Regulations), which require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes in accordance with the 'proper practices'. From 1 April 2013 the 'proper practices' are the Public Sector Internal Audit Standards (PSIAS) that replaced the Code of Practice for Internal Audit in Local Government in the UK.
3. The Head of Audit Partnership must provide an annual opinion on the overall adequacy and effectiveness of the Council's framework of control, governance and risk, as required by both PISAS and Regulation 5. The opinion takes into consideration:
  - a) Controls: Including financial and non-financial controls.
  - b) Governance: Including effectiveness of measures to counter fraud and corruption, and
  - c) Risk Management: Principally, the effectiveness of the Council's risk management framework.
4. This document sets out our internal audit plan for the next four years outlining the work we will undertake to both inform that opinion and provide wider support to the Council in helping to achieve its strategic objectives. As required by PSIAS we have, for the first time, included for the Committee details of the risk assessment that underpins the plan to demonstrate the process of its compilation. We aim by this to give the Committee assurance that our work is appropriately tailored to reflect the risks to and priorities of the Council and sufficiently resourced to deliver an effective and accurate audit opinion.
5. Naturally, in order to effectively respond to the changing environment of local government we will need to keep our plan continually flexible and under review. As the activities of the Council, and the consequent risks to its control, governance and risk management vary, so we will need to consider how our audit plan is best arranged to deliver appropriate assurance. This may include substituting individual projects or changing their scope, timing or duration.
6. Our principal route for this review will be in ongoing consultation with the Council's s.151 Officer, although we will continue to keep the Audit and Governance Committee abreast of changes through our interim and annual reporting as well as consult directly with the Chair of this Committee with respect to significant changes to the plan (as set out in the Audit Charter elsewhere on tonight's agenda, if the Committee accept our recommendation to adopt the Charter).

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<sup>1</sup> This is the definition of internal audit included within the Public Sector Internal Audit Standards

## Basis of our plan: available resources

7. In previous years our audit plans were centred on delivering a set number of projects per year. While this gave the plans directness and simplicity it limited the ability of the service to respond to changing need; a project is a large block of work to flex and adapt. Moreover, that approach did not recognise the time and contribution of audit management or acknowledge any of the range of additional tasks and support the service provides. The restriction also led to inconsistent definition of what constituted an audit 'project', obscuring the link between plans and the risk profile of the authority. This weakness was noted and commented on within our 2014 External Quality Assessment (EQA) undertaken by the Institute of Internal Auditors (IIA).
8. This plan seeks to add this flexibility by taking advantage of the freedom in the 2014 revised collaboration agreement by moving from a project to days-led approach. In moving to this approach we have allocated to each authority a total number of audit days proportionate to their financial contribution to the service.

Role	Contractual Days	Chargeability target	FTE	Available Days
Head of Audit	219	40%	1.0	87
Audit Manager	219	50%	2.0	218
Senior Auditor	219	75%	3.95	648
Auditor	219	85%	1.5	277
Trainee Auditor			2.0	250
Specialist Support			1.0	120
<b>Totals</b>			<b>11.45</b>	<b>1,600</b>

For further details of the resources available to the Partnership, see appendix E.

Authority	Contribution to overall partnership budget	Audit Days Allocated
Ashford BC	23.0%	370
Maidstone BC	29.5%	470
Swale BC	25.7%	410
Tunbridge Wells BC	21.9%	350
<b>Total</b>	<b>100%</b>	<b>1,600</b>

9. Therefore the total audit allocation for Tunbridge Wells BC in 2015/16 is **350 days**. Based on our risk assessment, we are satisfied that represents a sufficient level of resource to evaluate the effectiveness of the Council's risk management, internal control and governance processes. Our audit plan cannot address all risks across the Council and represents our best deployment of limited audit resources. In approving the plan, the Audit and Governance Committee recognises this limitation. We will keep the Committee abreast of any changes in our assessment of resource requirement as we monitor the risks posed to the Council. In particular, we will revise this resource assessment afresh each year of the four-year plan.

## Basis of our plan: risk assessment

10. Our assessment that this level of resource is adequate is based upon the risk assessment underlying our plan. This assessment comprises 3 principal steps:

### Step 1: Understanding the Audit Universe, Strategic Priorities and Risks

11. Our assessment of the audit universe – essentially all of the areas and topics that are within the potential scope of audit review and contribute to the Council’s pursuit of its strategic priorities – is informed by review of the Council’s structure, ongoing meetings and discussion with officers and Members and review of Council meeting papers.
12. Our aim in drawing together the plan is that, over the course of its four year lifetime, all areas of the Council will have received a proportionate level of audit review. The 2015/16 assessment of the audit universe is shown by the areas displayed in the plan at appendix A and we will update and refresh this assessment each year.
13. Strategic priorities and risks have been determined by the Council and considered by us in drawing together the audit plan. At appendix C we show how the areas selected for audit review in 2015/16 map to these risks and priorities. We will keep this assessment of risks and priorities under review, in particular considering our audit response as the Council revises its views.
14. The Council set out its strategic priorities in **The Corporate Plan**. This sets priorities as:
- Prosperous Borough,
  - Green Borough,
  - Confident Borough
15. The Council’s key risks are included within its **strategic risk register**. At the time of writing, the register details 10 risks:
- Cinema site remains undeveloped (rated as likelihood 5/6, impact 3/4 **Red** risk)
  - Unable to maximise economic opportunities and resolve infrastructure issues (likelihood 5/6, impact 3/4: **Red** risk)
  - Resident Engagement (likelihood 3/6, impact 3/4: **Amber** risk)
  - Unable to plan financially over the longer term (likelihood 6/6, impact 3/4: **Red** risk)
  - National Policy changes that impact negatively (likelihood 6/6, impact 3/4: **Red** risk)
  - Missing something significant (likelihood 5/6, impact 3/4: **Red** risk)
  - Meeting expectations within resources (likelihood 5/6, impact 3/4: **Red** risk)
  - Decision challenging housing targets vs supply( likelihood 4/6, impact 4/4: **Red** risk)
  - Not managing control/change effectively (likelihood 4/6, impact 3/4: **Amber** risk)
  - Development Programme (likelihood 5/6, impact 3/4: **Red** risk)



## Step 2: Evaluating the risks

16. A key finding of the IIA's EQA last year was the need to make our planning more clearly derived from and led by the differing objectives and risks at each authority; a point that was the root finding for 4 of the 6 recommendations needed to achieve full conformance with the PSIAS. We have responded to those recommendations in this plan by conducting a comprehensive risk assessment across the range of Council services, building on our work in identifying the audit universe and the Council's key priorities and risks.
17. In conducting this assessment we considered risk across 6 discrete fields (summarised below, a full detail of our assessment process is at appendix D).

### *Financial Risk*

The risk that failure in the service/area will undermine the Council's financial standing.

### *Strategic Risk*

The risk that failure in the service/area will prevent achievement of a strategic goal or mitigation of a priority risk.

### *Fraud Risk*

The risk that the service will be a victim of fraud or corruption, from within our without.

### *Change Risk*

The risk that the service will be subject to, or seek, change leaving it vulnerable to failure.

