

# TONBRIDGE AND MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

Monday, 23rd January, 2017

**Present:** Cllr V M C Branson (Chairman), Cllr M C Base (Vice-Chairman), Cllr T Bishop, Cllr S R J Jessel and Cllr S C Perry

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

Councillors O C Baldock, M A Coffin, D Markham, M R Rhodes and H S Rogers were also present pursuant to Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors T Edmondston-Low, B T M Elks, Mrs F A Kemp and B W Walker

### PART 1 - PUBLIC

#### **AU 17/1 DECLARATIONS OF INTEREST**

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

#### **AU 17/2 MINUTES**

**RESOLVED:** That the Minutes of the meeting of the Audit Committee held on 5 September 2016 be approved as a correct record and signed by the Chairman.

### MATTERS FOR RECOMMENDATION TO THE CABINET

#### **AU 17/3 APPOINTMENT OF EXTERNAL AUDITORS**

The report of the Director of Finance and Transformation referred to the decision of the Committee at Minute AU 16/18 to identify the opt-in to a sector led body as the preferred option for the appointment of external auditors when the transitional arrangements came to an end on 31 March 2018. Members were advised that the formal invitation to opt-in to the appointing person arrangements made by Public Sector Audit Appointments Limited (PSAA) was received on 27 October 2016 with a closing date of 9 March 2017. A copy of the PSAA prospectus and FAQs were annexed to the report.

**RECOMMENDED:** That the Council opts in to the appointing person arrangements made by Public Sector Audit Appointments for the appointment of external auditors.

**AU 17/4 TREASURY MANAGEMENT UPDATE AND TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2017/18**

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 2017/18.

It was noted that investment income at the end of December was £22,900 above budget for the same period and was largely attributable to higher than expected cash flow and core balances at the start of the financial year and the opportunity this presented to place more investment in higher yielding term deposits. The pattern of income generation had changed significantly following the August Bank Rate cut which resulted in lower returns going forward. Nevertheless it was expected that income for the year as a whole would still be in line with the original budget.

Reference was made to a review of investment duration and additional flexibility, subject to appropriate safeguards, was sought. The report explored the use of property funds for long term investment and recommended their inclusion in the 2017/18 Annual Investment Strategy. Members gave careful consideration to the use of property funds and asked questions on various aspects of their operation and their income and capital performance.

**RECOMMENDED:** That

- (1) the treasury management position as at 31 December 2016 be noted;
- (2) the use of property funds for long term investment be endorsed;
- (3) subject to the caveats identified in paragraph 1.3.14 of the report, the Council allow up to six months to be added to Capita's suggested duration for UK institutions, subject to overall duration not exceeding 12 months; and
- (4) the Annual Investment Strategy for 2017/18, as set out at Annex 4 to the report, be adopted.

**AU 17/5 RISK MANAGEMENT STRATEGY**

The joint report of the Chief Executive and Director of Finance and Transformation presented an updated Risk Management Strategy which had been fully reviewed together with the Risk Management Guidance. Details were given of the main changes to the risk management process which involved identified risks falling in the "red zone" being subject to

“escalation” to the relevant service management team, corporate Management Team and subsequently Members as appropriate.

An informal briefing on the revised process would be held for members of the Audit Committee before the April meeting when an updated Corporate Risk Register, aligned with the recently approved Corporate Strategy, would be presented.

**RECOMMENDED:** That

- (1) the proposed change to the risk management process detailed at paragraph 1.2.2 of the report be endorsed; and
- (2) the Risk Management Strategy set out at Annex 1 to the report be commended for adoption by the Council.

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

**AU 17/6 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. Members considered the policies presented in the annexes to the report and suggested that in the case of the Whistleblowing Policy, relevant contact details be included in section 8 for taking a matter further to organisations outside the Council.

**RESOLVED:** That

- (1) the Anti-Fraud Policies set out at Annexes 1, 2 and 3 to the report be approved; and
- (2) the Whistleblowing Policy set out at Annex 4 to the report, as amended with relevant contact details, be commended to the General Purposes Committee for endorsement.

