

# TONBRIDGE AND MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

Monday, 14th April, 2014

**Present:** Cllr Ms V M C Branson (Chairman), Cllr T Edmondston-Low (Vice-Chairman), Cllr S M King and Cllr M Parry-Waller

Grant Thornton, External Auditors: Mr G Short (Audit Team Leader)

Councillors Mrs J A Anderson, O C Baldock, T Bishop, M A Coffin, N J Heslop, B J Luker, Mrs S Murray and M R Rhodes were also present pursuant to Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors Mrs A S Oakley and T J Robins

### PART 1 - PUBLIC

#### **AU 14/13 DECLARATIONS OF INTEREST**

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

#### **AU 14/14 MINUTES**

**RESOLVED:** That the Minutes of the meeting of the Audit Committee held on 27 January 2014 be approved as a correct record and signed by the Chairman.

### MATTERS FOR RECOMMENDATION TO THE COUNCIL

#### **AU 14/15 AUDIT COMMITTEE ANNUAL REPORT**

The report of the Chairman of the Audit Committee was produced to inform the Council of the means by which the Committee had provided independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

The report summarised the work carried out by the Committee during 2013/14 and concluded that the required assurance set out in the CIPFA Audit Committee Guidance had been provided to those charged with governance. A minor amendment was made to paragraph 1.13.3 of the report, deleting the words "to support".

**RECOMMENDED:** That the Annual Report be presented to the Council as independent assurance to those charged with governance on the adequacy of the risk management framework, the internal control



environment and the integrity of the financial reporting and annual governance processes.

**\* Referred to Council**

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

**AU 14/16 ANNUAL GOVERNANCE STATEMENT 2013/14 AND ACCOUNTING POLICIES USED IN PREPARATION OF THE FINANCIAL STATEMENTS**

The Director of Finance and Transformation presented the Annual Governance Statement for the year ended 31 March 2014 which was required to be certified by both the Leader of the Council and the Chief Executive and to accompany the Council's Statement of Accounts 2013/14.

The Annual Governance Statement had been prepared by way of a self-assessment questionnaire and supporting evidence including the Chief Internal Auditor's interim report (Minute AU 14/21 refers). Consideration was also given to the Accounting Policies to be used in preparation of the Financial Statements, the changes from those used for the 2012/13 Statements being highlighted in the report.

The Committee discussed ways of clarifying the Annual Governance Statement and suggested that initially the purpose set out in the report should be reproduced in the introduction to the Statement.

**RESOLVED:** That

- (1) the Annual Governance Statement 2013/14, as set out at Annex 1 to the report, be endorsed subject to inclusion of the purpose identified in the second sentence of paragraph 1.1.2 of the report as the introduction to the Statement;
- (2) the Annual Governance Statement, as amended, be recommended for adoption to the General Purposes Committee to accompany the Statement of Accounts 2013/14; and
- (3) the Accounting Policies to be used in the preparation of the Financial Statements, as set out at Annex 3 to the report, be approved.

**AU 14/17 INTERNAL AUDIT PLAN 2014/15**

The Chief Internal Auditor presented the draft Internal Audit Plan for 2014/15. Consideration was given to coverage of the plan which was based on a risk assessment of the Council's Internal Audit needs and contained both assurance and consultancy work. It was noted that the

plan reflected the Council's focus on identifying financial savings and opportunities for generating income and efficiencies in services and was sufficiently flexible to allow for response to unforeseen investigations as they arose.

**RESOLVED:** That the Internal Audit Plan for 2014/15, as set out at Annex 1 to the report, be approved subject to rationalisation of the numbering of the audits.

#### **AU 14/18 TREASURY MANAGEMENT UPDATE**

The report of the Director of Finance and Transformation provided an update of treasury management activity undertaken during the 2013/14 financial year within the context of the national economy. Members were invited to endorse the action taken by officers and to note the treasury management position as at 28 February 2014.

Attention was drawn to the revised estimate of investment income as a result of the Funding for Lending initiative introduced by the Bank of England. Members were pleased to note the recovery of just over 95% of the original investment with Landsbanki.

**RESOLVED:** That

- (1) the action taken by officers in respect of treasury management activity be endorsed; and
- (2) the treasury management position as at 28 February 2014 be noted.

