

# A G E N D A

## AUDIT AND GOVERNANCE COMMITTEE

**Tuesday 8 December 2015 at 6.00 pm**  
**Committee Room A, Town Hall, Tunbridge Wells, Kent TN1 1RS**

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<b>Borough Council Representatives:</b>	Councillors Horwood (Chairman), Dawlings (Vice-Chairman), Chapelard, Hamilton, Moore, Nuttall, Ms Palmer and Scott
<b>Independent Members:</b>	Hedges, Hough, Quigley and Shiels
<b>Parish/Town Council Representatives:</b>	Councillors Coleman 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 22 September 2015** (Pages 1 - 4)
- 5 Report of Monitoring Officer**  
(A) Update on Member Complaints (Pages 5 - 8)
- 6 Director of Finance and Corporate Services (s151 Officer)**  
(A) Interim Internal Audit Report (Pages 9 - 34)  
(B) Annual Audit Letter (Pages 35 - 46)  
(C) External Audit Progress Report (Pages 47 - 62)  
(D) Certification of Grant Claims (Pages 63 - 68)  
(E) Appointment of Independent Member to the Constitution Review Working Party (Pages 69 - 72)
- 7 Future Work Programme 2015-2016** (Pages 73 - 74)

**8 Date of Next Meeting - 29 March 2016 at 6pm**

**Emily Metcalf**  
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**Town Hall**  
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**Kent TN1 1RS**  
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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 another 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, 22 September 2015

**Present: Councillor Len Horwood (Chairman)**

**Borough Council Representatives: Councillors Dawlings (Vice-Chairman), Chapelard, Hamilton, Nuttall, Ms Palmer and Scott**

**Independent Members: Mrs Hough, Mr Lewis, Mr Quigley and Mr Segall Jones**

**Parish/Town Council Representatives: Councillors Coleman and Mackenzie**

**Officers in Attendance:** Rich Clarke (Head of Audit Partnership (Mid Kent Audit)), Lee Colyer (Director of Finance and Corporate Services (Section 151 Officer)), Estelle Culligan (Deputy Head of Legal Partnership), Jane Fineman (Head of Finance and Procurement), Emily Metcalf (Democratic Services Officer), Ade Oyerinde (Audit Manager, Grant Thornton), Frankie Smith (Audit Manager, Mid Kent Audit Partnership), Keith Trowell (Senior Lawyer and Deputy Monitoring Officer) and Darren Wells (Director, Grant Thornton)

### APOLOGIES FOR ABSENCE

AG19/15      Apologies for absence were received from Councillor Moore and Independent Member Mr Hedges.

### DECLARATIONS OF INTEREST

AG20/15      No declarations of interest were received.

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

AG21/15      No notifications of any visiting members wishing to speak had been received.

### MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE DATED 30 JUNE 2015

AG22/15      The minutes of the meeting of the Audit and Governance Committee dated 30 June 2015 were submitted.

Independent Member Mr Lewis pointed out that 'systematic problem' on page 4 should be changed to 'systemic problem'. He also said that, on page 6, 'the accounting profession being too complicated' should be changed to 'the accounting standards being over-complex'.

The external auditor from Grant Thornton, Mr Oyerinde, said that the sentence on the second paragraph on page 5 beginning with 'The external auditor from Grant Thornton' should be clarified further by being changed to:  
"The external auditor from Grant Thornton, Mr Oyerinde, responded that Public Sector Audit Appointments (PSAA) had taken over from the Audit Commission, and said that although the decision was pending, the contract options being considered by the PSAA included rolling over the existing contract for another couple of years, or looking to appoint other external auditors at the end of the current contract."

### RESOLVED:

That the minutes of the Audit and Governance Committee dated 30 June 2015 be approved as a correct record, subject to the agreed amendments.

## UPDATE ON MEMBER COMPLAINTS

AG22/15A     The Principal Lawyer and Deputy Monitoring Officer, Mr Trowell, presented a report updating members on complaints received under the Members' Code of Conduct.

Mr Trowell stated that the Monitoring Officer, Mr Scarborough, was to carry out an initial assessment of the one complaint received since the meeting of the Audit and Governance Committee on 30 June 2015, in consultation with the Independent Person. He added that the investigation into the one outstanding complaint from the last meeting had now been completed. Mr Trowell said that based on the Investigating Officer's report, the Monitoring Officer, having consulted with the Independent Person, concluded that there was no evidence of a failure to comply with the Code of Conduct. Mr Trowell added that the Monitoring Officer's decision was final.

Ms Culligan, the Deputy Head of Legal Partnership, was invited to speak by the Chairman, Councillor Horwood. Ms Culligan said that there had been concerns about the length of time the investigation had taken to complete. She provided members with an explanation as to why it had taken so long, saying that it was mainly to ensure that the process was inclusive.

Parish Councillor Coleman asked whether the investigation process at the Council was nationally applied or specific to Tunbridge Wells, as he considered it to be very complicated and time consuming, especially for the person who was being complained about. Ms Culligan replied that the aim of the new process was to shorten it, as it gave the Monitoring Officer the final decision. She elaborated that the premise was that the decision of the Monitoring Officer and Independent Person was final, but that the persons involved still had the opportunity to comment at each stage. She said that these arrangements were similar to Kent-wide ones, but she could not comment on their similarity to those made nationwide. Mr Trowell confirmed that the document presented to Full Council for approval in 2012 was based on the Kent model. He elaborated that the document was adopted throughout Kent but amended to fit local circumstances.

Independent Member Mr Lewis asked whether the Councillors involved in the recent Paddock Wood complaints had received the recommended training, and asked whether all had attended. Mr Trowell said that the Council did have training, but that he could not be sure of the attendance of individual Councillors.

Mr Lewis requested that a brief update be given next time, as he felt that the Committee needed to know whether or not Town Councillors had received training. He also asked why Paddock Wood Town Council was the only local council not to adopt the Kent code. Councillor Hamilton explained that Paddock Wood Town Council had signed up to a different code because the documentation was difficult for many to understand. She commented that over eight months was a very long time for people involved in the process to wait for an outcome to the complaint.

Councillor Dawlings said that there was much concern expressed at the last Audit and Governance Committee meeting over the time taken for these investigations, and asked whether they could be made faster in any way. Ms Culligan responded that some cases could be difficult because the people

involved (i.e. the complainants and the subject member) could be very emotional. She said that the process could have been completed a month or two quicker, but that the team was very busy and there was a requirement that everyone involved commented on it, which was naturally very time consuming. There was a lot of information to compile from interviews and comments, and each case took a different amount of time based on different factors, though the quicker the better for all involved. Ms Culligan assured the Committee that the team undertook the process as quickly as they could, but that, with so many amendments, this particular case had taken a long time.

Councillor Scott felt that the process needed to be changed dramatically, as the levels of sanctions did not warrant the huge expense. He wondered if it were possible to have a small committee that intervened in the early stages, so that the matters could be dealt with in weeks, and not months.

The Chairman replied that the process was statutory, and therefore if Members wanted to change or question it, they should address their Member of Parliament.

Parish Councillor Mackenzie said that fairness was key, and that time limits could impact on this. Councillor Scott disagreed, and said that it was much more unfair to hold someone in suspense for months.

The Chairman interjected by reminding the Committee that changing the policy was not something that was in the Council's remit.

## **RESOLVED:**

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

## **FINANCIAL REPORT AND AUDIT FINDINGS**

AG23/15 Mrs Fineman, Head of Finance and Procurement, presented the Annual Financial Report and Audit Findings for 2014/15. She confirmed that there had been no material changes since the report that the Committee approved on 30 June 2015, and that Grant Thornton, the external auditors, had issued a draft Audit Findings Report which indicated that the Statement of Accounts would receive an unqualified opinion.

Mrs Fineman commented that the audit went well, and said that last year the team talked about assets, but this year there was no action plan and therefore no recommendation for improvement. Mrs Fineman then explained how the Council planned to bring forward the date to sign off the accounts from September to July, because the statutory deadline for the approval of the accounts would be changing in 2018 (for the 2017/18 accounts) to 31 July 2018, and so Mrs Fineman wanted to ensure that Tunbridge Wells Borough Council was prepared for this. She confirmed that Grant Thornton had agreed to resource and support bringing forward the approval of the statutory accounts to 31 July in 2016.

The Director of Audit at the external auditors Grant Thornton, Mr Wells, confirmed that the audit report contained few findings, which boded well for completing the audit by an earlier date in the forthcoming year.

Independent Member Mr Quigley said that he was thankful to Mrs Fineman

for her explanation, and that he believed it seemed to be the right course of action to take.

**RESOLVED:**

- 1) That Grant Thornton's Audit Findings Report be noted;
- 2) That the draft Statement of Accounts and the Annual Governance Statement be approved;
- 3) That the Chairman and Director of Finance and Corporate Services be authorised to sign a Letter of Representation based on Appendix A of the Audit Findings Report; and
- 4) That the Statement of Accounts and the Annual Governance Statement be moved to 31 July 2016 for the 2015/16 accounts, and that a special meeting be convened for this purpose.

**FUTURE WORK PROGRAMME 2015/2016**

AG24/15      The Committee's work programme was presented for members' information.

Councillor Scott asked whether the Council was in the process of reviewing risks in each session. The Director of Finance and Corporate Services, Mr Colyer, replied that all risk owners had now attended the committee meeting, and said that the management of risks was ongoing, and that if risks changed then this would be brought to the attention of the Committee. Mr Colyer stated that the Strategic Risk Review report was due to come to the Committee in March 2016, and that the approach regarding the attendance of risk owners could be determined as part of the recommendations to this particular report.

**RESOLVED:**

That the work programme be noted.

NOTE: The meeting concluded at 6.40 pm.



## Audit & Governance Committee

8 December 2015

Is the final decision on the recommendations in this report to be made at this meeting?

