

## **TONBRIDGE AND MALLING BOROUGH COUNCIL**

### **AUDIT COMMITTEE**

**Monday, 27th July, 2020**

**Present:** Cllr V M C Branson (Chairman), Cllr Mrs F A Kemp (Vice-Chairman), Cllr T Bishop, Cllr N Foyle, Cllr J R S Lark, Cllr L J O'Toole and Cllr K B Tanner.

Grant Thornton: External Auditors (Paul Dossett and Trevor Greenlee)

Councillors Mrs J A Anderson, M D Boughton, N J Heslop, M A J Hood, D Lettington, Mrs A S Oakley, W E Palmer, M R Rhodes and J L Sergison were also present pursuant to Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors P M Hickmott and S A Hudson

### **PART 1 - PUBLIC**

#### **AU 20/11 DECLARATIONS OF INTEREST**

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

#### **AU 20/12 MINUTES**

**RESOLVED:** That the Minutes of the meeting of the Audit Committee held on 20 January 2020 be approved as a correct record and signed by the Chairman.

### **MATTERS FOR RECOMMENDATION TO THE COUNCIL**

#### **AU 20/13 AUDIT COMMITTEE ANNUAL REPORT**

The report of the Chairman of the Audit Committee aimed to inform the Council of the means by which the Committee had provided independent assurance to those charged with governance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting and annual governance processes. The report summarised the work carried out by the Committee during 2019/20 and concluded that the required assurance set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance had been provided by the Audit Committee to those charged with governance.

Members referred to counter fraud measures in relation to the misuse of blue badges and it was confirmed that further enforcement work was planned for Tonbridge and Malling early in 2021 or when the coronavirus pandemic had improved sufficiently to allow work to progress.

**RECOMMENDED:** That the Annual Report be presented to the Council as 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. ◀

**\*Referred to Council**

## **AU 20/14 LOCAL CODE OF CORPORATE GOVERNANCE**

The joint report of the Chief Executive and Director of Central Services informed Members of the outcome of the annual review of the Local Code of Corporate Governance. Members were advised that the introduction of the General Data Protection Regulation (GDPR) in May 2018 and the Data Protection Act 2018 required the adoption of new procedures and some minor updates to the Local Code in 2019.

In addition, the adoption by the Council of a Corporate Enforcement Policy, to guide the authority's enforcement activities in all of its statutory functions, in 2019 and an updated Corporate Strategy for 2020-2023 required further minor updates to the Local Code to reflect those documents.

Members discussed the training provided to newly elected councillors in relation to regulatory functions and noted that training continued to be offered on both an ad-hoc and programmed basis. The measures that could be taken if Members failed to attend training events without reasonable excuse or dispensation were set out in Protocol A: Members Attendance at Training in Part 5 (Codes) of the Constitution. Sanctions included the non-participation *'in the determination of planning applications or the business of the licensing authority until such time as they have attended alternative training approved by the General Purposes Committee.'* The importance of attending appropriate training when provided was recognised.

There was also discussion regarding Member attendance at meetings as set out in Section 85 (i) of the LGA 1972 which *'required a Member of a Local Authority to attend at least one meeting of that Authority within a 6 month consecutive period in order to avoid being disqualified'* and consideration would be given to ensuring this was included in the Constitution as part of its next review.

Finally, reference was made to the ongoing commitment to provide committee reports written in a public facing and non-technical manner (as set out in Annex 1 to the report) and for these to be available on the

Borough Councils website in support of transparency and effective accountability.

**RECOMMENDED:** That the amendments to the Local Code of Corporate Governance, as set out in Annex 1 to the report and summarised above, be commended to Council for adoption. 

**\*Referred to Council**

**AU 20/15 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2019/20**

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 economic climate. The treasury management outturn position for 2019/20 was also set out.

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 2020 comprised £5m in property fund investment. A full list of investments held on 30 June 2020 was set out at Annex 2 to the report.

Particular reference was made to the significant financial consequences arising from the coronavirus pandemic which had resulted in a fall in UK economic growth in April of -24.5%. There remained huge uncertainties as to how quickly the economy would recover to what was formerly regarded as normality. In addition, the Government measures to support jobs and businesses would result in a substantial increase in the nation's annual budget deficit and overall level of debt.

Member's attention was drawn to the financial and value for money considerations and it was reported that investment income for the year as a whole was expected to underperform against budget by some £237,000. Dividends from property funds of £35,800 (2.87%) had been generated during the period 1 April to 30 June 2020. This return was expected to increase as rents deferred in June were collected later in the year

The Committee remained supportive of property investments in general as it was recognised that the current recession was a result of a health and not a financial crisis. Recent falls in property values were expected to be reversed as the economy recovered from the impact of Covid-19. Opportunities for additional property fund investments would be considered in the future as resources become available from asset disposals and other windfalls as these managed funds provided a stable income stream.

Investment income for the 2019/20 financial year as a whole exceeded the revised estimate by £25,158 and the original estimate by £117,158.

