

TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 25th January, 2016

Present: Cllr V M C Branson (Chairman), Cllr T Edmondston-Low (Vice-Chairman), Cllr T Bishop, Cllr B T M Elks, Cllr S R J Jessel, Cllr S M King, Cllr Mrs S L Luck and Cllr M Parry-Waller

Grant Thornton, External Auditors: Ms S Ironmonger (Engagement Lead) and Mr T Greenlee (Audit Manager)

Councillors Mrs J A Anderson, O C Baldock, N J Heslop, D Lettington, D Markham and M R Rhodes were also present pursuant to Council Procedure Rule No 15.21.

An apology for absence was received from Councillor M C Base

PART 1 - PUBLIC

AU 16/1 GRANT THORNTON ENGAGEMENT LEAD

The Chairman welcomed Sarah Ironmonger who had replaced Darren Wells as the Council's external auditor Engagement Lead.

AU 16/2 DECLARATIONS OF INTEREST

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

AU 16/3 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 7 September 2015 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO THE CABINET

AU 16/4 TREASURY MANAGEMENT UPDATE AND ANNUAL INVESTMENT STRATEGY FOR 2016/17

The report of the Director of Finance and Transformation provided details of investments undertaken and returns achieved in the first nine months of the current financial year together with an introduction to the Treasury Management and Annual Investment Strategy for 2016/17.

It was noted that investment income was £19,600 above the revised budget for the same period and £36,550 above the original estimate. This was largely attributable to a more favourable pattern of payments to

the Government and other recipients of business rates collected by the Council. Reference was made to the modest uplift in returns built into the investment income projection for 2016/17 in anticipation of a Bank Rate rise during the year. However the Committee was informed that Capita, the Council's treasury advisors, had recently updated their forecast based on a delay in interest rate rise from mid to end of 2016.

Members asked questions on various aspects of the investment performance and content of the Strategy. The Chairman indicated the intention of arranging appropriate training on treasury management, details of which would be given in due course.

RECOMMENDED: That

- (1) the treasury management position as at 31 December 2015 be noted; and
- (2) the Treasury Management and Annual Investment Strategy for 2016/17, as set out at Annex 4 to the report, be adopted.

DECISIONS TAKEN UNDER DELEGATED POWERS IN ACCORDANCE WITH PARAGRAPH 3, PART 3 OF THE CONSTITUTION

AU 16/5 ANNUAL REVIEW OF ANTI-FRAUD POLICIES AND WHISTLEBLOWING POLICY

The report of the Director of Finance and Transformation gave details of the outcome of the annual review of the Council's Anti-Fraud Policies and Whistleblowing Policy. It was noted that in each case no substantive changes were proposed other than some minor textual amendments together with a reflection of the responsibility of the Department for Work and Pensions for investigation of housing benefit fraud in the Anti-Fraud Policies.

Members considered the policies presented in the annexes to the report and suggested a number of amendments which would be addressed by the officers.

RESOLVED: That

- (1) the Anti-Fraud Policies set out at Annexes 1, 2 and 3 to the report be approved subject to the amendment of paragraph 4.12 of the Anti-Fraud and Corruption Policy to reflect the current value of gifts and hospitality to be declared under the Constitution; and the inclusion in paragraph 4.18 of examples of bodies undertaking external scrutiny of the Council; and
- (2) the Whistleblowing Policy set out at Annex 4 to the report be commended to the General Purposes Committee for

endorsement subject to the inclusion in paragraph 6.1 of advice to raise a concern even if unsure about the precise criteria for doing so; and the amendment of the third bullet point of paragraph 6.6 regarding verbal complaints to read: "...the employee is encouraged to write down any relevant information and date it."

AU 16/6 ACCOUNTING POLICIES FOR 2015/16 FINANCIAL STATEMENTS

Consideration was given to the report of the Director of Finance and Transformation which presented the Accounting Policies proposed for the 2015/16 Financial Statements. The report highlighted a new accounting policy which reflected a change to the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 in respect of the valuation of investment properties. The report was corrected at the meeting to indicate that the valuation of investment properties was previously undertaken at market value and would now be carried out on the balance sheet at fair value.

RESOLVED: That the Accounting Policies set out at Annex 1 to the report be endorsed for use in the preparation of the 2015/16 Financial Statements.

AU 16/7 INTERNAL AUDIT CHARTER

The report of the Chief Internal Auditor informed the Committee of the outcome of the review of the Internal Audit Charter and highlighted an amendment to reflect the shared service arrangement with Kent County Council. It was noted that the Audit and Assurance Manager had been named as the officer fulfilling the role of Chief Audit Executive under the Public Sector Internal Audit Standards following the departure of the Chief Internal Auditor. The re-drafting of the Charter therefore anticipated the consideration of a report on establishment structure by the General Purposes Committee on 1 February 2016.