**Yes**

## Update on Complaints received under the Members' Code of Conduct

<b>Final Decision-Maker</b>	Audit & Governance Committee
<b>Portfolio Holder(s)</b>	Leader – Councillor Jukes
<b>Lead Director</b>	Lee Colyer, Director of Finance & Corporate Services
<b>Head of Service</b>	John Scarborough, Head of Legal Partnership and Monitoring Officer
<b>Lead Officer/Report Author</b>	John Scarborough, Head of Legal Partnership and Monitoring Officer
<b>Classification</b>	Non-exempt
<b>Wards affected</b>	All

### This report makes the following recommendations to the final decision-maker:

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

### This report relates to the following Five Year Plan Key Objectives:

- A Prosperous Borough
- A Green Borough
- A Confident Borough

The report supports the Council's commitment to probity in all our affairs as well as the values of openness and responsibility.

### Timetable

<b>Meeting</b>	<b>Date</b>
Audit & Governance Committee	8 December 2015

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

### **1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 This report provides an update on complaints received under the Members' Code of Conduct in the period ending on 27 November 2015.
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### **2. INTRODUCTION AND BACKGROUND**

- 2.1 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.
- 2.2 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. The current version of the Kent Procedures can be found on the Council's website.
- 2.3 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.
- 2.4 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.
- 2.5 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.
- 2.6 The arrangements for dealing with complaints ("the Kent Procedures") that were adopted by the Borough Council therefore also apply in cases concerning Parish and Town Councils.
- 2.7 The Borough Council have resolved that oversight of the Kent Procedures falls under the Audit and Governance Committee.
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## **3. UPDATE ON COMPLAINTS RECEIVED**

- 3.1 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.
- 3.2 Since the meeting of the Audit and Governance Committee on 22 September 2015, three new complaints have been received. The updated position is as follows.
- 3.2.1 Complaint 1 – The Monitoring Officer wrote to the complainant on 21 October requesting further details. As at 25 November, no reply has been received and the Monitoring Officer is making contact with the complainant to see if they wish to continue with the complaint.
- 3.2.2 Complaint 2 - It was necessary to write to the complainant in order to seek clarification on certain issues. Now that this clarification has been received, the Monitoring Officer has obtained initial comments from the Member concerned and is carrying out an initial assessment of the complaint in consultation with the Independent Person.
- 3.2.3 Complaint 3 – following receipt of the complaint, the Monitoring Officer has written to the complainant in order to seek clarification on certain issues.
- 3.3 There was one outstanding complaint at the last meeting. The Monitoring Officer has carried out an initial assessment of the complaint in consultation with the Independent Person and will shortly be writing to the complainant and Member concerned with his decision.
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## **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 That Members note the update on complaints received under the Member's Code of Conduct.
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## **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 This report does not require further consultation as it is for information only.
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## 6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

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

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## 7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications
<b>Legal</b> including Human Rights Act	It is 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. The Members' Code of Conduct was adopted by Full Council on 18 July 2012 and can be found on the Council's website.
<b>Finance</b> and other resources	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.
<b>Staffing establishment</b>	No issues.
<b>Risk management</b>	An effective complaints system is part of an effective system of governance.
<b>Environment</b> and sustainability	There are no relevant issues identified within this report.
<b>Community safety</b>	There are no relevant issues identified within this report.
<b>Health and Safety</b>	There are no relevant issues identified within this report.
<b>Health and wellbeing</b>	There are no relevant issues identified within this report.
<b>Equalities</b>	There are no relevant issues identified within this report.

## 8. REPORT APPENDICES

None

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## 9. BACKGROUND PAPERS

None

## Audit & Governance Committee

8 December 2015

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

## Interim Internal Audit Report 2015/16

<b>Final Decision-Maker</b>	Audit & Governance Committee
<b>Portfolio Holder</b>	Finance and Governance – Councillor Barrington-King
<b>Lead Director</b>	Lee Colyer – Director of Finance
<b>Head of Service</b>	Rich Clarke – Head of Audit Partnership
<b>Lead Officer/Report Author</b>	Rich Clarke – Head of Audit Partnership
<b>Classification</b>	Non-Exempt
<b>Wards affected</b>	All

### This report makes the following recommendations to the final decision-maker:

1. The Committee notes and comments as appropriate on progress against the internal audit plan and findings to date.

### This report relates to the following Five Year Plan Key Objectives:

- A Prosperous Borough
- A Green Borough
- A Confident Borough

This report is concerned with the internal control and governance of the Council. Successful controls and effective governance are a crucial underpinning for all corporate priorities.

### Timetable

<b>Meeting</b>	<b>Date</b>
Audit & Governance Committee	8 December 2015

## Interim Internal Audit Report 2015/16

### **1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 The report provides an update to the Committee on work conducted by Mid Kent Audit in pursuance of the audit plan agreed by this Committee in March 2015. It also provides commentary on the broader objectives of the service in helping to ensure good governance at the Council.

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### **2. INTRODUCTION AND BACKGROUND**

- 2.1 Internal audit has a statutory basis as a service through the Accounts & Audit Regulations 2015. Its principal objective is to examine and evaluate the effectiveness of the Council's systems of internal control, risk management and corporate governance.
- 2.2 This report provides evidence to the Committee in discharging its constitutional responsibilities for overseeing and commenting upon governance at the Council.
- 2.3 The report provides an interim position at approximately the mid-year point. A full annual report, including the Head of Audit Opinion, will come to this Committee in June 2016.

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### **3. AVAILABLE OPTIONS**

- 3.1 The report is presented for information and comment rather than decision.

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### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 Not applicable.

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### **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 The individual outcomes in this report arise from the detail of audit work, each of which was agreed after discussion with officers at the time reports were finalised. The report also reflects previous Committee feedback about the style and content of our summary reports in seeking to provide a broad range of information on the progress of the service.

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## 6. CROSS-CUTTING ISSUES AND IMPLICATIONS

This report is provided for information rather than decision and consequently raises no new issues and implications. Any and all comments from Members will be considered for future reports and, where applicable, within individual audit projects through the rest of the year.

Issue	Implications	Sign-off (name of officer and date)
<b>Legal</b> including Human Rights Act	Not applicable, see comment above.	
<b>Finance</b> and other resources		
<b>Staffing establishment</b>		
<b>Risk management</b>		
<b>Environment</b> and sustainability		
<b>Community safety</b>		
<b>Health and Safety</b>		
<b>Health and wellbeing</b>		
<b>Equalities</b>		

## 7. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Mid Kent Audit Interim Audit Report 2015/16.

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## 8. BACKGROUND PAPERS

This report follows on from the 2015/16 Audit Plan. That plan was agreed by the then Audit Committee in March 2015 and is available among papers for that meeting.

The report also draws upon findings from individual audit reviews undertaken through the course of the year to date. This report presents that output in summary format, but full reports are available to Members on request.

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**MID KENT AUDIT**

# **Interim Internal Audit Report**

**2015/16**

**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, which require at Regulation 5 that:  
  
*"[the Council] must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".*
3. The currently operating standards are the [Public Sector Internal Audit Standards](#) published by HM Government for effect from April 2013 across the UK public sector.
4. In addition to the public sector standards, an internal audit service must also abide by the sector's *Code of Ethics* and International Professional Practices Framework. These codes, a requirement of all internal audit services across public, private and voluntary sectors, are compiled by the Institute of Internal Auditors.
5. 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. The opinion takes into consideration:
  - Internal Controls: Including financial and non-financial controls
  - Corporate governance: Including effectiveness of measures to counter fraud and corruption, and
  - Risk Management: Principally, the effectiveness of the Council's risk management framework.
6. This report provides an update to the Committee across all three areas covered in the opinion and the performance of the Internal Audit service for the first half of the year. In addition, the report provides updates on work conducted by the team, and highlights the impact of our work through assessment of management's work in implementing agreed audit recommendations.

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

## Internal Control

7. The system of internal control is a process for assuring achievement of the Council's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies. It incorporates both financial and non-financial systems.
8. We obtain audit evidence to support the Head of Audit opinion on internal control principally through completing the reviews set out within our agreed audit plan, approved by this Committee's predecessor body in March 2015.

## Audit Plan Progress

### *Productive Audit Days*

9. In 2015/16 we shifted the main metric of our audit plan away from a fixed number of audit projects and instead towards a total number of productive days per year. This has considerable advantages in giving us a flexible basis to help keep our plans up to date and appropriately responsive to the Council's developing risks and priorities.
10. Up to the end of quarter 2, our progress against the plan in terms of productive days was:

Type of work	Plan Days	Q1/2 Days	Q1/2 %	Forecast Q4	Forecast %
Assurance Projects	245	145	59%	273	111%
Other Work	105	48	46%	105	100%
<b>Total</b>	<b>350</b>	<b>193</b>	<b>55%</b>	<b>378</b>	<b>108%</b>

11. Progress to date is largely in line with anticipated days spend, but a number of projects are in development and early stages which will be finalised as the year continues. This includes a substantial set of projects examining the Council's financial processes which we held back to create space in the June-September period for external audit to undertake their work on the Council's financial statements.

## Audit Review Findings to Date

12. We have completed to final report stage so far a total of thirteen audit projects, five of which were completed early enough in the year to have featured in our annual report to this Committee in July 2015. Our output from those reports<sup>2</sup> is included in that annual report.

<sup>2</sup> The reports covered Museum & Art Gallery, Car Parking, Housing Benefit (Systems), Members & Officers' Declarations of Interest and Parks Income.

## Appendix A

13. Concentrating therefore on the eight further reports issued in the period from July, we include below an extract from each report. We are pleased to report that officers have accepted our findings and begun work towards the agreed recommendations. We will follow up implementation of recommendations as noted below.
14. In addition to reports that have reached finalisation, we include in appendix II a summary of work in progress with expected reporting timescales.