### *Oversight Risk*

The risk that failure in the service will not be identified or addressed by agencies other than internal audit.

### *Exposure Risk*

The risk that failure in the service will materially damage the Council's standing, including its ability to deliver services for the local population.

18. One of these risks in particular –Oversight Risk – bears further explanation. One way of considering the control environment at any organisation is the **three lines of defence** model. In this analogy, an organisation has three levels of control which might serve to prevent or detect failure or error.

**First Line of Defence:** Direct controls within the service itself operating day-to-day to maintain internal control and support risk management.

## Appendix B

**Second Line of Defence:** Controls operating at a corporate level to provide oversight to the process, setting and monitoring a framework for internal control and risk management to operate within.

**Third Line of Defence:** An independent perspective, still under corporate control, to challenge and comment upon the process and its implementation. Usually, this is the level at which Internal Audit operates.

19. When considering oversight risk, we reviewed the extent to which any service is subject to this model. Also, beyond those internal measures, we also sought to establish and consider what level of external regulation and oversight operates. For instance, although the Health and Safety Executive is not part of the Council's own control processes (as the Council cannot control or direct its actions), its reviews and findings provide useful commentary and perspective on the effectiveness of controls. The Council's external auditors – Grant Thornton – provide a similar perspective across the Council's finances and value for money operations.
20. As noted in appendix D, where a given service does not have a clear position within the three lines of defence or is not subject to detailed oversight from any external agency, we scored this risk factor more highly.
21. We considered each of those inherent risk factors alongside a final factor:

### *Audit Knowledge*

Whether there are findings from previous audits (or an absence of positive audit findings in recent years) that suggest an increased risk of service failure.

22. The detailed audit plan at appendix B includes details of recent audit coverage in each area.
23. Our risk assessment is necessarily limited to matters emerging from the processes listed above. We will review and update this assessment and our plan at least annually, as well as keeping abreast of developments at the Council and seeking to ensure our plan remains relevant and valuable in-between those annual reviews. In consultation with management, and with the approval of the Audit and Governance Committee, we will seek to ensure that audit resources remain appropriately focussed.

## Step 3: Drawing up the plan and individual projects

24. The higher risk a service or area, by this evaluation the greater level of audit attention and the earlier in the lifespan of our plan that attention comes. Appendix B shows how that assessment has formed our audit plans for 2015/16 to 2018/19.
25. Once we have selected an area for review it will be subject to our usual process of issuing draft and final briefs ahead of the work to ensure our attention is tailored to the service's needs and give proper consideration to any special projects or areas of concern.
26. The risk-based approach taken to forming the plan as a whole will be integrated within our approach to individual projects. Each will now include, in addition to any specific objectives agreed by the service, the following three objectives as standard:
  - Has the service/area set out its objects and risks and are these in line with the Council's overall aims and risk appetite?
  - Are there adequately designed controls to achieve those objectives and/or mitigate those risks?
  - Are those controls operating effectively?
27. We will conduct each review in line with our standard audit methodology that is aligned to the Public Sector Internal Audit Standards. The roles and responsibilities for successful delivery of audit projects are set out also in our Audit Charter. An updated Charter for 2015/16 is also included on today's agenda and will be provided to every audit sponsor.
28. Each of these audit reviews will culminate in an assurance rated report, giving our view on whether the particular area is operating effectively. We will keep these rating levels consistent with our revised approach adopted first in 2014/15, with details of the assurance levels included as a reminder to Members in this report at appendix E.
29. We will also, where appropriate, make recommendations for improvement. These recommendations are graded as set out in appendix F and followed up by our audit team when due for implementation. Recommendations that we find have not been implemented where there is ongoing risk to the Council are reported in the first instance to the Council's Management Team. Also, Senior Managers responsible for services that consistently fail to address audit recommendations may be invited to provide further explanation to Members.
30. The plan also recognises the non-project work we deliver, using our experience and expertise to assist the Council in pursuit of its strategic priorities. We undertake this work in line with the arrangements set out in the Charter, in particular with those safeguards aimed at preserving our independence and objectivity.
31. Typically the non-project work will not result in an assurance-graded output, but rather an alternative format relevant to the engagement and agreed with the work's sponsor. In any event, we will inform the Audit and Governance Committee of the outcomes of non-project work through our interim and year-end reports.

## Monitoring delivery

32. We undertake our audit work against our standard audit approach, which has been assessed in our EQA as consistent with the PSIAS. In addition we adhere to the professional standards, roles and responsibilities as set out in the Charter.
33. As part of this approach we are careful to ensure the quality and consistency of our work. With respect to individual audit projects, each undergoes internal review from management focussing on each stage from compilation of the original brief, through completion of fieldwork and ultimately our reporting.
34. We undertake broader quality assurance of our work as required by the PSIAS. These require an external assessment at least every five years and annual self-assessments to ensure maintenance of standards. Mid Kent Audit underwent an EQA in early 2014, becoming the first local authority audit service in the country to seek such a review from our professional institute, the IIA. This concluded we were fully conforming with 50/56 PSIAS and partially conforming to the remaining 6. We are currently in discussion with the IIA about their completing a follow up review in early April 2015 to examine our progress on implementing the recommendations and hope to report the outcome of that review to Members as part of our 2014/15 annual report.
35. In addition our annual reports will include a full self-assessment against the PSIAS. In the event of this review identifying matters to address we will set out a plan for Members for our response.
36. We are also responsible to Members via the Audit and Governance Committee. We will provide interim and annual reports on progress against our plans, as well as attend each Committee meeting to respond to queries from Members. The Head of Audit Partnership is also the lead contact for Members for any matters arising, queries about the service or areas of concern (including Whistleblowing, under the Council's procedures) and can be contacted at any time.
37. Our service is also monitored each quarter by an Audit Shared Service Board; Lee Colyer is Tunbridge Wells representative. The Board receives performance and financial monitoring reports on the progress of the service. The set of performance indicators against which we report are included at appendix G, and we also report outturn on these indicators to the Audit and Governance Committee twice a year.
38. We are also dedicated to continuing to develop and enhance the professional expertise and experience of our audit team. For 2015/16 this includes re-starting the previously dormant 'Trainee Auditor' grade, taking on skilled individuals dedicated to pursuing a career in local government audit and supporting them through a professional qualification. We include more details about the audit team and the work we will be undertaking in 2015/16 to support and enhance their development within appendix F.