Finally, reference was made to the funding of £18.7m provided by Government on 1 April for redistribution to eligible businesses in the Tonbridge and Malling Area. At the end of May, 91% had been spent. It was reported that the additional cash flow had generated £4,500 of interest.

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

- (1) The action taken in respect of treasury management activity for April to June 2020 be endorsed; and
- (2) The 2019/20 outturn position be noted.

**\*Referred to Council**

**DECISIONS TAKEN UNDER DELEGATED POWERS IN  
ACCORDANCE WITH PART 3 OF THE CONSTITUTION  
(RESPONSIBILITY FOR COUNCIL FUNCTIONS)**

**AU 20/16 RISK MANAGEMENT UPDATE**

The report of the Management Team provided an update on the risk management process and the Strategic Risk Register (SRR).

Members were advised that the Covid-19 outbreak and its ongoing impact across the Borough Council's service areas, businesses and the wider community had been added to the SRR. A number of risks had been re-categorised as RED and included:

- Financial position/budget deficit
- Brexit impact and economic uncertainty (impacted by the coronavirus pandemic)
- Corporate Strategy
- Savings and Transformation Strategy

A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to this Committee in January 2020 were set out in Annex 2 of the report.

Members noted that a number of current mitigation measures set out in Annex 1 had been overtaken by events. For example, the likelihood of a No Deal Brexit. However, Members were assured that the risks to the organisation were reviewed and monitored regularly.

**RESOLVED:** That the escalation of a number of key risks to RED (summarised above and set out in paragraph 1.3.4) as a consequence of the coronavirus pandemic be noted and acknowledged.

**AU 20/17 ANNUAL GOVERNANCE STATEMENT 2019/20**

The report of the Management Team presented the Annual Governance Statement for the year ended 31 March 2020 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 2019/20.

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 were pleased to note that no significant governance issues had been identified and there were no other areas identified for improvement. However, it was reported that the recent introduction of Emergency Provisions for Decision Taking (as set out in Part 7 of the Constitution) to address any governance issues arising from a no-deal Brexit had proved beneficial during the current coronavirus pandemic. In addition, the introduction of 'virtual meetings' had meant some changes to protocols and procedures, as set out in the '[Protocol for Use of Videoconferencing Facilities](#)' published as a supplement to the Constitution in May 2020.

**RESOLVED:** That the Annual Governance Statement for the year ended 31 March 2020, as set out at Annex 1 to the report, be endorsed.

**AU 20/18 STATEMENT OF ACCOUNTS AND EXTERNAL AUDITORS  
REPORT ON THE OUTCOME OF THE AUDIT OF STATEMENT OF  
ACCOUNTS 2019/20**

The report of the Director of Finance and Transformation presented an unaudited set of Accounts for 2019/20 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom. The Annual Governance Statement (referred to at Minute AU 20/17) 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. In response to the Covid-19 pandemic the deadline for approval and publication of an audited set of accounts for 2019/20 had been moved from 31 July to 30 November 2020.

In addition, the report of the external auditors (published as a supplement to the main report) set out progress in delivering their responsibilities in auditing the Borough Council's accounts.

It was anticipated that an audited set of accounts would be presented for approval at the next meeting of the Audit Committee. At the current time, no significant concerns had been raised by the External Auditors.

Members were advised that the extent of the adverse financial impact arising from the Covid-19 pandemic would not be known for some time. However, in all likelihood the Borough Council's reserve balances would be very much reduced from that assumed in February 2020, as part of the budget setting process, and as a result would have an adverse impact on the scale and timing of the savings to be achieved.

Finally, Members supported the comments of the External Auditors in acknowledging the performance of the Finance Team in delivering a complete and good quality set of financial statements on the same timescales as in previous years despite the difficulties caused by the Covid-19 pandemic and asked that their appreciation be recorded.

**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) the (unaudited) Statement of Accounts 2019/20 as currently presented be noted;
- (3) the External Auditors progress on the audit of the Statement of Accounts for 2019/20 (published as a supplement to the main report) be noted;
- (4) in all likelihood, the Covid-19 pandemic would have a significant impact on the Borough Council's reserve balances and as a result, in turn, have an adverse impact on the scale and timing of the savings to be achieved be noted.

**AU 20/19 MEMBERS ASSURANCE ON COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING**

The report of the Chairman of the Audit Committee explained how those charged with governance were required to provide assurance to the external auditor under International Standards on Auditing. Members considered the question asked and accompanying response which had been agreed with the Chairman and noted that the Management Team was also required to provide assurance in this regard and that this was the subject of a separate report.

**RESOLVED:** That the response set out in Annex 1 to the report be endorsed.

**AU 20/20 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 2019/20 was Good.

Members welcomed the inclusion of a specific review of ethics and values for consideration in annual planning for future years.

**RESOLVED:** That on the basis of the findings of the review, the opinion that the effectiveness of Internal Audit function for the year 2019/20 was Good be endorsed.