	Review Type	Title	Assurance Rating
1	Core Financial System	Business Rates	<b>STRONG</b>
2	Service Review	Assembly Hall Theatre	<b>STRONG</b>
3	Core Financial System	Council Tax	<b>SOUND</b>
4	Core Financial System	Bank Reconciliations	<b>STRONG</b>
5	Consultancy	Planning Support: Project Gateway Review	<b>[not assurance rated]</b>
6	Corporate Governance	Data Protection	<b>WEAK</b>
7	Service Review	Contract Management	<b>SOUND</b>
8	Service Review	Recruitment	<b>SOUND</b>

### Business Rates

15. We conclude based on our audit work that the Business Rates system demonstrates **STRONG** controls in both design and operation.
16. The controls within the Business Rates system are effective in design and operation. The Business Rates process is well controlled and mitigates the risk of fraud and error to an acceptably low level. Management controls exist to check validity and integrity of systems information. Our testing found no areas of concern, or significant areas where the service might reasonably seek to improve.

### Assembly Hall Theatre

17. We conclude based on our audit work that the Assembly Hall Theatre has **STRONG** controls in place to ensure that income is correctly accounted for and to support the Service's objectives.
18. Our testing confirmed the effectiveness of these controls for the sale of tickets, income collection, banking and general ledger posting in both their design and operation. We found that accurate records are maintained and there is an efficient audit trail.

## Council Tax

19. We conclude based on our audit work that the Council Tax service demonstrates **SOUND** controls in both design and operation.
20. The controls within the Council Tax system are generally effective in design and operation. The key controls in operation mitigate the risks of fraud and error to an acceptable level and incorporate elements representing best practice, such as prompt and comprehensive property inspections. We noted a discrepancy between the partner sites on refund authorisation where controls could be efficiently improved by harmonisation. Our sample testing also identified a weakness in write-off procedures that the service must address.

## Bank Reconciliations

21. We conclude based on our audit work that the Bank Reconciliation process has **STRONG** controls to manage its risks and support its objectives.
22. Our review identified that the Council has adequate resources and detailed procedures for successfully undertaking the key control of effective bank reconciliations. These procedures are assisted by strong contractual arrangements with the Council's banking suppliers to ensure comprehensive and timely provision of supporting information. Our testing identified that the Council's finance service adhere to the procedures and produce regular, accurate and effective bank reconciliations. However, we also identified that the Council should update its bank mandate to reflect current staffing, although we note that compensating controls greatly minimise the risk of an out of date mandate.

## Planning Support: Project Gateway Review

23. The [project] Board has proceeded largely on the basis that the option originally put to TWBC cabinet – of a TWBC withdrawal leaving a two-way partnership – would be the most likely outcome. As a result the Board has sought to fully appraise in greater detail this single and most likely option. While other options have been considered at the early stages of the project, they have not received a similar depth of analysis and, in the case of the option 3, have not been considered at all.
24. No options have been considered that involve TWBC remaining in the partnership as this fell outside of the mandated scope of the project. The Board therefore has largely been an exercise in constructing a business case rather than appraisal of different options as originally mandated.
25. Within those constraints, though, the Board has operated diligently in seeking to obtain the best evidence it can, including commissioning external advice where a need is identified. Each work stream has provided evidence to inform the Board in its decision to pursue the chosen option.

## Appendix A

26. The inherent lack of clarity in operating ahead of a formal decision means that some evidence relies upon assumptions and extrapolations which are difficult to pin down with certainty and are subject to wide error bars. This is particularly notable on information regarding human resource and finance considerations and data forwarded by parallel project groups operating in MBC and SBC.
27. However, we are satisfied that the Board has efficiently documented its processes meaning that those assumptions are, in general, apparent, open to fair challenge and not unreasonable.

### Data Protection

28. We conclude based on our audit work that Data Protection has **WEAK** controls in place to manage the risks of non-compliance with the legal requirements.
29. Our review did not examine data security in the IT sense, but instead considered how the Council uses and shares the information it holds with partners and stakeholders.
30. The Council largely complies with the eight Data Protection principles though there are some important exceptions on data retention, dealing with breaches and updating guidance. We note that Mid-Kent Legal Services are currently revising relevant policies with a view to implementation by the end of 2015.
31. We were satisfied that key officers were engaged in undertaking external training but the level and take-up of training among staff generally is low. This presents a clear risk to the authority in that staff may be unable to identify and properly report breaches internally leaving the Council at risk of non-reporting to the Information Commissioner.
32. While we acknowledge improvements since our last review in this area in 2011 such as key officer training, Data Protection still requires support to ensure consistent and assured compliance.
33. Since we completed the review the Council has begun to act to implement recommendations. The Council has already circulated breach guidance to all staff and updated its own central record keeping procedures. Broader revisits to guidance and procedure are also underway, being managed by Mid Kent Legal Services and the Council's Information Governance Group, chaired by the Director of Finance in his role as Senior Information Risk Owner (SIRO). Plans are also in progress to expand and enhance training, using the Council's forthcoming revised e-learning package.

## Contract Management

34. We conclude based on our audit work that Property & Estates contracts Service has **SOUND** controls to control its risks and support its objectives.
35. We found that the Service effectively manages contracts in line with the Council's Contract & Financial Procedure Rules. The service keeps records to a good standard with effective administration to ensure projects are delivered and payments made as contracts require. In one instance that management was outsourced to a consultant and we found, in general, the process remained effective at arm's length. However, our work identified some minor improvements to documentation and retention, in particular in the consultant management contract.

## Recruitment

36. We conclude based on our audit work that Human Resources (HR) has **SOUND** controls in place to manage its risks and support its objectives.
37. We found that the Service effectively administers recruitment and ensures that recruiting managers comply with the agreed process. The Service keeps records to a good standard to support that the process is effective in appointing the most suitable candidate. Similarly there is evidence is retained to show that pre-employment checks have been undertaken and that contracts of employment are in place for all new employees.
38. Our work did identify some minor areas for improvement where the service could improve its current procedures.

## Follow-up of Internal Audit Recommendations

39. Our approach to recommendations is that we follow up each issue as it falls due in line with the action plan agreed with management when we finalise our reporting. We report progress on implementation to Directors each quarter, including noting where we have had reason to revisit an assurance rating (typically when a service has successfully implemented key recommendations) and raising any matters of ongoing concern.
40. Our most recent round of reports covered recommendations due for implementation on or before 30 September 2015. We are pleased to note those reports confirm there are no recommendations outstanding for action beyond their agreed implementation date. This includes a few instances where, after a request from the service and having considered the residual risk of delay posed to the Council, we have revised the implementation date.
41. In the table below, project titles shown in **bold type** are those that originally received an assurance rating of **weak** or **poor** (or the 2013/14 nearest equivalent assurance level).

Project	Agreed Actions	Falling due by 30/9/15	Actions Completed	Outstanding Actions past due date	Actions Not Yet Due
<b>Leisure Management</b>	21	21	21	0	0
Rent Deposit Guarantees	13	13	13	0	0
Section 106 Agreements	11	9	9	0	2
<b>ICT Service Desk</b>	8	8	8	0	0
PC & Internet Controls	8	7	7	0	1
<b>Declarations of Interest</b>	6	3	3	0	3
Computer Use Policy	6	6	6	0	0
Museum & Art Gallery	5	1	1	0	4
Procurement Strategy	4	0	0	0	4
<b>Data Protection</b>	4	0	0	0	4
Debtors	3	3	3	0	0
Housing Benefits	2	1	1	0	1
Council Tax	2	0	0	0	2
Bank Reconciliation	1	0	0	0	1
<b>TOTAL</b>	<b>94</b>	<b>72</b>	<b>72</b>	<b>0</b>	<b>22</b>
		<b>77%</b>	<b>77%</b>	<b>0%</b>	<b>23%</b>

42. We note considerable progress made by managers in addressing the issues identified by our reports. With all 72 due recommendations implemented as agreed, the Council is 77% of the way to full implementation – exactly on track for delivery.



43. Of the 14 audit projects follow up, 4 originally received an assurance rating of **weak** or **poor** (or the 2013/14 nearest equivalent assurance level). We have previously advised Members in our 2014/15 annual report that 2 of these (Leisure Management and ICT Service Desk) had made sufficient progress up to July 2015 for us to revisit the assurance rating as **sound** (or the 2013/14 nearest equivalent). Of the projects yet to be similarly reassessed:

### *Declarations of Interest*

44. Four substantive recommendations remain, relating to the need to agree and implement procedures to effectively manage declarations from Officers. We have agreed with officers that these will be addressed by 31 December 2015.

### *Data Protection*

45. This report was only recently issued, and is discussed in more detail earlier in this report.

### *Next Steps*

46. We will follow up actions due after 30 September, including those arising as we complete our 2015/16 audit plan, later in the year. We will provide a final position to Members as part of our Annual Review in June 2016.

## Corporate Governance

47. Corporate governance is the system of rules, practices and processes by which the Council is directed and controlled.
48. We obtain audit evidence to support the Head of Audit Opinion through completion of relevant reviews in the audit plan, as well as specific roles on key project and management groups. We also consider matters brought to our attention by Members or staff through whistleblowing and the Council's counter fraud and corruption arrangements.
49. We attend the Council's Information Governance Group.
50. In October 2015 CIPFA<sup>3</sup> and SOLACE<sup>4</sup> published a draft response to the consultation which had been open over the summer looking to replace the existing Good Governance Framework for Local Government which has been in place since 2006. This revised guidance, which the Council must follow in compiling its 2016/17 Annual Governance Statement, is based around seven key principles:
  - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
  - Ensuring openness and comprehensive stakeholder engagement
  - Defining outcomes in terms of sustainable economic, social and environmental benefits
  - Determining the interventions necessary to optimise the achievement of the intended outcomes
  - Developing the entity's capacity, including the capability of its leadership and the individuals within it
  - Managing risks and performance through robust internal control and strong public financial management
  - Implementing good practices in transparency, reporting and audit to deliver effective accountability.

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<sup>3</sup> The Chartered Institute of Public Finance & Accountancy; the body charged by Government with setting much of the rules around local government accounting and good governance.

<sup>4</sup> The Society of Local Authority Chief Executives; co-commissioned with CIPFA to create and monitor the Good Governance Framework for Local Government.

51. In the new year we will undertake a review considering the Council's readiness for reporting against these Governance principles.

## **Counter Fraud & Corruption**

52. We consider fraud and corruption risks in all of our regular audit projects as well as undertaking distinct activities to assess and support the Council's arrangements.