# Tunbridge Wells Borough Council: 4 Year Audit Plan (Draft)

## Core Finance & Corporate Governance Reviews

Service	Audit Project		Partnership/Pre – 2015/16	2015/16	2016/17	2017/18	2018/19
<b>Core Financial Systems</b>				<b>81 days 7 reviews</b>	<b>68 days 5 reviews</b>	<b>71 days 7 reviews</b>	<b>47 days 5 reviews</b>
Finance	General Ledger	13/14		20		15	
Finance	Feeder Systems	12/13,13/14		10	15		
Finance	Payments & Receipts	11/12,12/13,13/14		10	20	10	10
Finance	Budget Management	13/14		10		15	
Finance	Bank/Treasury	12/13, 13/14			15		10
Human Resources	Payroll	13/14		15	10	15	15
Revenues & Benefits	Council Tax	MBC/TWBC 12/13,13/14,14/15		8		8	8
Revenues & Benefits	Business Rates	MBC/TWBC 12/13 14/15		8		8	4
Revenues & Benefits	Housing Benefits	MBC/TWBC 14/15			8		
<b>Corporate Governance</b>				<b>60 days 5 reviews</b>	<b>56 days 6 reviews</b>	<b>80 days 6 reviews</b>	<b>71 days 7 reviews</b>
Corporate Centre	Members' Allowances	11/12		15		10	
Corporate Centre	Freedom of Information	11/12		15		10	
Corporate Centre	Data Protection	12/13		15		15	
Corporate Centre	Corporate Governance			5	5	5	5
Corporate Centre	Corporate Projects Review			10	10	10	10
Corporate Centre	Business Continuity	14/15			15		15
Corporate Centre	Safeguarding				10		10
Corporate Centre	Risk Management				10		10
Corporate Centre	Procurement	13/14				15	
Corporate Centre	Performance Management	13/14				15	
Corporate Centre	Register of Interests	14/15					15
ICT	ICT Controls & Access	MBC/SBC/TWBC			6		6

# Tunbridge Wells Borough Council: 4 Year Audit Plan (Draft)

## Service Reviews

Service	Audit Project	Partnership /Pre 2015/16	2015/16	2016/17	2017/18	2018/19
<b>Service Reviews</b>			<b>104 days 11 reviews</b>	<b>110 days 11 reviews</b>	<b>116 days 14 reviews</b>	<b>91 days 9 reviews</b>
Cust'ers & Comm'ties	Housing	13/14	10			
Cust'ers & Comm'ties	Community Engagement		10			
Cust'ers & Comm'ties	Museum	14/15		10		
Cust'ers & Comm'ties	Parking	12/13,13/14,14/15		10		10
Cust'ers & Comm'ties	Assembly Hall Theatre	12/13,13/14,14/15		15		10
Cust'ers & Comm'ties	Homelessness	12/13			12	
Cust'ers & Comm'ties	Gateway	11/12			10	
Cust'ers & Comm'ties	Crematorium	12/13				10
Economic Development	Economic Development	12/13	15		15	
Economic Development	Estates			10		10
Environment & Street	Health & Safety	14/15	10		10	
Environment & Street	Leisure	13/14		15		
Environment & Street	Licensing	13/14		10		
Environment & Street	Street Cleaning	12/13			10	
Environment & Street	Parks	14/15			10	
Environment & Street	Waste Management	12/13				15
Environmental Health	Air Quality/Pollution				4	
Environmental Health	Food Safety	11/12			4	
Finance	Insurance Management	13/14				8
Human Resources	Learning & Development				8	
Human Resources	Recruitment	14/15			10	
Human Resources	Equalities					8
ICT	Networks	MBC/SBC/TWBC	4			
ICT	IT Business & Appl Support	MBC/SBC/TWBC	4			
ICT	ICT Procurement	MBC/SBC/TWBC		4		

Service	Audit Project	Partnership /Pre 2015/16	2015/16	2016/17	2017/18	2018/19
<b>Service Reviews</b>			<b>104 days 11 reviews</b>	<b>110 days 11 reviews</b>	<b>116 days 14 reviews</b>	<b>91 days 9 reviews</b>
ICT	Technical Support	MBC/SBC/TWBC 14/15			4	
ICT	Information Security	MBC/SBC/TWBC				4
Legal Services	Legal Services	MBC/SBC/TWBC 13/14			4	
P'ships & Engagement	Partnerships	13/14	15			
P'ships & Engagement	Marketing			10		
P'ships & Engagement	Community Safety			10		
Planning	Building Control		15			
Planning	Planning Support	MBC/SBC/TWBC 14/15	4			
Planning	Development Management			12		
Planning	Land Charges	MBC/SBC/TWBC		4		
Planning	Section 106 Payments	13/14			15	
Planning	Planning Income	MBC/SBC/TWBC			4	
Planning	Conservation & Heritage	14/15				12
Policy & Governance	Elections		10			
Revenues & Benefits	Discretionary Payments	MBC/TWBC	7			

The precise scope of an individual audit project will be agreed by negotiation with the relevant Head of Service (or appointed manager) at the time we compile our audit brief. However, our standard service audit approach is to seek assurance on three main areas:

1. Has the service set out its objectives and risks and are these in line with the Council's overall aims and risk appetite?
2. What are the controls designed to achieve those objectives and/or mitigate those risks?
3. Are those controls operating effectively?

The different frequency and size of the proposed projects reflects our risk assessment, specifically the risk posed to the Council's overall objectives in the event of failure within the service. Therefore more audit attention is not necessarily reflective of specific concerns, it may equally be driven by our view as to how important success within the given service is to achievement of the Council's aims.

Where a project is marked as being delivered in partnership our work, and associated budget, is shared between the partners. All partners client representatives will receive a copy of the final report.

## Tunbridge Wells Borough Council: 4 Year Audit Plan (Draft)

### Non-Audit Work

Service	Audit Project	Partnership/Pre-2015/16	2015/16	2016/17	2017/18	2018/19
<b>Risk Management</b>			<b>20 days</b>	<b>20 days</b>	<b>20 days</b>	<b>20 days</b>
Corporate Centre	Supporting Risk Management Process	12/13,13/14,14/15	15	15	15	15
Corporate Centre	Supporting Risk Management Training	13/14	5	5	5	5
<b>Counter Fraud</b>			<b>15 days</b>	<b>15 days</b>	<b>15 days</b>	<b>15 days</b>
Corporate Centre	NFI Co-ordination	12/13,13/14,14/15	5	5	5	5
Corporate Centre	Proactive work		4	4	4	4
Corporate Centre	Initial investigations on referral		3	3	3	3
Corporate Centre	Kent Matches Co-ordination		3	3	3	3
<b>Audit Follow Ups</b>			<b>40 days</b>	<b>40 days</b>	<b>40 days</b>	<b>40 days</b>
Various	Quarterly follow up exercise		40	40	40	40
<b>Consultancy and other work</b>			<b>30 days</b>	<b>41 days</b>	<b>8 days</b>	<b>66 days</b>
Corporate Centre	Supporting and attending Audit Committee	12/13,13/14,14/15	6	6	6	6
TBC	Unallocated contingency time		24	35	2	60



## Overall Summary

Work Type	2015/16	2016/17	2017/18	2018/19
<b>Audit Work (leading to assurance rating)</b>	<b>245 days 23 reviews</b>	<b>234 days 22 reviews</b>	<b>267 days 27 reviews</b>	<b>209 days 21 reviews</b>
Core Financial Systems	81	68	71	47
Corporate Governance	60	56	80	71
Service Reviews	104	110	116	91
<b>Non Audit Work (unrated reporting)</b>	<b>105 days</b>	<b>116 days</b>	<b>83 days</b>	<b>141 days</b>
Risk Management	20	20	20	20
Counter Fraud	15	15	15	15
Audit Follow Up	40	40	40	40
Consultancy/Contingency	30	41	8	66
<b>Total Audit Resources Available</b>	<b>350 days</b>	<b>350 days</b>	<b>350 days</b>	<b>350 days</b>

Prior year work column looks back over the past three years, so does not note audit coverage before 2011/12. Reviews that received adverse opinions (or where such opinions persisted after follow-up) are shown in **bold red text**.