**AU 20/21 INTERNAL AUDIT AND FRAUD PLAN 2020/21**

The report of the Chief Audit Executive presented the Internal Audit and Fraud Plan for 2020/21 which had been developed using a risk-based approach. Significant risk areas and priorities had been identified through a risk assessment which included reviews of the Strategic and Service Risk Registers, analysis of the wider environment, use of organisational knowledge and discussions with Service Heads and Directors. The Plan had been reviewed and endorsed by the Management Team.

Members asked a number of questions related to financial controls for charging for garden waste and reconciliation's, debt collection and the prevention of fraud related to Single Person Council Tax Discount. These were addressed by Officers and Members were reassured by the responses which confirmed that robust control measures were in place.

**RESOLVED:** That the Internal Audit and Fraud Plan for 2020/21, as set out in Annex 1 to the report, be approved.

**AU 20/22 INTERNAL AUDIT CHARTER**

The report of the Chief Audit Executive presented the Internal Audit Charter for Member consideration and approval.

For 2020-21 the Charter had been reviewed comprehensively against both the Public Sector Internal Audit Standards (PSIAS) and guidance provided by the Institute of Internal Auditors and, as a result, some changes had been made.

The Internal Charter had been prepared with due consideration to proper practice and it was considered that adequate action had been taken to

minimise the risk that external assessment could consider the Charter to not meet proper practice. It was reported that the Management Team had approved the initial Charter on 10 March 2020.

**RESOLVED:** That the Internal Audit Charter, attached as Annex 1 to the report, be approved and noted.

### **MATTERS SUBMITTED FOR INFORMATION**

#### **AU 20/23 MANAGEMENT TEAM ASSURANCE ON COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING**

The Committee received the report of the Management Team on assurance provided to the external auditor under International Standards on Auditing. Reference was made to the similar assurance to be provided by the Audit Committee for which this report provided supporting evidence (Minute AU 20/19 refers).

It was considered that the risk management system in place, supported by the policies and internal controls, were sufficiently robust to minimise incidents of fraud and error to ensure compliance with the Standards.

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

#### **AU 20/24 OPINION OF THE CHIEF AUDIT EXECUTIVE ON THE INTERNAL CONTROL ENVIRONMENT, TOGETHER WITH THE ANNUAL INTERNAL AUDIT REPORT AND ANNUAL COUNTER FRAUD REPORT FOR 2019/20**

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 2019/20 to support that opinion. The report also informed the Committee of the work carried out by the Counter Fraud function in 2019/20.

It was the opinion of the Chief Audit Executive that Tonbridge and Malling Borough Council's framework of governance, risk management and control 'adequately' contributed to the proper, economic, efficient and effective use of resources in achieving objectives during 2019/20.

Members asked a number of questions related to data management and the resilience of business continuity and emergency planning. These were addressed by Officers and Members were reassured by the responses that robust measures were in place to ensure value for money and mitigate risk. It was also noted that the recommendations arising from the 2019-20 Internal Audit Assurance and Consultancy Reviews (set out in Annex 1 to the report) would be implemented during the year and outcomes would be presented to future meetings of the Committee.

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

**AU 20/25 NATIONAL AUDIT OFFICE GUIDE FOR AUDIT AND RISK COMMITTEES ON FINANCIAL REPORTING AND MANAGEMENT DURING COVID-19**

The report of the Director of Finance and Transformation advised the Committee that the National Audit Office (NAO) had prepared a [Guide](#) for Members sitting on Audit and Risk Committees to discharge their responsibilities and to examine the impacts on their organisations of the Covid-19 pandemic. Grant Thornton UK LLP (external auditors) had published a paper on Covid-19 and local government and this was attached for information.

It was noted that the guidance reinforced the stark financial context arising from Covid-19 and the challenging economic position for local authorities. It also highlighted that the issues were likely to change and these should be recognised as part of future risk assessments.

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

**AU 20/26 SCALE OF AUDIT FEES 2020/21**

The report of the Director of Finance and Transformation informed Members of the scale of fees for the audit of the 2020/21 accounts set by Public Sector Audit Appointments Limited (PSAA).

It was noted that the PSAA proposed a fee scale for 2020/21 which was unchanged from the fee scale for 2019/20 of £35,248 leaving the appointed auditor and audited body to discuss an appropriate adjustment to the fee following changes to the scope and depth of audit work required. In January 2020, Members were advised that the fee for 2019/20 proposed by Grant Thornton UK LLP, subject to PSAA agreement, was £42,748. Against this background the PSAA acknowledged that the fee scale for the audit of 2020/21 accounts would need to be revisited once there was clarity on the scale of audit work required.

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

**AU 20/27 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 20/28 INSURANCE CLAIMS HISTORY**

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

The report of the Director of Finance and Transformation informed Members as to the nature and volume of liability and property damage insurance claims submitted for the year ended 31 March 2020.

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

The meeting ended at 9.15 pm