### **Investigations**

53. During the first half of 2015/16 there have been no matters raised with us that required investigation.

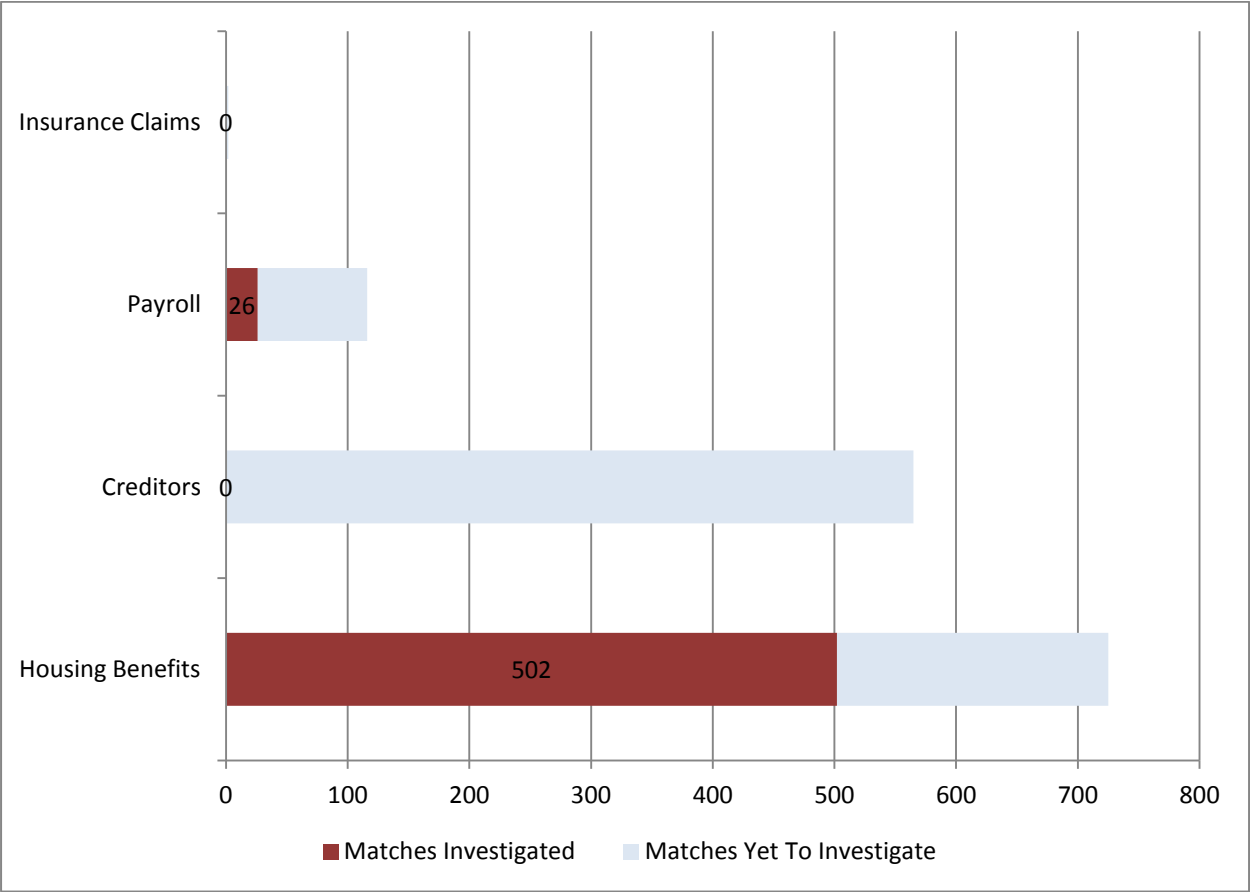
### **Whistle-blowing**

54. The Council's whistleblowing policy nominates internal audit as one route through which Members and officers can safely raise concerns on inappropriate or even criminal behaviour. During 2015/16 so far we have received no such declarations.

### **National Fraud Initiative**

55. We have continued as co-ordinator of the Council's response to the National Fraud Initiative (NFI). NFI is a statutory data matching exercise, and we are required by law to submit various forms of data. Since March 2015, the NFI exercise has been administered by the Cabinet Office.
56. The current NFI exercise has been releasing data in tranches since January 2015 and includes the following services:
- Housing Benefits (725 total matches)
  - Creditors (565 total matches)
  - Payroll (116 total matches)
  - Insurance Claimants (2 total matches)
57. Two further categories (Residents' Parking and Licensing) returned no matches for the Council.
58. The graph below plots progress to date. Note that at present the matches examined have identified 8 cases of fraud or error valued at £26,697. Cabinet Office guidance is that all matches should be investigated within the two year cycle of NFI data (so, by January 2017).

NFI Matches Investigation Progress



59. In keeping with the enhanced skill base of the audit team, and to ensure greater independence and efficiency in matches, Mid Kent Audit will be taking on direct examination of non-benefits matches (rather than just co-ordination) from January 2016.

## **Mid Kent Audit Counter Fraud Training**

60. Our 2014 Fraud Risk Review indicated that, outside of the dedicated Benefits Fraud Team, the Council was limited in its Counter Fraud expertise. We have acted to address that need by increasing the skills and training within the audit service, including becoming one of the first audit teams in the country to contain team members possessing CIPFA accredited qualifications at Technician and (exam results permitting) Specialist level.
61. In 2016 we will be working with the Council and (if Members' decisions support its creation) the revised Revenues Fraud Team to enhance the Council's approach to counter fraud.

## **Attempted Frauds**

62. During this year we have also been made aware of an attempted fraud at another council involving the use of a 'spoofed' email account purporting to be that of a Council employee and requesting a bank transfer. Our investigation could not identify the culprit – 'spoof' emails are created easily enough and very difficult to trace – but we did examine the Council's controls and investigated to determine whether any similar attempts had been successful and undetected.
63. We did not identify any further such attempts which, coupled with successful operation of financial and IT controls, led us to identify this as a low fraud risk. Consequently, we have provided advice to finance teams on remaining vigilant and have reported the matter to the police but plan no continuing action unless there are further developments.

## Risk Management

64. Risk management is the process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.
65. We obtain audit evidence to support the Head of Audit Opinion through completion of our audit plan plus continuing monitoring of and contribution to the Council's risk management processes.
66. The Council's Strategic Risk Register was adopted by Cabinet on 16 May 2014, after review by the Audit Committee in March 2014. The strategic risk register outlines ten risk scenarios:
- Cinema site remains undeveloped
  - Being unable to maximise economic opportunities and resolve infrastructure issues
  - Resident engagement
  - Unable to plan financially over longer term
  - National Policy changes in short term that impact negatively on TWBC, and on direction
  - Missing something significant (£100k-£250k)
  - Being unable to meet expectations
  - Inspector decisions which challenges housing target vs housing supply
  - Not managing control and change effectively
  - Development programme
67. During the year, this Committee has scrutinised management of each risk with reference to its nominated risk owner.
68. We are currently working across the partnership to help authorities improve the risk management process and clarify the role of the audit service in assisting risk management. As we progress we will be working closely with officers to ensure that approaches and information developed and identified are made available across the partnership. At Tunbridge Wells, we are currently working with the Head of Policy and Director of Finance to examine the Council's approach to risk management.

## Mid Kent Audit Service Update

69. After a period of disruption encompassing the departure of a long serving manager and (temporarily) losing team members to maternity leave, Mid Kent Audit is now fully resourced going into 2016.
70. This period has also encompassed a restructure, intended to provide greater capacity at all levels of the service but in particular at a management level to increase our ability to respond rapidly to authorities changing risks and priorities and deliver focussed, strategic reviews. This Committee has already started to make use of that capacity by commissioning a specific piece of work examining whistleblowing arrangements.
71. We include at appendix III the revised team structure, but key points of development:
- **Deputy Head of Audit Partnership:** This role brings advantages in providing an additional senior point of contact to help cover our four authorities and also opens up the possibility of internal independence safeguards that will also us to play a more prominent role in service development where invited to do so (on risk management, for example). We're pleased to confirm that *Russell Heppleston*, well known to this Committee, was promoted into this role in July 2015.
  - **Audit Managers:** We have reshaped the audit manager role to move it away from principally quality assurance towards more engagement in direct service delivery. This will include completing additional consultancy work both responding to emerging risks at individual authorities but also taking a broader comparative look across the partnership. Again, we're very pleased that these roles have enabled us to identify and grow expertise within the team; the new managers are *Frankie Smith* (Swale and Tunbridge Wells) and *Alison Blake* (Maidstone and Ashford) both of whom were previously Senior Auditors.
  - **Audit Team Administrator<sup>5</sup>:** Since we began collecting detailed timesheet information in July 2014 we have identified a range of administrative tasks undertaken by our auditors that could be undertaken by a team administrator to free up their time to progress audit projects. Following the restructure we have been able to recruit into this role, and have been joined by *Louise Taylor* who is based at Maidstone.
72. We also continue to pursue development within the audit team to ensure we continue to offer a broad and deep range of skills and experience to our partner authorities. Since our last update we have had team members achieve a Professional Diploma in Internal Audit from the Institute of Internal Auditors (IIA), professional qualifications from the Institute of Risk Management and professional counter-fraud qualifications from CIPFA at both Specialist and Technician level. On

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<sup>5</sup> This role is currently operating on a trial basis.

these final qualifications, Mid Kent Audit has become one of the first audit services in local government to feature among its team both Specialist and Technician qualified members, which will provide significant assistance as we look to help authorities develop their counter fraud approach.

73. Also Frankie Smith, one of our new Audit Managers, completed her qualification with the IIA and is now a Chartered Internal Auditor. This brings to four the number of people within the team who hold CCAB<sup>6</sup> equivalent qualifications.