Audit projects noting more than one client (e.g. TWBC/MBC/SBC) are reviews of services delivered in partnership. In such instances our work is co-funded between the partners' audit plans and the audit output will be made available to all on the same basis.

Precise timings of work within a given year will be subject to negotiation with individual audit sponsors.

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## 2015/16 Audit Plan Mapping

Note that we consider core financial systems and corporate governance to be crucial disciplines necessary to achieve all of the Council's strategic priorities and mitigate all of its key risks. Therefore we do not specifically map these areas to individual risks or objectives.

### Service Reviews

Service		Audit Project	2015/16	Strategic Priorities			Strategic Risks									
Service Reviews			104 days 11 reviews	PB	GB	CB	C U	E O	R E	F P	N P	M S	M E	H T	C M	D P
Customer & Com	Housing		10						✓	✓	✓		✓	✓		
Customer & Com	Community Engagement		10	✓	✓	✓		✓	✓	✓			✓		✓	✓
Economic Dev	Economic Development		15	✓		✓	✓	✓	✓	✓		✓	✓		✓	✓
Env & Street	Health & Safety		10									✓			✓	
ICT	Networks		4						✓	✓		✓	✓		✓	
ICT	IT Business & Support Apps		4						✓	✓		✓	✓		✓	
P'ship & Engage	Partnerships		15		✓	✓		✓	✓	✓	✓	✓	✓	✓		
Planning	Building Control		15	✓				✓	✓	✓		✓	✓			
Planning	Planning Support		4	✓	✓		✓				✓	✓	✓	✓		✓
Policy & Gov	Elections		10			✓			✓						✓	
Revs & Bens	Discretionary Payments		7	✓					✓	✓	✓	✓			✓	

#### Strategic Priorities Key

**PB** = Prosperous Borough

**GB** = Green Borough

**CB** = Confident Borough

#### Strategic Risks Key

**CU** = Cinema site

**EO** = Economic Opportunities

**RE** = Resident Engagement

**FP** = Financial Planning

**NP** = National Policy

**MS** = Missing something

**ME** = Meeting Expectations

**HT** = Housing Targets

**CM** = Change Management

**DP** = Development Programme

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## Risk Assessment Criteria

Risk Type	Financial Risk	Strategic Risk	Fraud Risk	Change Risk	Oversight Risk	Exposure Risk	Audit knowledge
<b>Full Risk Description</b>	<i>Failure will undermine the Council's financial position</i>	<i>Failure will prevent strategic goal or mitigation of strategic risk</i>	<i>Victim to fraud or corruption (internal or external)</i>	<i>Subject to change leaving it vulnerable to failure</i>	<i>Failure not be identified or addressed by agencies other than internal audit</i>	<i>Failure will materially damage the Council's standing</i>	<i>Findings from previous audits which increase the risk of service failure</i>
<b>Indications of highest risk (4)</b>	Fundamental levels of income or expenditure at stake (£5m+)	Specific service goals integral to overall Council achievement	High volume of transactions with systemic risk of loss	Subject to major fundamental forced change.	Not subject to significant external scrutiny.	Significant interactions, high level of public interest.	Recent history of adverse opinions
<b>Indications of raised risk (3)</b>	Significant levels of income or expenditure at stake (£1m+)	Service supports Council goal but together with other services	Moderate transaction volume with some identified weaknesses.	Service has decided to undergo major fundamental change.	Professional standards exist but no clear external review mechanisms.	Wide range of public interactions but limited public interest.	Mixed recent history, weak responses/no relevant history
<b>Indications of moderate risk (2)</b>	Material levels of income or expenditure at stake (£0.5m+)	Service plays minor direct contribution together with other services	Low transaction volume, few identified weaknesses	Significant change expected in operations.	Review body exists, but remote or risk based oversight only	Limited or minor public interest or interactions.	Good recent record but weak responses
<b>Indications of lower risk (1)</b>	Non material levels of income or expenditure at stake (<£0.5m)	No direct link to strategic objectives, but overall supporting role	No significant fraud exposure	No significant change anticipated.	Subject to regular or continuing external review and scrutiny.	Mainly back office with few public interactions.	Good recent record with prompt responses

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## Mid Kent Audit Team

### Management

**Rich Clarke CPFA (Head of Audit Partnership):** Rich became head of the audit partnership on 1 April 2014, succeeding Brian Parsons. He joined the partnership from KPMG, where he had a range of internal and external audit clients across the public sector including LB Islington, Woking BC, East Kent Hospitals University NHS Trust, the Foreign and Commonwealth Office and the Civil Aviation Authority. Previous to joining KPMG, Rich worked for the Audit Commission for 12 years, where he achieved CIPFA qualification and gained broad experience in local government and NHS audit as well as leading national training on technical accounting, data quality and audit efficiency and project management. In 2015/16 Rich will be begin studying again aiming to achieve CIPFA Accredited Counter Fraud Specialist status.

**Ian Cumberworth MAAT (Audit Manager: Ashford & Tunbridge Wells):** Ian became the Audit Manager for Ashford and Tunbridge Wells in 2010 when the original partnership was extended having previously been the Audit Manager at Tunbridge Wells. He has experience of working in the private sector and a number of public sector authorities and has gained a broad knowledge and experience within Local Government. He has experience in supporting and leading on corporate projects which has included areas such as Best Value, VFM studies, Procurement & Contracting initiatives and various inspection regimes.

**Russell Heppleston CMIIA (Audit Manager: Maidstone & Swale):** Russell started working for the Maidstone / Ashford partnership in November 2005, and continued his role as Auditor for the Mid Kent Audit Service when it was established in 2010. He progressed through professional qualifications with the Institute of Internal Auditors (IIA) to achieve both Practitioner and Chartered member status. As an Auditor Russell examined the majority of council services, and had particular interests in project management and governance. In September 2013 Russell was appointed as the Audit Manager for Maidstone and Swale, and is the client manager at both sites and is responsible for delivering the audit plan. In 2015/16 Russell will be studying to achieve accreditation with the Institute of Risk Management.

### Auditors & Senior Auditors

**Alison Blake ACCA (Senior Auditor):** Alison joined the internal audit partnership in 2012 and has worked on a variety of audits since starting. Prior to this Alison worked for South Coast Audit for 7 years where she undertook internal audit work across a range of NHS clients in East Kent. While at South Coast Audit she achieved ACCA qualification. During Alison's career she has completed a wide range of audit work including finance, information governance and risk management, system reviews and reviews of compliance with legislation with the aim of working with the client to help them achieve their objectives and the objectives of the organisation as a whole. Alison is currently on maternity leave but will be re-joining the team in January 2016.

