

TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 3rd July, 2017

Present: Cllr V M C Branson (Chairman), Cllr T Bishop and Cllr T Edmondston-Low

Councillors Mrs J A Anderson, O C Baldock, M A Coffin, N J Heslop, M R Rhodes, H S Rogers and Miss J L Sergison were also present pursuant to Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors M C Base, B T M Elks, S R J Jessel, Mrs F A Kemp, S C Perry and B W Walker

PART 1 - PUBLIC

AU 17/29 DECLARATIONS OF INTEREST

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

AU 17/30 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 3 April 2017 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO THE COUNCIL

AU 17/31 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2016/17

The report of the Director of Finance and Transformation provided an update on treasury management activity undertaken during April and May of the current financial year within the context of the national economy. The treasury management outturn position for 2016/17, reported to the Cabinet on 28 June 2017, was also presented.

The Committee was advised that the outcome of the General Election had added to market uncertainty surrounding the Brexit negotiations. The interest rate forecast provided by Capita anticipated the Bank Rate remaining at 0.25% until June 2019.

It was noted that the summary of investment performance for 2016/17 indicated that the combined performance of the Council's cash flow and core funds had bettered the revised estimate by £25,500. Investment income earned in April and May of 2017/18 was also higher than expected, exceeding the estimate for the same period by £12,050.

The report provided a commentary on long term investment including progress in implementing the Council's decision regarding investment in property funds.

RECOMMENDED: That the following be commended to the Council:

- (1) the action taken by officers in respect of treasury management activity for April and May 2017 be endorsed;
- (2) the progress being made in respect of property fund investment be noted; and
- (3) the 2016/17 outturn position be noted.
***Referred to Council**

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

AU 17/32 STRATEGIC RISK REGISTER

The report of the Management Team presented a review of the Strategic Risk Register which had been updated to align with the new Corporate Strategy. It was noted that the Register was still at a draft stage with some fine tuning required and Members were invited to comment prior to receipt of the final version in September for recommendation to the Council.

Whilst recognising that the Emergency Plan contained details of responses in the event of major disasters or terrorism incidents, Members considered that such risks should be reflected in the Strategic Risk Register to provide assurance that the necessary arrangements were in place. A number of anomalies were identified in the draft document which would be corrected in the final version. Discussion was also held into provision of training on risk management and it was suggested that a briefing for all Members be considered for the autumn.

RESOLVED: That progress to date on the Strategic Risk Register, as set out at Annex 1 to the report, be noted and feedback from Members as to the risks to be included be taken into account in the final version for recommendation to the Council.

AU 17/33 ANNUAL GOVERNANCE STATEMENT 2016/17

The report of the Director of Finance and Transformation presented the Annual Governance Statement for the year ended 31 March 2017 which was required to be certified by both the Leader of the Council and the Chief Executive to accompany the Council's Statement of Accounts 2016/17.

The Annual Governance Statement had been prepared by way of a self-assessment questionnaire and supporting evidence and was intended to demonstrate that there was a sound system of corporate governance in place throughout the organisation.

Members requested that in the interests of openness and transparency the way in which the Council operated, including committee terms of reference, be made more prominent and accessible on the website.

RESOLVED: That the Annual Governance Statement for the year ended 31 March 2017, as set out at Annex 1 to the report, be endorsed.

AU 17/34 STATEMENT OF ACCOUNTS 2016/17

The report of the Director of Finance and Transformation presented an unaudited set of Accounts for 2016/17 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. It was noted that the Accounts included the adjustments in the light of the outturn position reported to the Cabinet meeting on 28 June 2017. The Annual Governance Statement (referred to at Minute AU 17/33) accompanied the Statement of Accounts.

The officers answered questions raised by Members on various aspects of the Accounts. The Committee was reminded that responsibility for approval of the Statement of Accounts was delegated to the Audit Committee under the Council's constitutional arrangements and the external auditor's report on the outcome of the audit of Accounts was expected to be presented to the meeting on 4 September 2017.

RESOLVED: That

- (1) the Statement provided by the Director of Finance and Transformation in support of assertions made in the Statement of Responsibilities for the Statement of Accounts, as set out at Annex 2 to the report, be noted and endorsed;
- (2) the recommendations detailed at paragraph 1.5.4 of the report, following a review of the specific earmarked reserves held by the Council, be noted; and
- (3) the unaudited set of Accounts for 2016/17 be received and approved and the Chairman be authorised to sign the Accounts in the appropriate place.

AU 17/35 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

The report of the Chief Audit Executive informed the Committee of the findings of the annual review of the effectiveness of the Internal Audit function. Members were advised that the Management Team had

concluded that the opinion on the effectiveness of the Internal Audit function in place for the year 2016/17 was Good.

It was also reported that the external auditors had confirmed by email that reliance could be placed on the work of Internal Audit.

RESOLVED: That on the basis of the findings of the review, the opinion that the effectiveness of Internal Audit during 2016/17 was Good be endorsed.

MATTERS SUBMITTED FOR INFORMATION

AU 17/36 OPINION OF CHIEF AUDIT EXECUTIVE ON INTERNAL CONTROL ENVIRONMENT, TOGETHER WITH ANNUAL INTERNAL AUDIT REPORT AND ANNUAL COUNTER FRAUD REPORT FOR 2016/17

The report informed the Committee of the opinion of the Chief Audit Executive on the Council's internal control environment together with the Internal Audit work completed during 2016/17 to support that opinion. Reference was made to the way in which resources had been allocated and the outcome against performance measures. Members noted the opinion that the system of internal control adequately contributed to the proper, economic, efficient and effective use of resources in achieving the Council's objectives in 2016/17.

The report also informed the Committee of the work carried out by the Counter Fraud function in 2016/17 including fraud awareness training to a number of Services.

Members commented on the outcome of a number of the internal audit assurance reviews as set out at Annex 1 to the report. With reference to that on Safeguarding, it was noted that a number of councillors had attended training but there was no evidence to confirm that Members had read the Safeguarding Policy. Officers undertook to pursue this matter.

RESOLVED: That the report be received and noted and a letter of appreciation be sent to the Internal Audit and Fraud Team for all their work.

AU 17/37 WORK PROGRAMME AND SCALES OF FEES 2017/18

The report of the Director of Finance and Transformation advised that following consultation, Public Sector Appointments Limited (PSAA) had published the Work Programme and Scales of Fees for the audit of the 2017/18 accounts. It was noted that there were no changes to the overall work programme and the 2017/18 scales remained at the same level as those applicable in 2016/17. Indicative fees for 2017/18 housing benefit subsidy certification work would be based on the final 2015/16 fees.

An update was given on the process for appointment of auditors from 2018/19 under the sector-led approach which was expected to yield a reduction in audit fees over the current level.

RESOLVED: That report be received and noted.

AU 17/38 AUDIT FEE LETTER 2017/18

The Director of Finance and Transformation reported receipt of the Audit Fee Letter for 2017/18 from Grant Thornton which gave details of the Council's audit fee of £45,776 (the same as for 2016/17) together with the scope and timing of audit work and the audit team. Indicative fees for housing benefit subsidy certification work would be based on the final 2015/16 certification fees.

RESOLVED: That the report be received and noted.

AU 17/39 EXCLUSION OF PRESS AND PUBLIC

There were no items considered in private.

The meeting ended at 8.44 pm