**AU 17/7 INTERNAL AUDIT CHARTER**

The report of the Chief Audit Executive informed the Committee of the outcome of the review of the Internal Audit Charter and highlighted one minor amendment and that the document reflected the shared service arrangement with Kent County Council.

**RESOLVED:** That the Internal Audit Charter set out at Annex 1 to the report be noted and approved.

**AU 17/8 ACCOUNTING POLICIES**

Consideration was given to the report of the Director of Finance and Transformation which presented the Accounting Policies proposed for the 2016/17 Financial Statements. The report highlighted a proposed change to clarify the basis on which revenue was recognised in the financial statements as recommended by the external auditors following the audit of the 2015/16 Accounts.

**RESOLVED:** That the Accounting Policies set out at Annex 1 to the report be endorsed for use in the preparation of the 2016/17 Financial Statements.

**AU 17/9 PROPOSED WORK PROGRAMME AND SCALES OF FEES 2017/18**

The report of the Director of Finance and Transformation introduced the Work Programme and Scales of Fees for 2017/18 proposed by Public Sector Appointments Limited (PSAA) in respect of work undertaken by the Council's external auditors. It was noted that PSAA did not plan to make any changes to the overall work programme and proposed that the 2017/18 scale audit fees be set at the same level as those applicable in 2016/17. The indicative fee for certification work would be based on the final 2015/16 fee.

**RESOLVED:** That the 2017/18 Proposed Work Programme and Scales of Fees be noted and endorsed.

**AU 17/10 INTERNAL AUDIT AND COUNTER FRAUD UPDATE**

The report of the Chief Audit Executive gave an update on the work of the Internal Audit and Counter Fraud functions for the period April to December 2016. The Committee was advised of progress against the 2016/17 Internal Audit and Counter Fraud Plan. Concern was expressed about progress of the work of the Empty Homes Working Group identified in the audit of Empty Properties and a report back requested.

**RESOLVED:** That the report be received and noted subject to an update to the Communities and Housing Advisory Board by the lead service on Empty Properties as appropriate and a report on the outcome to the Audit Committee.

**MATTERS SUBMITTED FOR INFORMATION****AU 17/11 LOCAL CODE OF CORPORATE GOVERNANCE**

The joint report of the Chief Executive and Director of Central Services provided an update on the changes required to the Local Code of Corporate Governance in accordance with the "Delivering Good Governance in Local Government Framework 2016". An internal

analysis had highlighted a number of areas where the current Code did not meet the requirements of the 2016 Framework, some of which related to the Council's Constitution which was proposed for review by the Overview and Scrutiny Committee. It was anticipated that a draft revised Local Code would be presented to the Audit Committee in April 2017.

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

**AU 17/12 GRANT THORNTON PAPER - ADVANCING CLOSURE**

The report of the Director of Finance and Transformation referred to Regulations bringing forward the dates for local authority accounts to be ready for audit and the publication of audited accounts to 31 May and 31 July respectively with effect from the 2017/18 financial year. Details were given of a paper prepared by Grant Thornton to assist local authorities in improving their accounts closure procedures to comply with the new deadlines together with a good practice checklist. The report set out the implications of the earlier closure and publication for officers, auditors and the Audit Committee.

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

**AU 17/13 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 2016. The letter repeated the headline messages in the Audit Findings Report presented to the Committee in September 2016. These were that the Council's accounts were produced to a high standard, there continued to be a robust financial planning framework with a structured approach to addressing financial pressures and delivering planned savings.

Members welcomed the letter and congratulated all staff involved.

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

**AU 17/14 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 advised that this was Trevor Greenlee's last meeting as the Council's Audit Manager as he was moving to another authority in accordance with ethical standards. Mr Greenlee thanked members of the Committee and the Finance team for the positive relationship with

the Council. The Chairman expressed appreciation of Mr Greenlee's contribution over the years of her chairmanship and wished him well for the future.

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

**AU 17/15 EXCLUSION OF PRESS AND PUBLIC**

There were no items considered in private.

The meeting ended at 8.34 pm