## Appendix E

**Mark Goodwin (Senior Auditor):** Mark joined Ashford Borough Council in January 1999 having previously worked at Maidstone Borough Council in an audit role. He was a founder member of the Ashford and Maidstone Internal Audit Partnership before this developed into the four-way Mid Kent Audit Partnership in April 2010. He is an experienced auditor working extensively across the full spectrum of Council services and activities across a number of local authorities.

**Frankie Smith PIIA (Senior Auditor):** Frankie Smith started her career in Internal Audit at Kent County Council in 2001 as a Trainee Auditor. In December 2001 she was appointed to the role of Auditor at Maidstone Borough Council. In the last 13 years she has completed audits at Ashford, Maidstone, Swale and Tunbridge Wells and is currently the Senior Auditor at Swale Borough Council. Frankie completed the CIPFA Diploma in Public Audit in 2003, the IIA Diploma in March 2013 and is now studying towards the IIA Advanced Diploma with a view to becoming a tutor for the IIA qualifications.

**Claire Walker (Senior Auditor):** Claire joined the audit partnership in September 2010, and has wide experience in a variety of sectors and bodies; Local and Central Government, Arts, Broadcasting, Financial Services, NGOs & Not For Profit Sector (domestic & foreign), also Lottery Fund distribution QUANGOS (New Opportunities Fund, Big Lottery Fund, Millennium, Commission, Olympic Delivery Agency, Heritage Lottery Fund, and Sport England) and the associated grant making programmes (in house and outsourced grant administered programmes). Claire delivered some training & mentoring projects for the FCO, DFID and the World Bank in addition to work on European Social Fund projects. Within Local Government Claire has undertaken a wide range of audits with a focus on legal compliance, contracts and governance arrangements. Other audit experience covers outsourcing functions, due diligence, and fraud investigations.

**Jen Warrillow PIIA (Auditor):** Jen joined Mid Kent Audit in September 2013 from Kent County Council where she trained as an Internal Auditor. She recently completed study for Practitioner of the Institute of Internal Auditors status and during 2015 will study to become a Chartered Member. At KCC Jen undertook a wide range of audits including financial, governance and grant funding internally for the Council and externally for Parish Councils. Previous to joining KCC, Jen worked as an investigator for Swale BC and then Tonbridge & Malling BC. Jen will be providing maternity cover for Alison Blake in the Senior Auditor role until July 2015.

**Paul Goodwin AAT (Auditor):** Paul has worked for Tunbridge Wells Borough Council for over 26 years of which nearly all has been in Internal Audit. Paul is a qualified Accounting Technician.

**Jo Herrington PIIA (Auditor):** Jo joined the audit partnership on 30 September 2013. She joined the partnership from Gravesham BC, where she worked for nearly nine years. She gained experience of working in the Finance department and the Revenues department before settling in the Internal Audit team in September 2009, who operated a shared management arrangement with Tonbridge & Malling BC. As part of the Internal Audit team she gained broad experience conducting financial and operational audit reviews, as well as being involved in working groups across the authority. Jo recently achieved the IIA Diploma, and will be providing maternity cover for Alison Blake in the Senior Auditor role between July and December 2015.



## Trainee Auditors & Others

**Mike Pugh (Trainee Auditor):** Mike will be joining the audit team in March 2015 as a trainee auditor. He joins us from Baker Tilly where he worked as a risk analyst within their Technology Services internal audit division at clients across the private and public sectors. Michael will be embarking on a professional qualification supported by the service during 2015/16.

**Ben Davis (Trainee Auditor):** Ben will also be joining the audit team in March 2015 as a trainee auditor. Ben holds a degree in Modern History from UEA and has previous experience in finance teams in the private and voluntary sectors. Ben will also be embarking on a professional qualification supported by the service during 2015/16.

We also have facility within the audit service to seek and deploy additional specialist resource depending on the needs of the service and of our local authority partners. In 2014/15 we used this facility to support delivery of specific audit projects including a significant counter fraud investigation and a major post implementation review of a shared service project.

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## Assurance and Recommendation Ratings

### Assurance Ratings 2015/16 (unchanged from 2014/15)

<p><b>Strong</b> – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. There will also often be elements of good practice or value for money efficiencies which may be instructive to other authorities. Reports with this rating will have few, if any; recommendations and those will generally be priority 4.</p>	<p><b>Sound</b> – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.</p>	<b>Effective Service</b>
<p><b>Weak</b> – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.</p>	<p><b>Poor</b> – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.</p>	<b>Ineffective Service</b>

## Recommendation Ratings 2015/16 (unchanged from 2014/15)

**Priority 1 (Critical)** – To address a finding which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority. Priority 1 recommendations are likely to require immediate remedial action. Priority 1 recommendations also describe actions the authority **must** take without delay.

**Priority 2 (High)** – To address a finding which impacts a strategic risk or key priority, which makes achievement of the Council's aims more challenging but not necessarily cause severe impediment. This would also normally be the priority assigned to recommendations that address a finding that the Council is in (actual or potential) breach of a legal responsibility, unless the consequences of non-compliance are severe. Priority 2 recommendations are likely to require remedial action at the next available opportunity, or as soon as is practical. Priority 2 recommendations also describe actions the authority **must** take.

**Priority 3 (Medium)** – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

**Priority 4 (Low)** – To address a finding where the Council is in (actual or potential) breach of its own policy but no legal responsibility and where there is trivial, if any, impact on strategic risks or key priorities. There will usually be mitigating controls to limit impact. Priority 4 recommendations are likely to require remedial action within the year. Priority 4 recommendations generally describe actions the authority **could** take.

**Advisory** – We will include in the report notes drawn from our experience across the partner authorities where the service has opportunities to improve. These will be included for the service to consider and not be subject to formal follow up process.

## Performance Indicators

Area	Ref	Indicator	Definition
Finance	F1	<b>Cost per audit day</b>	Total cost of service / productive days
	F2	Audits completed on budget	Percentage of audits delivered within pre-determined number of days
	F3	Chargeable days	Percentage of staff time spent on delivering the audit plan (as distinct from training, personnel management, admin and so on).
Internal Process	I1	<b>Full PSIAS conformance</b>	Conformance with Public Sector Internal Audit Standards, as assessed by IIA
	I2	Audits completed on time	Percentage of audits completed on or before a deadline agreed with the audit sponsor within our audit brief
	I3	Draft reports on time	Percentage of draft reports delivered within 10 days of concluding fieldwork
Customer	C1	<b>Satisfaction with assurance</b>	Percentage of respondents 'very/satisfied' with the assurance received based on surveys sent at end of each audit project
	C2	Final reports on time	Percentage of final reports delivered within 5 days of closing meeting
	C3	Satisfaction with conduct	Percentage of respondents 'very/satisfied' with staff conduct shown based on surveys sent at end of each audit project
Learning & Developing	L1	<b>Implemented recommendations</b>	Percentage of recommendations implemented as agreed with audit
	L2	Training plan achieved	Percentage of assigned training days completed by staff
	L3	Satisfaction with skills	Percentage of respondents 'very/satisfied' with staff skills displayed based on surveys sent at end of each audit project

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## External Audit Plan 2014/15

**To:** Audit and Governance Committee

**Date:** 24 March 2015

**Main Portfolio Area:** Finance and Governance

**Author of report:** Lee Colyer, Finance Director

**Classification:** Non-Exempt

**Ward:** All Wards

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### SUMMARY

This report outlines the audit work that the External Auditor, Grant Thornton propose to undertake for the audit of the 2014/15 financial statements and the value for money assessment.