Members were advised that it might be necessary to update the Charter again at the April meeting to reflect a consultation on two new elements regarding a mission statement and ten core principles of effective internal audit.

RESOLVED: That subject to the outcome of the General Purposes Committee in respect of the role of Chief Audit Executive, as set out in paragraph 1.2.3 of the report, the Internal Audit Charter at Annex 1 thereto be noted and approved.

AU 16/8 PROPOSED WORK PROGRAMME AND SCALES OF FEES FOR 2016/17

The report of the Director of Finance and Transformation introduced the Work Programme and Scales of Fees for 2016/17 proposed by Public Sector Appointments Limited (PSAA) in respect of work undertaken by

the Council's external auditors. It was noted that PSAA, which now carried out the responsibilities previously discharged by the Audit Commission, did not plan to make any changes to the overall work programme and proposed that the 2016/17 scale audit fees and indicative certification fees be set at the same level as those applicable in 2015/16.

Members were advised of the options available for appointing external auditors at the end of the existing contract in 2018 via an individual or joint independent auditor panel or sector-led body and of a prospective initiative of the Local Government Association. Concern was expressed that arrangements would be onerous on an individual basis particularly in relation to engaging the necessary level of expertise. An update would be provided as more information became available.

RESOLVED: That the 2016/17 Proposed Work Programme and Scales of Fees be noted and endorsed.

MATTERS SUBMITTED FOR INFORMATION

AU 16/9 INTERNAL AUDIT AND FRAUD INVESTIGATION UPDATE

The report of the Chief Internal Auditor provided an update on the work of both the Internal Audit and Counter Fraud functions for the period 1 April to 31 December 2015. The Committee was advised of progress against the 2015/16 Internal Audit Plan and Members' questions answered regarding the audit of car park income and corporate credit cards. A policy in respect of the use of corporate credit cards was requested and the officers undertook to report back on the matter to a future meeting.

Details were given of the Council's activity in preventing and detecting fraud and corruption. Reference was also made to work undertaken with a number of external agencies in progressing investigations and a summary presented of those concluded in 2015/16 to date. Members were advised that the Fraud Team no longer investigated allegations of housing benefit fraud which would now be undertaken by the DWP, all current cases being physically handed over on 2 February 2016.

RESOLVED: That the report be received and noted subject to a future report on a corporate credit card policy.

AU 16/10 ANNUAL AUDIT LETTER

The report of the Director of Finance and Transformation advised the Committee of the receipt of the Annual Audit Letter summarising the main outcomes from the work carried out by the external auditors for the year ended 31 March 2015. The letter was introduced by Mr Greenlee who indicated that it repeated the headline messages in the Audit Findings Report presented to the Committee in September 2015. These

were that the Council's accounts were produced to a high standard, there continued to be an effective framework of financial control and robust arrangements for financial governance, addressing financial pressures and delivering planned savings. The Council also recognised the need for a wider approach to transformation and was addressing this by preparing a revised corporate strategy.

Members welcomed the letter and congratulated all staff involved.

RESOLVED: That the report be received and noted.

AU 16/11 GRANT THORNTON - AUDIT COMMITTEE UPDATE

The report of the Director of Finance and Transformation introduced Grant Thornton's report on progress in delivering their responsibilities as the Council's external auditors and summarising a number of relevant national issues and developments. Ms Ironmonger drew attention to a recent publication "Knowing the Ropes – Audit Committee Effectiveness" which could be discussed further at a future meeting if the Committee so wished. She offered to supply paper copies of the document on request.

RESOLVED: That the report be received and noted.

AU 16/12 GRANT THORNTON PUBLICATION - REFORGING LOCAL GOVERNMENT

The report of the Director of Finance and Transformation introduced Grant Thornton's report "Reforging Local Government" published in December 2015. Ms Ironmonger highlighted the challenges presented by the Local Government Finance Settlement and the difficult choices facing local authorities. She encouraged Members to read the full report, paper copies of which were available on request.

The Leader referred to the Council's Savings and Transformation Strategy which would be revisited at the forthcoming Cabinet meeting and ongoing discussions between the West Kent district councils and Kent County Council regarding configuration of services.

RESOLVED: That the report be received and noted.

AU 16/13 EXCLUSION OF PRESS AND PUBLIC

There were no items considered in private.

The meeting ended at 8.56 pm