

TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 26th January, 2015

Present: Cllr 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 D Wells (Engagement Lead)

Councillors Mrs J A Anderson, O C Baldock, N J Heslop, 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 F A Kemp and Mrs A S Oakley

PART 1 - PUBLIC

AU 15/1 DECLARATIONS OF INTEREST

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

AU 15/2 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 6 October 2014 be approved as a correct record and signed by the Chairman.

With reference to Minute AU 14/44, it was noted that a revised Internal Audit Plan was no longer required as the team was now fully resourced.

MATTERS FOR RECOMMENDATION TO THE CABINET

AU 15/3 ANNUAL REVIEW OF ANTI-FRAUD POLICIES

The report of the Director of Finance and Transformation gave details of the outcome of a review of the Anti-Fraud Policies of the Council. A number of changes had been highlighted which were recommended for adoption and Members identified some further drafting amendments.

RECOMMENDED: That the Council approve the following draft policies:

- (1) the Anti-Fraud and Corruption Policy, as set out at Annex 1 to the report, subject to the amendment of paragraph 4.12 regarding declaration of gifts or hospitality to be consistent with the Constitution;

- (2) the Housing and Council Tax Benefit Anti-Fraud Policy, as set out at Annex 2 to the report, subject to deletion of the reference to 'Here and Now' in paragraph 5.2 and to an explanation of the removal of paragraph 5.6 regarding the Investigation Manager's quarterly report on the outcome of referrals; and
- (3) the Council Tax Reduction, Discounts and Exemptions Anti-Fraud Policy, as set out at Annex 3 to the report, subject to the corresponding removal of paragraph 5.6 regarding circulation of a quarterly report on the outcome of referrals.

AU 15/4 TREASURY MANAGEMENT UPDATE AND ANNUAL INVESTMENT STRATEGY 2015/16

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 Annual Investment Strategy for 2015/16.

An explanation was given for the under-performance against budget attributable to the lower than expected return delivered by the external fund manager prior to transfer of the management of core funds in-house from 1 August 2014. Details were given of the current investment position and internal lending list. The Committee was advised that Capita, the Council's treasury advisors, had amended their credit worthiness methodology to a minimum long-term credit rating of Fitch 'A-' or equivalent rather than Fitch 'A' and this had been included in the Annual Investment Strategy for 2015/16.

RECOMMENDED: That

- (1) the treasury management position as at 31 December 2014 be noted;
- (2) the current minimum long-term credit requirement be reduced from Fitch 'A' to Fitch 'A-' or equivalent; and
- (3) the Treasury Management Strategy Statement and Annual Investment Strategy for 2015/16, as set out at Annex 3 to the report, be adopted.

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

AU 15/5 ACCOUNTING POLICIES FOR 2014/15 FINANCIAL STATEMENTS

The report of the Director of Finance and Transformation presented the Accounting Policies proposed to be used in the preparation of the Financial Statements for 2014/15. It was noted that the only change

resulted from Grant Thornton's recommendation following the audit of the 2013/14 Accounts in respect of the interim revaluation of assets. The report set out the proposed new accounting policy in respect of Land and Buildings to which was added the following sentence at the end of the second paragraph: "The Council's external valuers will also advise annually on any further work required to identify material changes in asset valuations".

RESOLVED: That the Accounting Policies to be used in the preparation of the Financial Statements, as set out at Annex 1 to the report and amended at the meeting, be endorsed and commended to the General Purposes Committee at its meeting on 2 February 2014.

AU 15/6 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 a minor amendment to reflect the change of title of the Audit Manager to Audit and Assurance Manager.

RESOLVED: That the Internal Audit Charter, as set out at the Annex to the report, be noted and endorsed.

AU 15/7 AUDIT COMMISSION - PROPOSED WORK PROGRAMME AND SCALES OF FEES 2015/16

The report of the Director of Finance and Transformation introduced the Audit Commission's Proposed Work Programme and Scales of Fees for 2015/16. It was noted that the Commission did not plan to make any changes to the work programme but was proposing to reduce the scale of fees by a further 25% as a result of a recent procurement exercise. This was welcomed by Members in the current financial climate.

RESOLVED: That the Audit Commission's proposed Work Programme and Scales of Fees for 2015/16 be noted and endorsed.

MATTERS SUBMITTED FOR INFORMATION

AU 15/8 ANNUAL AUDIT LETTER 2013/14

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 2014. The letter repeated the headline messages in the Audit Findings Report presented to the Committee in October 2014 which were that the Council's accounts were produced to a high standard, there continued to be a strong focus on effective financial management and a robust framework for addressing financial pressures and delivering planned savings.

Members welcomed the letter and thanked all staff involved.

RESOLVED: That the report be received and noted.

AU 15/9 UPDATE ON WORK OF INTERNAL AUDIT DURING 2014/15

The report of the Chief Internal Auditor provided an update on the progress of the Internal Audit Team against the agreed 2014/15 Internal Audit Plan. Further to Minute AU 14/44, Members were advised that it had been unnecessary to issue a revised plan since the recruitment of two full-time posts would enable the approved plan to be completed. A summary was given of the current status of all assurance reviews on the 2014/15 plan and, as requested at the last meeting, more information was provided on the results of the recommendation follow-up process.

Members thanked the Internal Audit Team for their efforts during difficult circumstances and requested that their best wishes be conveyed to the Chief Internal Auditor.

RESOLVED: That the report be received and noted.

AU 15/10 GRANT THORNTON PUBLICATION: RISING TO THE CHALLENGE - THE EVOLUTION OF LOCAL GOVERNMENT

The report of the Director of Finance and Transformation referred to receipt of Grant Thornton's publication 'Rising to the challenge – The evolution of local government' assessing whether local authorities had arrangements in place to ensure their sustainable financial future. It was noted that the overall message was positive, the study finding that most local authorities had continued to rise to the challenge posed by government reductions. The key messages drawn from the latest Annual Audit Letter highlighted the effectiveness of the measures taken by the Council and reference was made to the Medium Term Financial Strategy which allowed the financial pressures to be addressed in a measured and controlled way.

RESOLVED: That the report be received and noted.

AU 15/11 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. Mr Wells commented on the various elements of the report, in particular that Grant Thornton's national report '2020 Vision' pointed to a time for radical discussion of ways of achieving a sustainable future for local government.

RESOLVED: That the report be received and noted.

AU 15/12 GRANT CERTIFICATION WORK 2013/14

The report of the Director of Finance and Transformation summarised the findings from the certification by Grant Thornton of the 2013/14 housing benefit subsidy claim. It was noted that this was now the only claim requiring certification and clarification given that the balance owed to the Council by the DWP in 2013/14 was £3,567.

RESOLVED: That the report be received and noted.

AU 15/13 EXCLUSION OF PRESS AND PUBLIC

There were no items considered in private.

The meeting ended at 8.19 pm