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### LINK TO STRATEGIC COMPASS

This report supports the 'value' quadrant on the Strategic Compass.

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### Report status

For decision.

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### Route to Implementation/Timetable:

For consideration and agreement by the Audit and Governance Committee.

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## **BACKGROUND/INTRODUCTION**

1. Each year the External Auditor undertakes an audit of the draft financial statements of the Council over the summer. This committee then consider the findings of the audit along with the audited financial statements at the September meeting.

## **WHAT IS THE ISSUE THAT REQUIRES A DECISION AND WHAT DOES THIS MEAN FOR THE PEOPLE OF TUNBRIDGE WELLS?**

2. The audit of the financial statements is planned on a risk-based approach and reflects:
  - Audit work specified by the external auditor for 2014/15;
  - Current national risks relevant to local circumstances; and
  - The Council's local risks.
3. The Audit Commission's Statement of Responsibility of Auditors and Audited Bodies sets out the respective responsibilities of the auditor and the audited body.
4. The audit work will be undertaken in compliance of the statutory requirements governing audit work, in particular:
  - The Audit Commission Act 1988; and
  - The Code of Audit Practice for Local Authorities.
5. At the conclusion of the audit the External Auditor will issue an audit report giving an opinion on whether the accounts give a true and fair view of the financial position of the Council as at 31 March 2015.
6. A copy of the audit plan is attached as an appendix to this report. The proposed fees are £79,312 (last year £85,806).

## **WHO HAVE WE CONSULTED AND HOW? (OR WHO WILL WE CONSULT FOLLOWING THE DECISION?)**

7. The External Auditor has consulted with the Chief Executive and the Finance Director, the Audit and Governance Committee is now being asked for their approval.

## **HOW WILL THE DECISION BE COMMUNICATED?**

8. This report will be published on to the Council's website.

## **WHAT ALTERNATIVE ACTION COULD WE TAKE? (where appropriate)**

9. The Audit and Governance Committee could chose not to accept the proposed Audit Plan.

## **CONCLUSIONS**

10. The audit plan sets out the audit work proposed by the External Audit for the audit of the 2014/15 financial statements.



**RECOMMENDATION:**

That the Audit and Governance Committee consider and agree the audit plan in Appendix B.

**REASON FOR RECOMMENDATION:**

The Audit and Governance Committee's functions and delegations, as outlined in its constitution and terms of reference states that it should:

- agree the external Audit Plan for the year;
- approve the cost of the audit;
- consider specific reports as agreed with the external audit work and to ensure it gives value for money; and
- comment on the scope and depth of external audit work and to ensure it gives value for money.

**Contact Officer:** Lee Colyer, Finance Director 01892 554132

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**William Benson**  
Chief Executive

**Background Papers**

- None

**APPENDICES TO REPORT**

- Appendix A: Cross Cutting Themes
- Appendix B: Grant Thornton's Audit Plan 2014/15

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## CROSS CUTTING ISSUES

### LEGAL

1. The Audit and Governance Committee has a legal obligation of oversight for the Council's governance arrangements.
2. Human Rights Act – There are no new direct implications.

### VALUE FOR MONEY AND USE OF RESOURCES

3. Finance and other resources, including ICT – A core element of the External Auditor's work is to review the Council's financial statements which are approved each September.
4. Staffing – The report has not identified any direct implication on staffing.
5. Value for Money – The auditing of the Council is part of the process to ensure the delivery of value for money.
6. Risk Management – This is assessed as part of the value for money conclusion.

### COMMUNITY

7. Safer & Stronger Communities – No new implications.
8. Section 17, Crime and Disorder Act 1998 – No new implications.
9. Environment / Sustainability – No new implications.
10. Equalities

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	The detail contained within the report provides information on auditing and will therefore cause no adverse impact or discriminate against different groups in the community.
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	The information contained within the report will lead to an opinion of the external auditor.
c. What steps can be taken to mitigate, reduce, avoid or minimise		

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
the impacts identified above?		

11. Health and Wellbeing – No new implications.

## **COMMUNICATION AND CONSULTATION**

12. The Statement of Accounts will be subject to consideration by the Audit and Governance Committee and published onto the Council's website.

# The Audit Plan

## Tunbridge Wells Borough Council

**Year ended 31 March 2015**

24 March 2015

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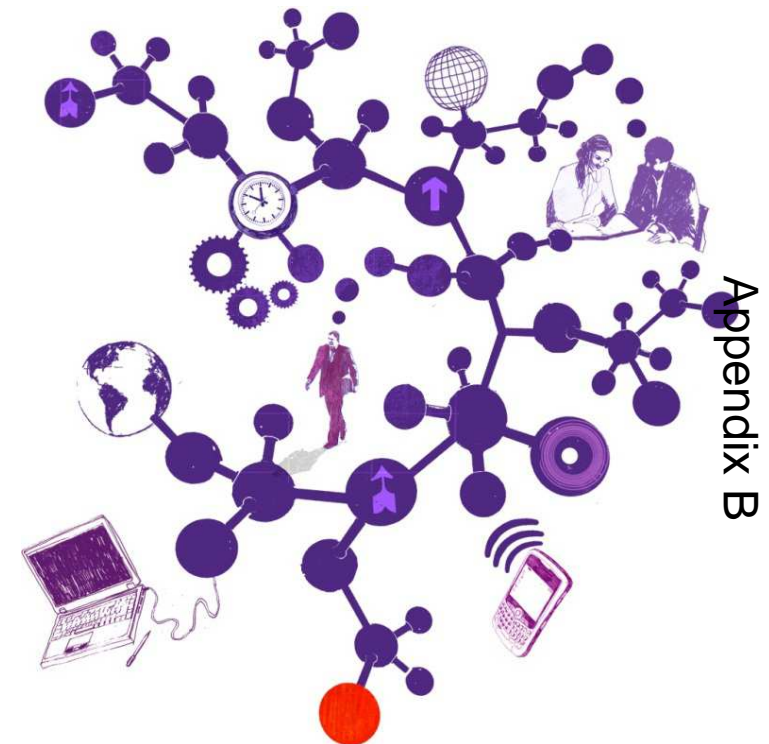
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Appendix B

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 the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Contents