## Quality and Improvement

74. Members will recall earlier in 2015 when Mid Kent Audit was assessed by the IIA as fully conforming with Public Sector Internal Audit Standards. However, these Standards are not a fixed point, in fact one of the core requirements is for audit services to seek continuous improvement.
75. In a formal sense this is driven by guidance recommended by the Internal Audit Standards Advisory Board (IASAB) – a body including Mid Kent Audit’s Head of Audit (Rich Clarke) as the England Local Government representative. Through that route we are aware that, from April 2016, local authority audit services must also comply with the IIA’s International Professional Practice Framework. This Framework sets common standards across audit globally in public, private and voluntary sectors.
76. Although the Framework will not be mandatory until next year, we have undertaken an evaluation of our service and are confident we are already operating in conformance. We set out below the ten key principles of the Framework alongside a note on their local implementation:

Principle	Commentary
Demonstrates integrity	The IIA Code of Ethics is embedded in our Audit Charter and our Audit Manual.
Demonstrates competence and due professional care	Our Audit Manual and methodology are compliant with Standards and monitored by a managerial review process for all audit projects.
Is objective and free from undue influence	Our independence is safeguarded by our Audit Charter and reaffirmed and reconsidered in planning each individual piece of audit work we undertake.

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<sup>6</sup> CCAB is the umbrella term for Chartered qualifications recognised by the Consultative Committee of Accountancy Bodies (CCAB), encompassing the major accounting and audit bodies in the UK. Such qualifications are the minimum requirement before an individual can hold a Head of Audit role according to the Public Sector Internal Audit Standards.



## Appendix A

Principle	Commentary
Aligns with the strategies, objectives and risks of the organisation	Our audit planning is informed by the Council's strategic objectives and we consider individual service objectives and risks in each project.
Is appropriately positioned and adequately resourced	Our Audit Charter sets out our position in the authority and guarantees a right of access to Members. Members comment on our resourcing each year in approving our audit plans.
Demonstrates quality and continuous improvement	We operate a quality and improvement plan informed by current and upcoming developments in professional standards (such as the IPPF).
Communicates effectively	We have recently reviewed our reporting approach and structure and have received strong feedback on its clarity and relevance to Officers and Members.
Provides risk-based assurance	Our assurance ratings and recommendation priority levels are informed by the Council's key risks and focus on the continuing risks to the authority posed by the issues we identify in our work.
Is insightful, proactive and future focussed	We have recently expanded managerial capacity to further enhance our ability to offer proactive work, especially on emerging risks across the partnership.
Promotes organisational improvement	We have restructured our management team, in part, to allow us to undertake a greater role in directly supporting organisational improvement where invited to do so.

77. All of the Mid Kent Audit Management Team are grateful for the continuing efforts of the audit team who have worked extremely hard to first meet, then exceed, the standards of our profession. These achievements and improvements in service standards would not have been possible without their continued commitment, determination and highest levels of professionalism.

### Performance

78. Aside from the progress against our audit plan, we also report against a number of specific performance measures designed to monitor the quality of service we deliver to partner authorities. The Audit Board (with Lee Colyer as the Tunbridge Wells' representative) considers these measures at each of its quarterly meetings, and they are also consolidated into reports submitted to the MKIP Board (which includes the Council's Chief Executive and Leader).
79. Below is an extract of the most recent such performance report. After a year of data collection to set a baseline, we are operating in 2015/16 to agreed performance targets. Although the targets are year-end measures, we are pleased to report we are already, in most areas,

## Appendix A

performing at or near the stretch target level and will be looking to agree further improvement targets for 2016/17 early in the new year.

80. We have withheld only one measure from publication – cost per audit day – as it is potentially commercially sensitive in the event of the Partnership seeking to sell its services to the market. We would be happy, however, to discuss with Members separately on request.
81. Note that all figures are for performance across the Partnership. Given how closely we work together as one team, as well as the fact we examine services shared across authorities, it is not practical to present authority by authority data – so these are not figures that relate solely to performance at Tunbridge Wells BC.

Measure	2014/15 Outturn	2015/16 Target	Q2 2015/16
% projects completed within budgeted number of days	47%	60%	57%
% of chargeable days	75%	68%	66%
Full PSIAS conformance	56/56	56/56	56/56
Audit projects completed within agreed deadlines	41%	60%	57%
% draft reports within ten days of fieldwork concluding	56%	70%	65%
Satisfaction with assurance	100%	100%	100%
Final reports presented within 5 days of closing meeting	89%	90%	96%
Respondents satisfied with auditor conduct	100%	100%	100%
Recommendations implemented as agreed	95%	95%	96%
Exam success	100%	75%	100%
Respondents satisfied with auditor skill	100%	100%	100%

### Acknowledgements:

82. We would also like to thank managers, officers and Members for their continued support, assistance and co-operation as we complete our audit work during the year.

## Appendix I: Assurance & Priority level definitions

### Assurance Ratings 2015/16

Full Definition	Short Description
<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.	Service/system is performing well
<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.	Service/system is operating effectively
<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.	Service/system requires support to consistently operate effectively
<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.	Service/system is not operating effectively

## Recommendation Ratings 2015/16

**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.

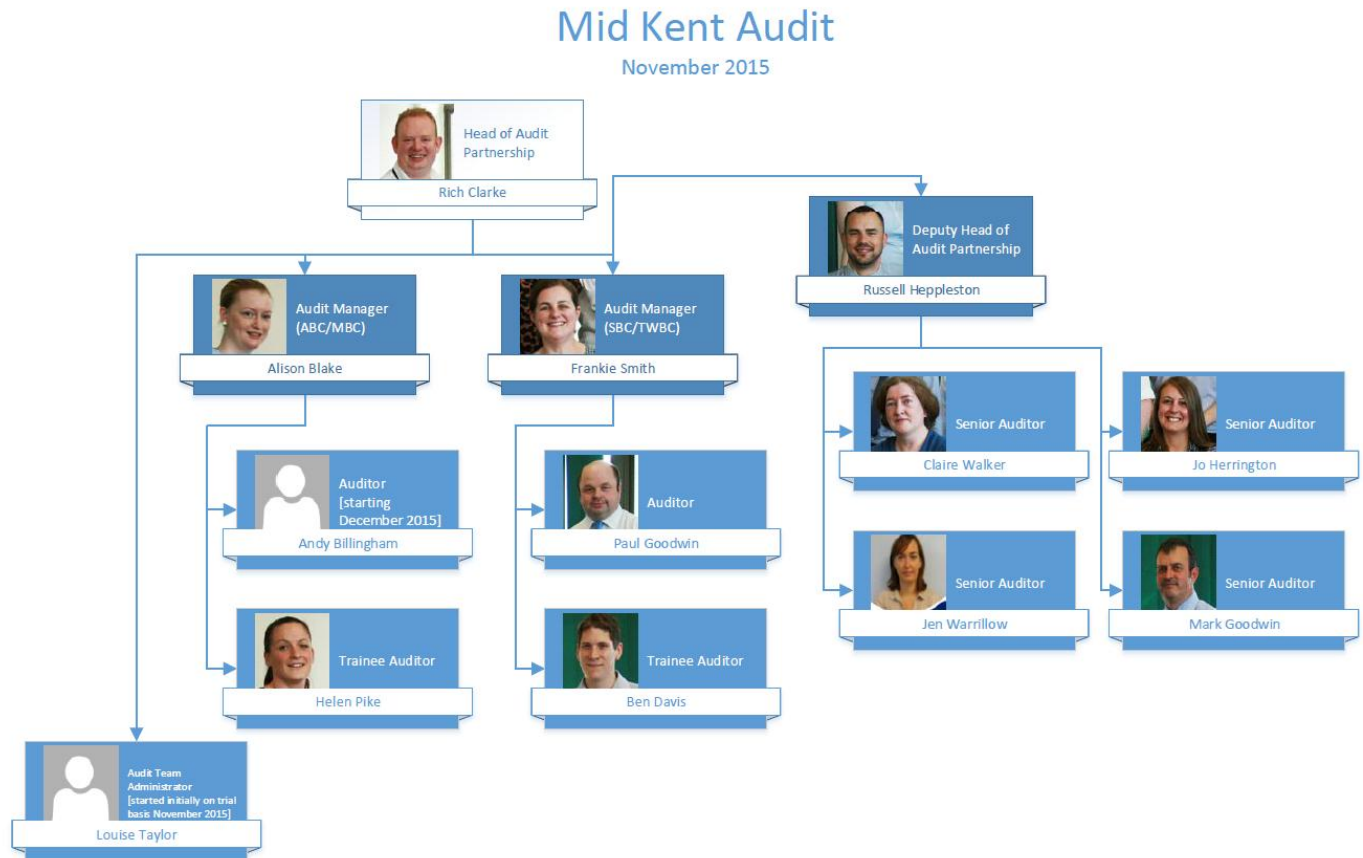
**Appendix II: Audit Plan Progress 2015/16, Projects Only (for interim report)**

Project Title	Project Type	Planning	Underway	Complete	Rating
Business Rates (MKS)	CFS			X	STRONG
Assembly Hall Theatre	SR			X	STRONG
Council Tax (MKS)	CFS			X	SOUND
Bank Reconciliations	CFS			X	STRONG
PS Project Gateway Review (MKS)*	Adv			X	N/A
Data Protection	CGR			X	WEAK
Contract Management	SR			X	SOUND
Recruitment	SR			X	SOUND
Conservation & Heritage	SR		X		
Business Continuity	CGR	X			
Elections	SR	X			
Payroll	CFR	X			
Budget Management	CFR	X			
Payments & Receipts	CFR	X			
General Ledger	SR	X			
Corporate Projects Review	CGR	X			
Economic Development	SR				
Members' Allowances	CGR				
Partnerships	SR				
Discretionary Payments (MKS)	SR				
Corporate Governance Review	CGR				
Feeder Systems	CFR				
Housing	SR				
ICT Networks (MKS)	SR				
Freedom of Information	CGR				
Health & Safety	SR				
Building Control	SR				

Project Types: CFS = Core Finance System  
CGR = Corporate Governance Review  
SR = Service Review  
Adv = Consultancy/Advisory Work

Project Title Key: (MKS) = Shared Service Project involving Tunbridge Wells BC  
\* = addition to the plan as originally approved in March 2015

## Appendix III: Mid Kent Audit Team Structure November 2015



To provide cover for two members of the team currently away on maternity leave we have engaged two contract auditors to deliver specific projects across the partnership.

