

TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 23rd July, 2018

Present: Cllr V M C Branson (Chairman), Cllr R P Betts (Vice-Chairman), Cllr O C Baldock, Cllr T Bishop and Cllr Mrs F A Kemp

Grant Thornton, External Auditors: Mr C McLaughlin (Director) and Mr A Ayre (Manager)

Councillors M A Coffin and M R Rhodes were also present pursuant to Council Procedure Rule No 15.21.

PART 1 - PUBLIC

AU 18/28 DECLARATIONS OF INTEREST

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

AU 18/29 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 3 April 2018 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO THE COUNCIL

AU 18/30 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2017/18

The report of the Director of Finance and Transformation provided an update on treasury management activity undertaken during April to June of the current financial year within the context of the national economy. The treasury management outturn position for 2017/18 was also presented.

The report provided a commentary on investments derived from cash flow surpluses, core cash balances and other long term cash balances and it was noted that long term investment at the end of June 2018 comprised £4m in property fund investment. A further £1m was placed in a property fund on 2 July 2018 bringing the Council's total property fund investment to £5m. A full list of investments held on 30 June 2018 was set out at Annex 2 to the report.

RECOMMENDED: That the following be commended to the Council: ◀

- (1) the action taken by officers in respect of treasury management activity for April to June 2018 be endorsed;
- (2) the £5m in property fund investments undertaken since June 2017 be noted; and
- (3) the 2017/18 outturn position be noted.
***Referred to Council**

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

AU 18/31 RISK MANAGEMENT UPDATE

The report of the Management Team provided an update on the risk management process and the Strategic Risk Register, adopted by the Council on 20 February 2018, was set out at Annex 1 to the report. The emergence of a new strategic risk concerning the procurement of the Waste/Recycling Contract was noted.

Members were advised that, as part of the insurance package, funding was set aside by the Council's insurers to deliver training and projects associated with risk management to all Members, and particularly to those serving on the Audit Committee. The Committee acknowledged that training in risk management was essential for all Members.

RESOLVED: That

- (1) the emergence of a new strategic risk in respect of the procurement of the Waste/Recycling Contract and its inclusion on the Strategic Risk Register be noted; and
- (2) an interactive workshop on the topic of risk management be held for Members during the coming months, the final details for which to be agreed with the Chairman of the Audit Committee.

AU 18/32 ANNUAL GOVERNANCE STATEMENT 2017/18

The report of the Director of Finance and Transformation presented the Annual Governance Statement for the year ended 31 March 2018 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 2017/18.

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.

RESOLVED: That the Annual Governance Statement for the year ended 31 March 2018, as set out at Annex 1 to the report, be endorsed.

**AU 18/33 STATEMENT OF ACCOUNTS AND EXTERNAL AUDITORS
REPORT ON THE OUTCOME OF THE AUDIT OF THE STATEMENT
OF ACCOUNTS**

The report of the Director of Finance and Transformation presented an audited set of Accounts for 2017/18 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. The Annual Governance Statement (referred to at Minute AU 18/32) accompanied the Statement of 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 advised that the external auditor's report on the outcome of the audit of Accounts was set out at Annex 3 to the report.

A supplementary report had been published prior to the meeting advising that, as part of the final Audit process, it had been found that some of the information supporting the calculation of some of the Council Assets could not be fully supported and that this had resulted in a downward valuation of around £2.9m on these assets. Attention was drawn to the changes required to the Financial Statements circulated with the agenda papers which would allow the Financial Statements to be fully signed off. It was, therefore

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;
- (2) authority be delegated to the Chairman and the Director of Finance and Transformation to approve the Final Audit Findings Report from Grant Thornton and be authorised to sign these Accounts in the appropriate place following the approval of the changes proposed;
- (3) subject to any further clarification from Grant Thornton on the matters contained in the supplementary report, the Audit Findings Report on the outcome of the audit of the Statement of Accounts for 2017/18, as set out at Annex 3, be approved; and

- (4) the Chairman of the Audit Committee and the Director of Finance and Transformation be granted delegated authority to countersign the Letter of Representation, as set out at Annex 4, when Grant Thornton are ready to issue their opinion.

AU 18/34 REVIEW OF 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 2017/18 was Good.

RESOLVED: That on the basis of the findings of the review, the opinion that the effectiveness of Internal Audit function for the year 2017/18 was Good be endorsed.

MATTERS SUBMITTED FOR INFORMATION

AU 18/35 OPINION OF CHIEF AUDIT EXECUTIVE ON INTERNAL CONTROL ENVIRONMENT, ANNUAL INTERNAL AUDIT REPORT AND ANNUAL COUNTER FRAUD REPORT FOR 2017/18

The report informed the Committee of the opinion of the Chief Audit Executive on the Council's framework for governance, risk management and control together with the Internal Audit work completed during 2017/18 to support that opinion. The report also informed the Committee of the work carried out by the Counter Fraud function in 2017/18.

In response to Members' concerns regarding duplicate invoicing, Officers advised that the controls in place to manage duplicate payments would be reviewed as part of the Creditors audit.

RESOLVED: That the report be received and noted.

AU 18/36 NATIONAL FRAUD INITIATIVE 2018/19 EXERCISE

The report of the Director of Finance and Transformation set out details of the Proposed Work Programme and Scale of Fees in respect of the National Fraud Initiative 2018/19 exercise.

RESOLVED: That the report be received and noted.

AU 18/37 AUDIT FEE LETTER 2018/19

The Director of Finance and Transformation reported receipt of the Audit Fee Letter for 2018/19 from Grant Thornton which gave details of the Council's audit fee of £35,248 (which represented a reduction of 23% compared to the fees applied for 2017/18) together with the scope and

timing of audit work and the audit team. A fee of £10,000 for housing benefit subsidy certification work had been agreed separately subject to the completion of the 'workbooks' resting with the Council and a variable fee for any additional testing required.

RESOLVED: That the report be received and noted.

AU 18/38 A COUNCILLOR'S WORKBOOK ON BRIBERY AND FRAUD PREVENTION

The report of the Director of Finance and Transformation provided details of the Local Government Association's Councillor's Workbook on Bribery and Fraud Prevention which included information of the role of the Audit Committee in anti-fraud and corruption activity. The Committee requested that a copy of the workbook be provided to all Members of the Council.

RESOLVED: That the report be received and noted

AU 18/39 EXCLUSION OF PRESS AND PUBLIC

There were no items considered in private.

The meeting ended at 8.33 pm