#### **AU 14/19 COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING**

The report of the Chairman of the Audit Committee explained how those charged with governance were required to assure the External Auditor that the Council had complied with the requirements of the International Standards on Auditing. Members considered the responses which had been prepared with input from the Chairmen of the Audit and General Purposes Committees, both bodies having responsibility for corporate governance. It was noted that the Management Team was also required to provide assurance in this regard, being the subject of a separate report to the Committee.

**RESOLVED:** That

- (1) the responses set out in Annex 1 to the report be endorsed and the assurance provided be agreed; and

- (2) the General Purposes Committee be requested to ratify the assurance given by its Chairman at its next meeting on 23 June 2014.

### **MATTERS SUBMITTED FOR INFORMATION**

#### **AU 14/20 MANAGEMENT TEAM ASSURANCE ON COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING**

The Committee received the report of the Management Team confirming compliance with the International Standards on Auditing. Reference was made to the similar assurance to be provided by the Audit and General Purposes Committees for which the Management Team provided supporting evidence (Minute AU 14/19 refers).

**RESOLVED:** That the report be received and noted.

#### **AU 14/21 CHIEF INTERNAL AUDITOR'S INTERIM REPORT**

The Committee received the opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the Council's control environment as required by the Public Sector Internal Audit Standards. This was part of the evidence used to inform the Annual Governance Statement and it was noted that a full annual report would be presented at the June meeting of the Committee. Members were advised that based upon the work carried out and supporting evidence, in the opinion of the Chief Internal Auditor the Council had maintained an adequate and effective internal control environment during 2013/14.

The Committee received a presentation on the feedback from the Audit Commission arising from the fraud survey.

**RESOLVED:** That the report be received and noted.

#### **AU 14/22 REVIEW OF OPERATIONAL RISK REGISTERS**

The report of the Director of Finance and Transformation updated the Committee on the results of a review of the Operational Risk Registers carried out by Services in December 2013. It was noted that the levels of risk remained reasonably static with a minor fluctuation in the lower and medium level risks. Details of those risks scored as high were set out in the Annex to the report and Members were advised that they would be considered as part of the Internal Audit Plan to ensure that action had been taken to minimise the risk to an acceptable level.

Members commented on the format of the risk registers and considered that it would be helpful for actual risks to be recorded. It was also noted that a higher level strategic risk register and corporate business continuity plan existed above the operational risk registers.

**RESOLVED:** That the report be received and noted.

**AU 14/23 UPDATE ON THE WORK OF INTERNAL AUDIT DURING 2013/14**

The report of the Chief Internal Auditor provided an update on the progress of the Internal Audit team against the agreed 2013/14 Annual Internal Audit Plan. An indication was given of the current status of all audits on the 2013/14 Plan including a summary of findings where finalised and an explanation of the deferral of two audits at the request of management.

**RESOLVED:** That the report be received and noted.

**AU 14/24 GRANT THORNTON ITEMS FOR AUDIT COMMITTEE**

The report of the Director of Finance and Transformation referred to items from Grant Thornton, the Council's external auditors. These were introduced by Mr Graham Short (Audit Team Leader) and included the 2013/14 Audit Plan which set out the proposed approach to the audit of the Council's financial statements. The Committee also received Grant Thornton's report on progress in delivering their responsibilities as the Council's external auditors together with a summary of emerging national issues and developments that might be relevant to the Council. Mr Short answered a range of questions from Members.

**RESOLVED:** That the report be received and noted.

**AU 14/25 GRANT THORNTON PUBLICATIONS**

The report of the Director of Finance and Transformation provided summaries of two of Grant Thornton's publications: 'Reaping the benefits: First impressions of the impact of welfare reform' and 'Working in tandem: Local Government Governance Review 2014'.

**RESOLVED:** That the report be received and noted.

**AU 14/26 EXCLUSION OF PRESS AND PUBLIC**

The Chairman moved, it was seconded and

**RESOLVED:** That as public discussion would disclose exempt information, the following matters be considered in private.

**PART 2 - PRIVATE****MATTERS SUBMITTED FOR INFORMATION****AU 14/27 INSURANCE CLAIMS HISTORY 2013/14**

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

The Director of Finance and Transformation reported on the nature and volume of liability and property damage claims submitted for the year ended 31 March 2014.

**RESOLVED:** That the report be received and noted.

The meeting ended at 9.07 pm