## Audit and Governance Committee

8 December 2015

Is the final decision on the recommendations in this report to be made at this meeting?

**No**

## Annual Audit Letter 2014/15

<b>Final Decision-Maker</b>	Cabinet
<b>Portfolio Holder</b>	Finance and Governance – Councillor Barrington-King
<b>Lead Director</b>	Lee Colyer
<b>Head of Service</b>	Jane Fineman
<b>Lead Officer/Report Author</b>	Lee Colyer
<b>Classification</b>	Non-exempt
<b>Wards affected</b>	All

**This report makes the following recommendation(s) to the final decision-maker:**

1. That the Audit and Governance Committee consider and approve the Annual Audit Letter.

**This report relates to the following Five Year Plan Key Objectives:**

- A Prosperous Borough
- A Confident Borough

The Annual Audit Letter provides a judgement on whether the Council has in place sound governance arrangements and quality financial information to deliver the Council's Strategic Plan.

### Timetable

<b>Meeting</b>	<b>Date</b>
Management Board	24 November 2015 (verbal update)
Discussion with Portfolio Holder	23 November 2015
Cabinet Advisory Board	15 December 2015 meeting cancelled, report emailed on 8 December 2015.
Cabinet	14 January 2016

## Annual Audit Letter 2014/15

### 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report outlines the conclusions of the 2014/15 annual audit of Tunbridge Wells Borough Council by Grant Thornton.
  - 1.2 Overall the Audit Letter is extremely reassuring in that, despite the very challenging financial environment and the complexities of Local Government accounting, the Council has once again been found to have in place good financial governance and effective forward planning, both of which are essential to support sound strategic decision-making in difficult circumstances.
  - 1.3 This is the sixth year in succession that the Council has received a clean financial bill of health.
  - 1.4 The Audit Letter confirms an unqualified audit opinion across all areas and comments that the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.
- 

### 2. INTRODUCTION AND BACKGROUND

- 2.1 A copy of the Annual Letter is appended.
- 2.2 Each year, the External Auditor (Grant Thornton) carries out a series of audits and assessments on the Council's functions. The findings from the 2014/15 audit comprise the following elements:
  - Financial statements audit (including audit opinion);
  - Value for Money conclusion;
  - Whole of Government Accounts;
  - Certification of grant claims and returns; and
  - Audit fee

#### **Audit Opinion and Financial Statements**

- 2.3 The Appointed Auditor issued an unqualified audit opinion on the Council's financial statements on 25 September 2015. The Council had once again produced a set of financial statements to a high standard.

#### **Value for Money**

- 2.4 The Appointed Auditor reviewed the Council's arrangements against the three expected characteristics of:
  - Financial governance;



- Financial planning; and
- Financial control

2.5 The Council met or exceeded adequate standards and had a deep understanding of the financial challenges faced which forms the foundation for robust planning to manage the challenges ahead. Financial governance arrangements are effective and financial control arrangements are strong.

## **Whole of Government Accounts**

2.6 The Council prepares a data pack which is used by HM Treasury to produce a consolidated set of financial statements for the UK Public Sector. This Council's data was accepted by the government but is below the financial threshold that requires a separate audit.

## **Certification of Grant Claims and Returns**

2.7 The only grant claim that requires audit certification is the claim for housing benefits. This work is substantially complete and the results will be reported separately in the Grant Certification report.

## **Audit Fee**

2.8 The total audit fee for 2014/15 was £68,306 which is in line with the planned fee for the year.

## **Impact for Residents**

2.9 It is very reassuring for Council Tax payers to know that public funds are well controlled and that further financial challenges are being effectively planned for.

2.10 This 'clean' Annual Audit Letter, in addition to previous years' letters, has contributed to lower external audit fees.

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## **3. AVAILABLE OPTIONS**

3.1 There are no alternative options.

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## **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

4.1 To consider and approve the Annual Audit Letter. It is a requirement that the Cabinet and the Audit and Governance Committee should consider the External Auditor's Annual Audit Letter.

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## **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

5.1 The Annual Audit Letter is issued to all members and will be considered by Cabinet and the Audit and Governance Committee.

## 6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 The Annual Audit Letter will be published on to the Council's website.

## 7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off (name of officer and date)
<b>Legal</b> including Human Rights Act	The terms of reference for the Audit and Governance Committee specifically require the committee to consider the external auditor's annual letter.	Legal fee earner
<b>Finance</b> and other resources	The areas that are assessed within the annual audit letter form a significant part of the workload of the Finance Section. The level of fees is included with the revenue budget.	Head of Finance and Procurement
<b>Staffing establishment</b>	There are no new staffing implications.	Head of HR or deputy
<b>Risk management</b>	The level of audit fees reflects a reduction in risk associated with the control, accounting and planning of the Council's finances.	Head of Audit Partnership, Deputy Head of Audit Partnership or Audit Manager
<b>Environment</b> and sustainability	There are no new environmental implications.	Sustainability Manager
<b>Community safety</b>	There are no new community safety implications.	Community Safety Manager
<b>Health and Safety</b>	There are no new health and safety implications.	Health and Safety Advisor
<b>Health and wellbeing</b>	There are no new health and wellbeing implications.	Healthy Lifestyles Co-ordinator
<b>Equalities</b>	There are no new equalities implications.	West Kent Equalities Officer

## 8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: The Annual Audit Letter for Tunbridge Wells Borough Council Year ended 31 March 2015

## **9. BACKGROUND PAPERS**

None

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# The Annual Audit Letter for Tunbridge Wells Borough Council

**Year ended 31 March 2015**

09 October 2015

**Darren Wells**

Director

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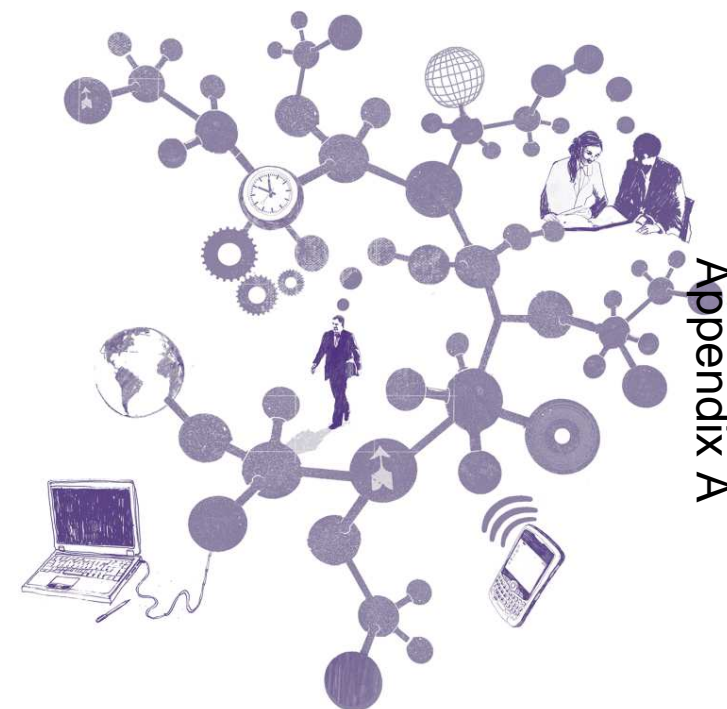
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Appendix A

# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Tunbridge Wells Borough Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 24 March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

<b>Financial statements audit (including audit opinion)</b>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 22 September 2015 to the Audit and Governance Committee. The key messages reported were:</p> <ul style="list-style-type: none"><li>• the quality of the draft statements presented for audit was good</li><li>• the finance team responded promptly and comprehensively to audit requests and queries</li><li>• minor narrative amendments were made to disclosures within the financial statement.</li></ul> <p>We issued an unqualified opinion on the Council's 2014/15 financial statements on 25 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p>
<b>Value for Money (VfM) conclusion</b>	<p>We issued an unqualified VfM conclusion for 2014/15 on 25 September 2015.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.</p>

# Key messages continued

Certification of housing benefit grant claim	Our certification work on the Council's 2014/15 housing benefit grant claim is substantially complete. The results of our work will be reported separately in the Grant Certification report which will be issued later in the year.
Audit fee	Our fee for 2014/15 was £68,306, excluding VAT which was in line with our planned fee for the year. Further detail is included within appendix A.

# Appendix A: Reports issued and fees

We confirm below the fees charged for the audit and confirm we did not provide any non-audit service during the year.

## Fees for audit services

	Per Audit plan £	Actual fees £
Opinion audit	68,306	68,306
Housing benefit grant certification fee	11,906	*TBC
<b>Total audit fees</b>	<b>80,212</b>	<b>68,306</b>

\* The Grant certification audit is substantially complete and the final fee will be reported in the Grant Certification report which will be issued later in the year.