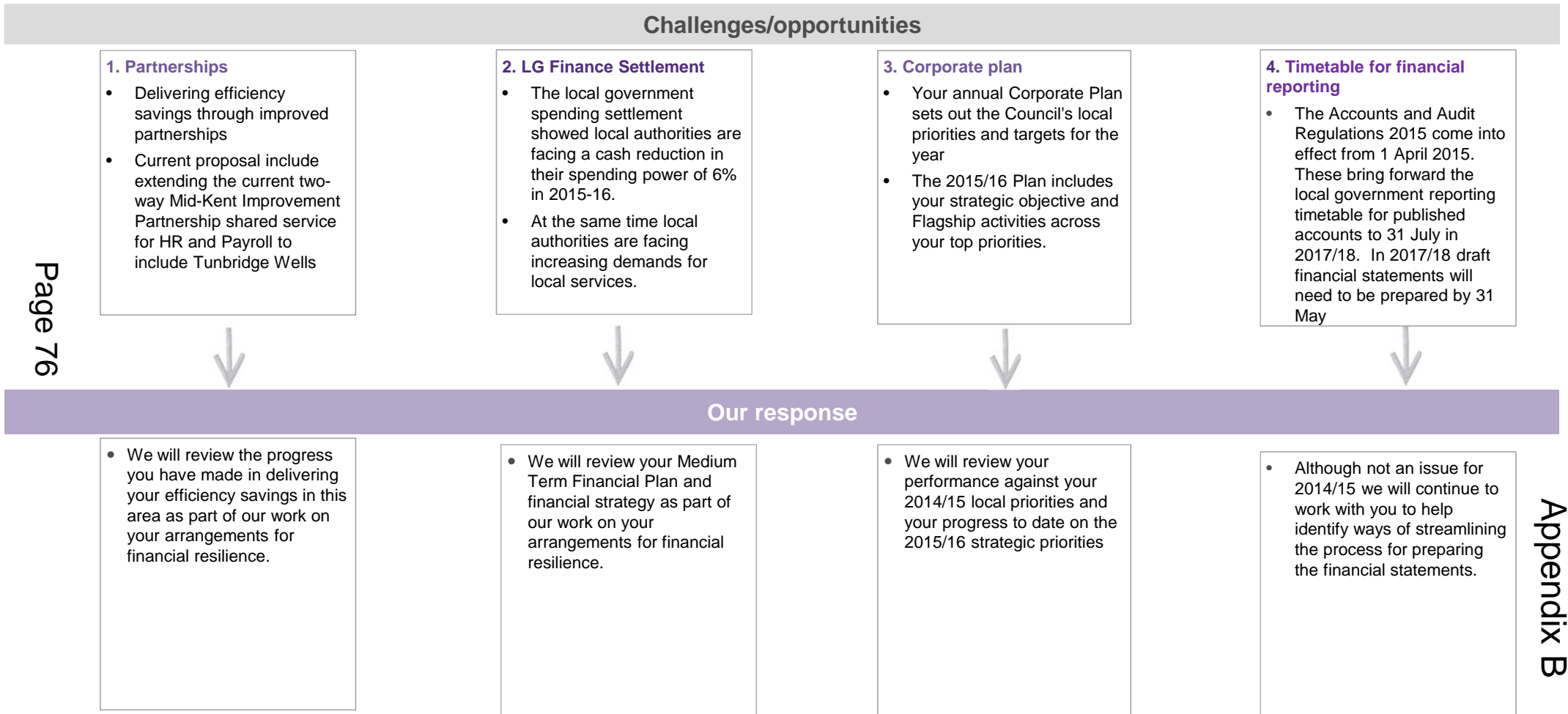
## Section

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# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.





# Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

## Developments and other requirements

### 1. Financial reporting

- Changes to the CIPFA Code of Practice
- Adoption of new group accounting standards (IFRS 10, 11 and 12)

### 2. Legislation

- Local Government Finance settlement

### 3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

### 4. Financial Pressures

- Managing service provision with less resource
- Progress against savings plans

### 5. Other requirements

- The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion
- The Council completes Housing Benefit grant claim and return on which audit certification is required

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## Our response

We will ensure that

- the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing
- if applicable, group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly

- We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate

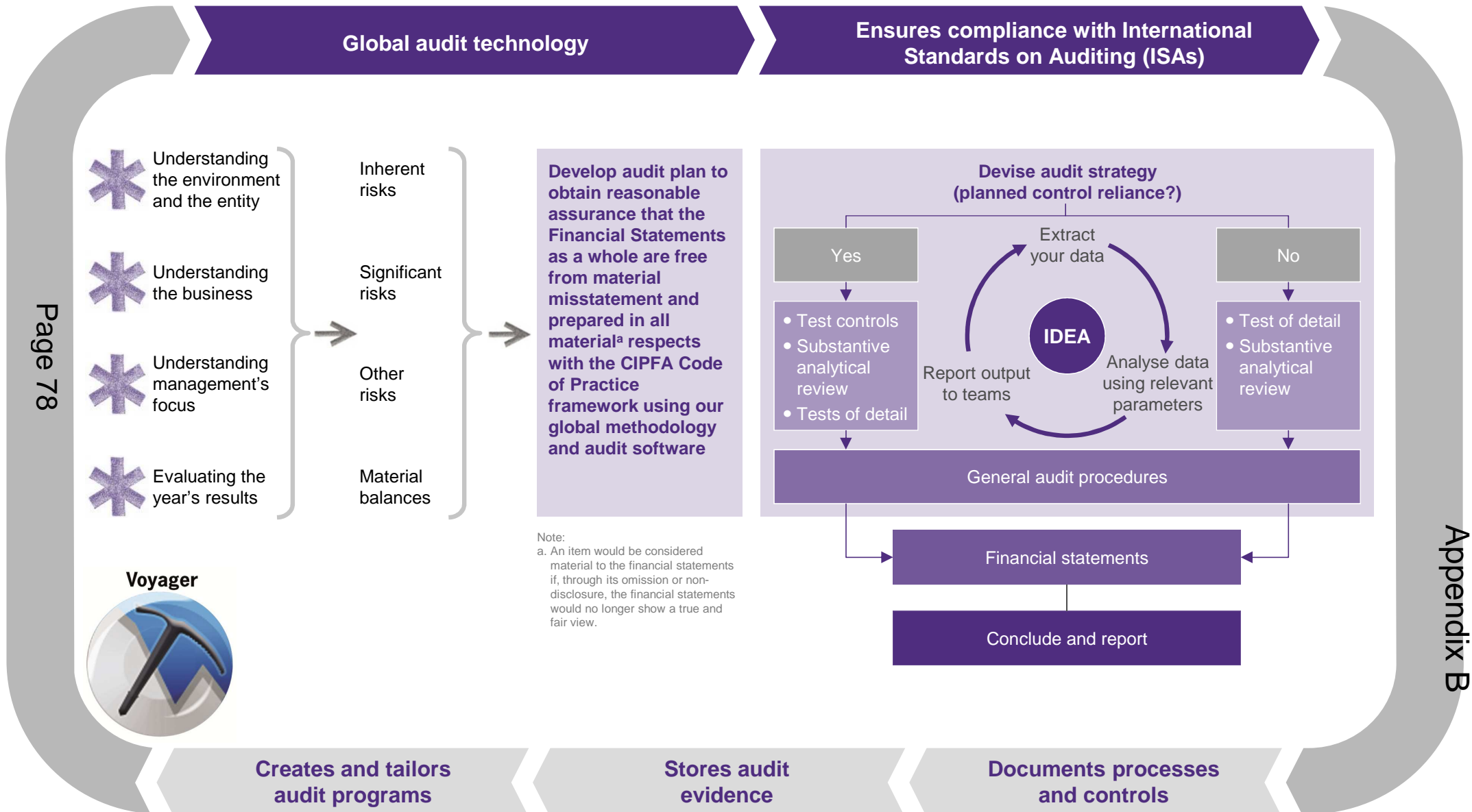
- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

