



TONBRIDGE & MALLING

BOROUGH COUNCIL

MARK R. RHODES
Borough Councillor for Hildenborough

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Mr Andy Mack,
District Auditor of Audit Commission,
16 South Park,
Sevenoaks,
Kent
TN13 1AN.

01/07/2009

Dear Mr Mack,

Re: Compliance with International Standards on Auditing 2008/09

On 15 June 2009 I received the following request from the District Auditor: -

“In order to comply with International Standard on Auditing (UK&I)240 we are required to obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council. I should be grateful if you would confirm:

- (i) how the Audit Committee oversees management processes to identify and respond to such risks, and
- (ii) whether you have knowledge of any actual, suspected or alleged frauds affecting the Council.”

Unfortunately, this request was received too late for the Audit Committee to consider the matter and so I am supplying a response as Chairman on behalf of the Audit Committee.

The Terms of Reference for the Audit Committee are set out in the Council Constitution in accordance with the model set out by CIPFA. As part of this role the Audit Committee will review all of the relevant strategies concerned with the overview function.

Besides reviewing the strategies regular updates of any concerns arising will be reported to the Audit Committee including the progress of investigations under the Confidential Reporting Code and updates of Insurance Claim History. For example Members were kept informed of the progress of the employer over claiming business mileage from an early stage through to the Court outcome.

As part of the overall budgetary process the annual budget and Medium Term Financial Strategy are also presented to this Committee. Management Team receive

regular reports on Income, Salary and Expenditure Monitoring and are required to report any significant deviations to Members. As part of this process the Committee is informed of any incidents that may have a significant effect on the accounts. The process is also supported by the Annual Governance Statement where consideration is given to all of the internal control processes. As part of this overall review all Chief Officers are required to produce an annual Service Assurance Statement that requires them to notify any significant areas of concern or suspicions of fraud or error.

The risk management process requires Chief Officers to notify Management Team of any areas of risk that could become significant and these are also reported to the Audit Committee. For example, the Icelandic banking collapse was reported to this Committee with details of the amounts invested, action taken and potential effect on the accounts.

Members have also been given training on the Risk Management process as well as receiving regular reports.

The Chief Internal Auditor gives this Committee frequent updates on the work carried out by the Internal Audit Team including an assurance opinion based upon this work. These reports are detailed including all high priority recommendations and action taken to improve any perceived control weaknesses. Members are able to, and frequently do, ask questions on the work undertaken. Where there are particular concerns the Audit Committee will be informed prior to completion of the audit work and will be informed whether or not there is a potential effect to the accounts. For example, the treatment of rent deposits was brought to Members attention whilst the investigation was being undertaken. The Chief Internal Auditor is also required to present an annual report to this Committee where he gives an overall assurance statement.

The Terms of Reference for Internal Audit are approved by this Committee on an annual basis. These Terms of Reference include the right of access of the Chief Internal Auditor to approach the Audit Committee Chairman direct if he ever feels the need to take such action. This has never happened.

All reports undertaken and reported upon by the Audit Commission are presented to the Audit Committee together with any agreed action plans identified. The District Auditor or his representative attend Audit Committee meetings and are open to questioning about these reports.

At the present time I have no knowledge of any actual, suspected or alleged frauds affecting the Council. (This does not include the investigation of Benefit Fraud as this is reported upon to the Finance & Property Advisory Board.)

Yours sincerely

A handwritten signature in black ink, appearing to be 'M. Rhodes', written over a horizontal line.

Cllr Mark Rhodes
Audit Committee Chairman