## Reports, letters and opinions issued

Report	Date issued
2014/15 fee letter	23 April 2014
Audit Plan	24 March 2015
Audit Findings Report	22 September 2015
Auditor's opinion on the financial statements (including certificate of closure)	25 September 2015
Auditor's conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources	25 September 2015
WGA Assurance Statement (issued to National Audit Office)	25 September 2015
Certification Report	November 2015 (planned)
Annual Audit Letter	October 2015





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## Audit and Governance Committee

8 December 2015

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

## External Audit Progress Report

<b>Final Decision-Maker</b>	Cabinet
<b>Portfolio Holder</b>	Finance and Governance – Councillor Barrington-King
<b>Lead Director</b>	Lee Colyer
<b>Head of Service</b>	Jane Fineman
<b>Lead Officer/Report Author</b>	Lee Colyer
<b>Classification</b>	Non-exempt
<b>Wards affected</b>	All

**This report makes the following recommendation(s) to the final decision-maker:**

1. That the Audit and Governance Committee consider the progress report.

**This report relates to the following Five Year Plan Key Objectives:**

- A Prosperous Borough
- A Confident Borough

### Timetable

<b><i>Meeting</i></b>	<b><i>Date</i></b>
Management Board	24 November 2015 (verbal update)
Discussion with Portfolio Holder	23 November 2015

## External Audit Progress Report

### 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report provides the Audit and Governance Committee with an update from the external auditors on progress in delivering their responsibilities.
- 

### 2. INTRODUCTION AND BACKGROUND

- 2.1 The attached report provides an update from Grant Thornton on the progress of their work covering:
- A summary of emerging issues and developments; and
  - A number of challenges questions in respect of these emerging issues which the Committee may wish to consider.
- 2.2 The external auditors continue to work with the Council's finance staff and there are no significant matters arising from the audit work at the current time.
- 2.3 This report provides the public with assurance from Grant Thornton's work that public funds are being correctly accounted for and safeguarded.
- 

### 3. AVAILABLE OPTIONS

- 3.1 The Audit and Governance Committee could choose not to receive interim progress reports.
- 

### 4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Audit and Governance Committee should consider the progress report. The functions and delegations, as outlined in the constitution terms of reference, state that the committee 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 ensure it gives value for money; and
  - comment on the scope and depth of external audit work to ensure it gives value for money.
- 

### 5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 At the conclusion of each piece of work, Grant Thornton will issue a public report which will be discussed at the Audit and Governance Committee.

## 6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 This report is just an update, however all Grant Thornton final reports will be published on to the Council's website.

## 7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off (name of officer and date)
<b>Legal</b> including Human Rights Act	The Audit and Governance Committee has a legal obligation for the Council's governance arrangements.	Head of Legal
<b>Finance</b> and other resources	The areas that are assessed form a significant part of the workload of the Finance Section.	Head of Finance and Procurement
<b>Staffing establishment</b>	There are no new staffing implications.	Head of HR or deputy
<b>Risk management</b>	This is assessed as part of the value for money conclusion.	Head of Audit Partnership, Deputy Head of Audit Partnership or Audit Manager
<b>Environment</b> and sustainability	There are no new environmental implications.	Sustainability Manager
<b>Community safety</b>	There are no new community safety implications.	Community Safety Manager
<b>Health and Safety</b>	There are no new health and safety implications.	Health and Safety Advisor
<b>Health and wellbeing</b>	There are no new health and wellbeing implications.	Healthy Lifestyles Co-ordinator
<b>Equalities</b>	There are no new equalities implications.	West Kent Equalities Officer

## 8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Audit and Governance Committee Progress Report

## 9. BACKGROUND PAPERS

None

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# Audit and Governance Committee Update Tunbridge Wells Borough Council

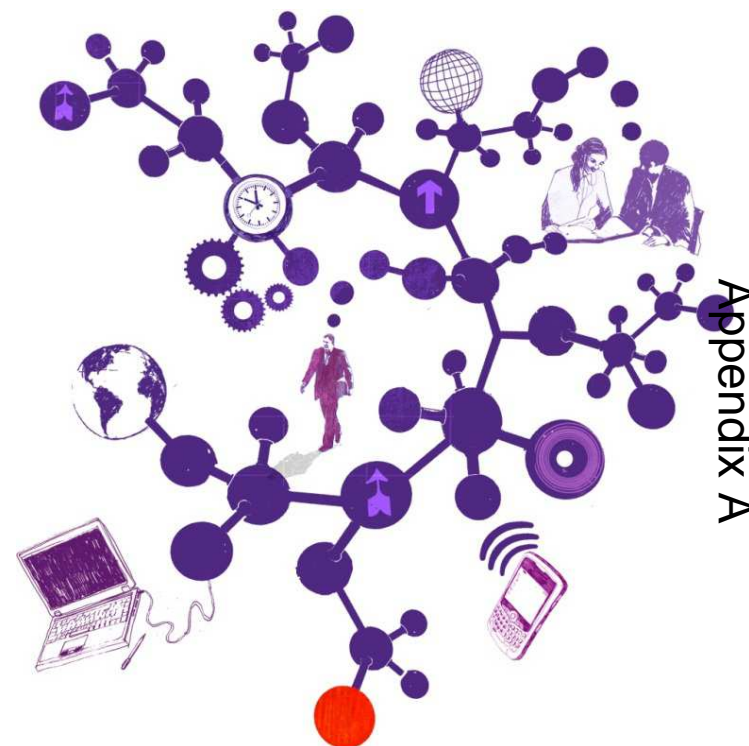
Year ended 31 March 2016

8 December 2015

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Appendix A

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



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# Introduction

This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Governance Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Making devolution work: A practical guide for local leaders
- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015

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

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Ade Oyerinde	Engagement Manager	07880 456 192	<a href="mailto:ade.o.oyerinde@uk.gt.com">ade.o.oyerinde@uk.gt.com</a>

# Progress at 8 December 2015

Work	Planned date	Complete?	Comments
<b>2014/15 Annual Audit Letter</b>  We are required to issue an Annual Audit Letter for 2014/15 by the end of October 2015.	October 2015	Yes	AAL issued 9 October and on today's agenda to note.
<b>2014/15 Grant Report</b>  Grant certification of the 2014/15 housing benefit claim.	November 2015	Yes	Claim return was certified with amendment on 26 November. Grant report was issued 26 November and is on today's agenda.
<b>2015/16 Accounts Fee Letter</b>  We are required to issue a 'Planned fee letter for 2015/16' by the end of April 2015.	April 2015	Yes	The Commission published the work programme and scales of fees for the audit of the 2015/16 accounts of principal audited bodies, including the lists of fees for individual bodies. The Commission has reduced scale audit fees for local government by 25%. The fee reductions are expected to apply until the end of the audit contracts in 2017, subject to annual review. There are no changes to the work programme for 2015/16.  The fee letter dated 13 April 2015 confirmed the 2015/16 scale audit fee as £51,230.  After the Commission's closure, the 2015/16 work programme and fees is accessible from the PSAA website <a href="http://psaa.co.uk">psaa.co.uk</a> .
<b>2015-16 Accounts Audit Plan and audit</b> We are required to issue a detailed accounts Audit Plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.	Dec 2015 - April 2016	In progress	Our planning and interim work on the accounts and value for money has commenced and the results will be reported to the committee Audit Plan to be presented to the committee in March 2016.

## Progress at 8 December 2015 continued

Work	Planned date	Complete?	Comments
<b>2015-16 final accounts audit</b> Including: <ul style="list-style-type: none"> <li>• audit of the 2015-16 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	June – July 2016	Not started	Our final accounts audit will be carried out in accordance with the agreed timetable.
<b>2015-16 Value for Money (VfM) conclusion</b> The scope of our work to inform the 2015-16 VfM conclusion is due to be finalised in November 2016.	Jan – Apr 2016	Not started	The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. Page 9 sets out further details.
<b>Other areas of work</b> Grant certification of the 2015-16 housing benefit claim.	November 2016	Not started	

# Emerging issues and developments:

## Councils must deliver local plans for new homes by 2017

### Local government issues

The Prime Minister announced on 12 October that all local authorities must have plans for the development of new homes in their area by 2017, otherwise central government will ensure that plans are produced for them. This will help achieve government's ambition of 1 million more new homes by 2020, as part of the newly announced Housing and Planning Bill.

The government has also announced a new £10 million Starter Homes fund, which all local authorities will be able to bid for. The Right to Buy Scheme has been extended with a new agreement with Housing Associations and the National Housing Federation. The new agreement will allow a further 1.3 million families the right to buy, whilst at the same time delivering thousands of new affordable homes across the country. The proposal will increase home ownership and boost the overall housing supply. Housing Association tenants will have the right to buy the property at a discounted rate and the government will compensate the Housing Associate for their loss.

# George Osborne sets out plans for local government to gain new powers and retain local taxes

## Local government issues

The Chancellor unveiled the "devolution revolution" on 5 October involving major plans to devolve new powers from Whitehall to Local Government. Local Government will now be able to retain 100 per cent of local taxes and business rates to spend on local government services; the first time since 1990. This will bring about the abolition of uniform business rates, leaving local authorities with the power to cut business rates in order to boost enterprise and economic activity within their areas. However, revenue support grants will begin to be phased out and so local authorities will have to take on additional responsibility. Elected Mayors, with the support of local business leaders in their LEPs, will have the ability to add a premium to business rates in order to fund infrastructure, however this will be capped at 2 per cent.

There has been a mixed reaction to this announcement. Some commentators believe that this will be disastrous for authorities which are too small to be self-sufficient. For these authorities, the devolution of powers and loss of government grants will make them worse off. It has also been argued that full devolution will potentially drive up council's debt as they look to borrow more to invest in business development, and that this will fragment the creditworthiness of local government.

# Code of Audit Practice

## National Audit Office

Under the Local Audit and Accountability Act 2014 the National Audit Office are responsible for setting the Code of Audit Practice which prescribes how local auditors undertake their functions for public bodies, including local authorities.

The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. This is available at <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf>

The Code is principles based and will continue to require auditors to issue:

- Opinion on the financial statements
- Opinion on other matters
- Opinion on whether the organisation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the "VFM conclusion".)

The NAO plan to supplement the new Code with detailed auditor guidance in specific areas. The published draft audit guidance for consultation on the auditor's work on value for money arrangements in August 2015, which is due to be finalised in November 2015. The draft guidance includes the following.

- Definition of the nature of the opinion to be given – i.e. a "reasonable assurance" opinion as defined by ISAE 300 (revised)
- Definitions of what could constitute "proper arrangements" for securing economy, efficiency and effectiveness in the use of resources
- Guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified
- Evaluation criteria to be applied
- Reporting requirements.

Grant Thornton submitted a response to the consultation which closed on 30 September 2015.

# Supporting members in governance

## Grant Thornton and the Centre for Public Scrutiny

We have teamed up with the Centre for Public Scrutiny to produce a member training programme on governance. Elected members are at the forefront of an era of unprecedented change, both within their own authority and increasingly as part of a wider local public sector agenda. The rising challenge of funding reductions, the increase of alternative delivery models, wider collaboration with other organisations and new devolution arrangements mean that there is a dramatic increase in the complexity of the governance landscape.