- We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan
- We will undertake a review of Financial Resilience as part of our VfM conclusion

- We will carry out work on the WGA pack in accordance with requirements
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015

Appendix B

# Our audit approach



# Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 79</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Tunbridge Wells Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Tunbridge Wells Borough Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Review and testing of revenue recognition policies</li> <li>• Testing of material revenue streams.</li> </ul>
<p>Management over-ride of controls</p>	<p>Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Risk assessment of accounting estimates, judgments and decisions made by management</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Testing of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries</li> <li>• Review of unusual significant transactions.</li> </ul>

# Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Walkthrough of operating expenses system</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Substantive testing of operating expenses</li> <li>Review of unusual significant transactions</li> <li>Review year end control accounts reconciliations</li> <li>Testing of creditor payments for completeness, classification and occurrence.</li> </ul>
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Walkthrough of payroll system</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Substantive testing of payroll records</li> <li>Reconciliation of year end payroll sub system to ledger</li> <li>Analytical review of payroll for completeness.</li> </ul>
Welfare Expenditure	Welfare benefit expenditure improperly computed	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Walk through of the welfare benefits system</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Substantive testing of a sample of benefits awarded</li> <li>Review of year end welfare benefits system and claims return to ledger.</li> </ul>

# Value for money

## Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- your medium-term financial plan and how it has been reflected in your revenue and capital budgets for 2015/16
- your processes to prepare the budget and savings programmes, including internal control more generally
- the impact of Local Government finance settlement on your medium-term financial plan
- your performance against key indicators of financial health compared to neighbouring authorities

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and summarised in the Annual Audit Letter.

# Results of interim audit work

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

	Work performed and findings	Conclusion
<b>Internal audit</b>	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• communication and enforcement of integrity and ethical values</li> <li>• commitment to competence</li> <li>• participation by those charged with governance</li> <li>• management's philosophy and operating style</li> <li>• organisational structure</li> <li>• assignment of authority and responsibility</li> <li>• a selection of human resource policies and practices.</li> </ul>	<p>Our work has not identified any material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

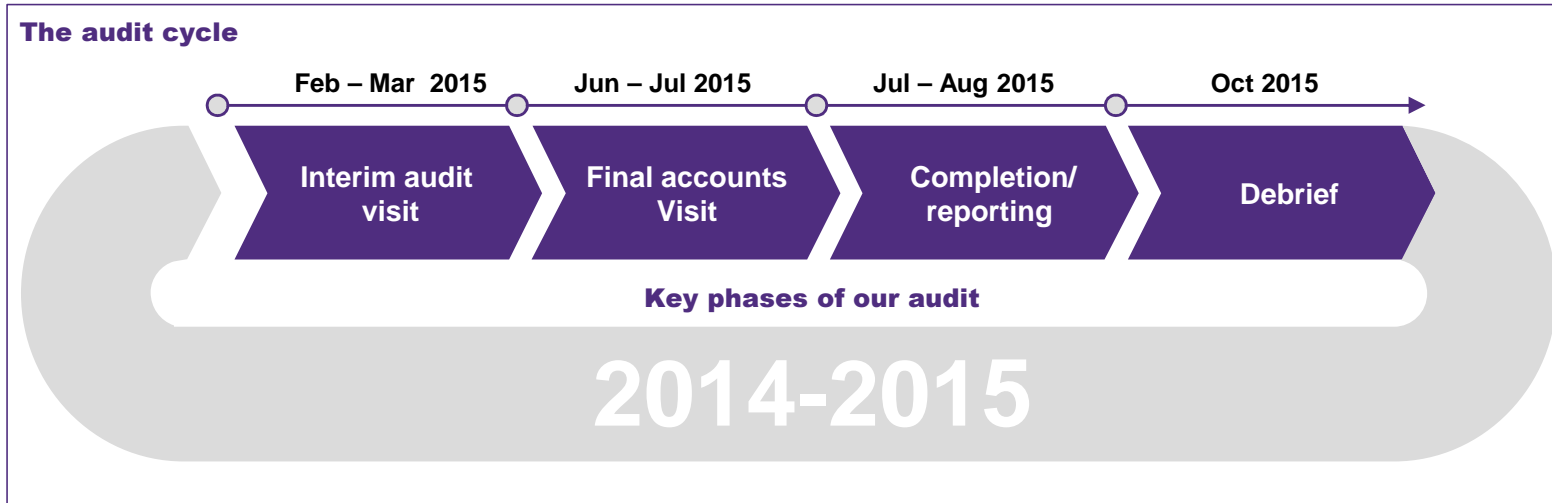
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## Results of interim audit work cont'd

	Work performed	Conclusion
<b>Journal entry controls</b>	We are currently reviewing the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. We have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	Our work has not identified any weaknesses which impact on our audit approach.

# Key dates



Date	Activity
24 Feb 2015	Planning and walk through controls of key systems
9 Mar 2015	Early substantive testing
24 Mar 2015	Presentation of Audit Plan to Audit and Governance Committee
1 Jun 2015	Year end fieldwork commences
Jul – Aug 2015	Audit findings clearance meeting with Finance Director
22 Sept 2015	Report audit findings to those charged with governance (Audit and Governance Committee)
By 28 Sept 2015	Sign financial statements opinion and Whole of Governance Accounts statement



# Fees and independence

## Fees

	£
Council audit	67,406
Grant certification	11,906
<b>Total fees (excluding VAT)</b>	<b>79,312</b>

### Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

### Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

## Fees for other services

Service	Fees £
None	Nil

### Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendix B

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## AUDIT AND GOVERNANCE WORK PROGRAMME 2014/2015

REPORT TITLE	24/3/15	30/6/15	22/9/15	8/12/15
<b>Internal Audit</b>				
Audit and Governance Committee Annual Report		X		
Internal Audit Annual Report		X		
Internal Audit Annual Plan	X			
Internal Audit Interim Report (including governance reports update)				X
Update Report on RVP	X			
Annual Revision of Audit Charter	X			
<b>External Audit</b>				
Financial Report and audit findings for 2013/14			X	
Annual Audit Letter				X
Certification of Claims and Returns	X			
Audit Plan		X		
External Audit Progress Report				X
<b>Regularity Framework/Internal Control Arrangements</b>				
Benefit Fraud Report		X		
Annual Risk Management Report		X		
Strategic Compass Monitoring Report		X		
<b>Accounts</b>				
Outline Statement of Accounts			X	X
Financial Report and Statement of Accounts (un-audited)		X		
<b>Other Reports</b>				
Annual Complaints Report and Local Government Ombudsman Annual Review			X	
Update on Member Complaints	X	X	X	X
Strategic Risk Review	X	X		

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