Members at local authorities – whether long-serving or newly elected – need the necessary support to develop their knowledge so that they achieve the right balance in their dual role of providing good governance while reflecting the needs and concerns of constituents.

To create an effective and on-going learning environment, our development programme is based around workshops and on-going coaching. The exact format and content is developed with you, by drawing from three broad modules to provide an affordable solution that matches the culture and the specific development requirements of your members.

- Module 1 – supporting members to meet future challenges
- Module 2 – supporting members in governance roles
- Module 3 – supporting leaders, committee chairs and portfolio holders

The development programme can begin with a baseline needs assessment, or be built on your own understanding of the situation.

Further details are available from your Engagement Lead and Audit Manager





# Knowing the Ropes – Audit Committee Effectiveness Review

## Grant Thornton

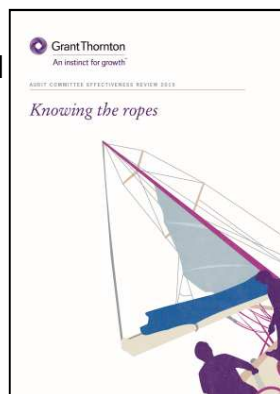
This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. It is available at <http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

The report is structured around four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

It raises key questions that audit committees, board members and senior management should ask themselves to challenge the effectiveness of their audit committee.

Our key messages are summarised opposite.





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## Audit and Governance Committee

8 December 2015

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

## Certification of Grant Claims 2014/15

<b>Final Decision-Maker</b>	Cabinet
<b>Portfolio Holder</b>	Finance and Governance – Councillor Barrington-King
<b>Lead Director</b>	Lee Colyer
<b>Head of Service</b>	Jane Fineman
<b>Lead Officer/Report Author</b>	Lee Colyer
<b>Classification</b>	Non-exempt
<b>Wards affected</b>	All

**This report makes the following recommendation(s) to the final decision-maker:**

1. That the Audit and Governance Committee consider and notes the findings of Grant Thornton's report in Appendix A.

**This report relates to the following Five Year Plan Key Objectives:**

- A Prosperous Borough
- A Confident Borough

### Timetable

<b>Meeting</b>	<b>Date</b>
Management Board	24 November 2015 (verbal update)
Discussion with Portfolio Holder	23 November 2015

## Certification of Grant Claims 2014/15

### 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 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.
- 

### 2. INTRODUCTION AND BACKGROUND

- 2.1 Grant Thornton undertook work to certify the Housing Benefit subsidy claim submitted by the Council.
- 2.2 The level and form of testing varies between claims to reflect the value and specific requirements of the grant paying body.

#### Results of the 2014/15 Certification Work

- 2.3 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, and these are detailed in Appendix A.
- 

### 3. AVAILABLE OPTIONS

- 3.1 The report is provided for information only.
- 

### 4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Audit and Governance Committee should consider the certification work report. The functions and delegations, as outlined in the constitution terms of reference, states that the committee 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 ensure it gives value for money; and
  - comment on the scope and depth of external audit work to ensure it gives value for money.

## 5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

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

## 6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

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

## 7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off (name of officer and date)
<b>Legal</b> including Human Rights Act	The Audit and Governance Committee has a legal obligation for the Council's governance arrangements.	Head of Legal
<b>Finance</b> and other resources	The areas that are assessed form a significant part of the workload of the Revenues and Benefits Section.	Head of Finance and Procurement
<b>Staffing establishment</b>	There are no new staffing implications.	Head of HR or deputy
<b>Risk management</b>	This is assessed as part of the value for money conclusion.	Head of Audit Partnership, Deputy Head of Audit Partnership or Audit Manager
<b>Environment</b> and sustainability	There are no new environmental implications.	Sustainability Manager
<b>Community safety</b>	There are no new community safety implications.	Community Safety Manager
<b>Health and Safety</b>	There are no new health and safety implications.	Health and Safety Advisor
<b>Health and wellbeing</b>	There are no new health and wellbeing implications.	Healthy Lifestyles Co-ordinator
<b>Equalities</b>	There are no new equalities implications.	West Kent Equalities Officer

## 8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Certification work report 2014/15

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## 9. BACKGROUND PAPERS

None



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26 November 2015

Dear Lee

**Certification work for Tunbridge Wells Borough Council for year ended 31 March 2015**

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 2014/15 relating to expenditure of £35.2 million (see appendix)

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 an error from our testing of the Housing benefit subsidy claim in respect of Rent Allowances which resulted in minor amendments to the claim. The benefits team undertook further work to identify the population affected and found a further three claims where the rent increases had not been processed. We reviewed the work undertaken and agreed the amendments made to the claim. (see appendix)

The indicative fee set by the Audit Commission for 2014/15 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. The indicative scale fee set by the Audit Commission for the Council for 2014/15 is £11,906. We are not proposing to make any changes to the indicative scale fee (see appendix).

Yours sincerely

For Grant Thornton UK LLP

## Appendix

### Details of claim and return certified for 2014/15

Claim or return	Value (£) revised	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	Cell 094 35,093,522  Cell 102 22,233,874	Yes	£594 increase on cells 094 and 102	No	Annual rent increment had not been processed for one claim in our sample population. Your subsequent review of the sub population affected identified a further three cases. The claim was amended for all four claims.

### Fees for 2014/15 certification work

Claim or return	2014/15 indicative fee (£)	2014/15 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	11,906	11,906	0	n/a
<b>Total</b>	<b>11,906</b>	<b>11,906</b>	<b>0</b>	



## Audit and Governance Committee

8 December 2015

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

## Appointment of Independent Member to the Constitution Review Working Party

<b>Final Decision-Maker</b>	Audit and Governance Committee
<b>Portfolio Holder</b>	Leader – Councillor Jukes
<b>Lead Director</b>	Lee Colyer, Director of Finance and Corporate Services
<b>Head of Service</b>	Jane Clarke, Head Policy and Governance
<b>Lead Officer/Report Author</b>	Wendy Newton-May, Democratic Services Team Leader
<b>Key Decision?</b>	No
<b>Classification</b>	Non-exempt
<b>Wards affected</b>	N/A

**This report makes the following recommendations to the final decision-maker:**

1. To appoint an Independent Member to the Constitution Review Working Party

**This report relates to the following corporate priorities:**

- A Prosperous Borough
- A Green Borough
- A Confident Borough

### Timetable

<b>Meeting</b>	<b>Date</b>
Management Team	N/A
Discussion with Portfolio Holder	N/A
Cabinet Advisory Board	N/A
Cabinet	N/A
Council	N/A
Audit and Governance Committee	8 December 2015

## Appointment of Independent Member to the Constitution Review Working Party

### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to appoint one of the Independent Members to the Constitution Review Working Party (CRWP), who will also be required to take on the role of Chairman.

---

### 2. INTRODUCTION AND BACKGROUND

- 2.1 Since July 2012 the CRWP has fallen under the remit of the Audit and Governance Committee. The membership is usually approved by Annual Council, following nomination from the Leader of the Council, however the terms of reference specify that the Working Party include one Independent Member, who is also appointed as Chairman.
- 2.2 Max Lewis has been the Chairman of the Working Party for the past three years, however he has now completed his term of office for the Audit and Governance Committee and therefore is no longer eligible to be a member of the CRWP.

---

### 3. AVAILABLE OPTIONS

- 3.1 To enable the CRWP to operate within its terms of reference another Independent Member is required to be appointed as Chairman.
- 3.2 An alternative option would be to amend the terms of reference, but this is not recommended as the Independent Member has a important role in ensuring independent scrutiny.

---

### 4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 It is recommended that one of the Independent Members is appointed to the CRWP to act as Chairman of the group.

#### **Role of the CRWP**

- 4.2 As the CRWP is not a decision making body, any decision making in respect of the CRWP recommendations would be made at the Audit and Governance Committee and Full Council.
- 4.3 The CRWP's role is to give early feedback to the Monitoring Officer who is responsible for bring forward reports concerned with the Constitution. To enable political input in connection with any changes to the Constitution, it has worked well for the CRWP to consist of a member of the Cabinet, a member representing the back benchers of the ruling group, and a member representing the opposition.
- 4.4 It has also proved important to have an Independent Member to ensure independent scrutiny and oversight to the Working Party's deliberations.

## 5. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 5.1 The appointment of the Independent Member will be made at the meeting and communicated in the minutes of this meeting.
- 5.2 Once the appointment has been made, a meeting of the CRWP will be arranged.

## 6. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off (name of officer and date)
<b>Legal</b> including Human Rights Act	The Constitutional Review Working Party plays a major role in ensuring the Council's Constitution and Council Procedures remain fit for purpose.  Having an Independent Member chair this group ensures independent scrutiny and oversight to the Working Party's deliberations.	John Scarborough
<b>Finance</b> and other resources	There are no financial implications.	Lee Colyer
<b>Staffing establishment</b>	There are no staffing implications.	
<b>Risk management</b>	There are no risk management implications.	
<b>Environment</b> and sustainability	There are no environment implications.	
<b>Community safety</b>	There are no community safety implications.	
<b>Health and wellbeing</b>	There are no health and wellbeing implications.	
<b>Equalities</b>	The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no apparent equality impact on end users.	

## 7. REPORT APPENDICES

None

## 8. BACKGROUND PAPERS

None

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## AUDIT AND GOVERNANCE WORK PROGRAMME

REPORT TITLE	8/12/15	29/3/16	28/6/16	26/7/16	20/9/16
<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	X				
Annual Revision of Audit Charter		X			
<b>External Audit</b>					
Annual Audit Letter	X				
Certification of Claims and Returns	X				
Audit Plan		X			
External Audit Progress Report	X				
Planned Audit Fee			X		
<b>Regularity Framework/Internal Control Arrangements</b>					
Counter Fraud Report			X		
<b>Accounts</b>					
Draft Statement of Accounts			X		
Financial Report and Audit Findings				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 (incorporating Annual Risk Management Summary in June)		X	X		

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