

TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

MINUTES

Monday, 15th April, 2024

Present: Cllr R I B Cannon (Chair), Cllr M R Rhodes (Vice-Chair), Cllr J Clokey, Cllr J R S Lark, Cllr M A J Hood, Cllr B A Parry and Cllr T Bishop (substitute)

In attendance: Councillor K B Tanner was also present pursuant to Council Procedure Rule No 15.21.

Virtual: Councillors W E Palmer, Mrs A S Oakley and M A Coffin were also present pursuant to Council Procedure Rule No 15.21.

An apology for absence was received from Councillor R V Roud

PART 1 - PUBLIC

AU 24/10 NOTIFICATION OF SUBSTITUTE MEMBERS

Notification of substitute Members were recorded as set out below:

- Cllr Bishop substituting for Cllr Roud

In accordance with Council Procedure Rules 17.5 to 17.9 this Councillor had the same rights as the ordinary member of the committee for whom they were substituting.

AU 24/11 DECLARATIONS OF INTEREST

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

AU 24/12 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 15 January 2024 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO COUNCIL

AU 24/13 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 2023/24 and concluded that the required assurance, as defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance, had been provided by the Audit Committee to those charged with governance.

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**

MATTERS FOR RECOMMENDATION TO CABINET

AU 24/14 RISK MANAGEMENT

Members received an update on the risk management process and the Strategic Risk Register (SRR). In January 2024, there were 7 risks categorised as 'red' as summarised below:

- Savings and Transformation Strategy
- Local Plan
- Implementation of the Agile software system
- Political factors including stability of political leadership and decision making
- Homes for Ukraine Scheme
- Carbon Neutral 2030 Aspiration
- Safeguarding and PREVENT

Since last reported, and at the snapshot in time that the Management Team had reassessed the risks, Safeguarding and PREVENT, Political factors including stability of political leadership and decision making, Homes for Ukraine Scheme and Carbon Neutral 2030 Aspiration were no longer identified as RED risks. However, Procurement had been added, giving a total of four remaining RED risks as follows:

- Savings and Transformation Strategy
- Local Plan
- Implementation of Agile software system
- Procurement.

At the request of Members, the Director of Planning, Housing and Environmental Health provided an update on the management of the Agile project risk, which remained RED, during which reference was made to the report submitted to the Overview and Scrutiny Committee on 4 April 2024. Members asked that further updates in respect of the Agile project risk be provided at future meetings.

During discussion, attention was brought to 'Procurement' which was identified as a significant weakness by Grant Thornton in their Annual Audit report. Members received an update regarding this risk, in particular the imminent engagement of procurement resources following a decision by Cabinet on 2 April 2024. It was therefore anticipated that the risk would be reduced at the next update.

RECOMMENDED*: That the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as 'RED', as well as the general positive 'direction of travel', be noted.

***Referred to Cabinet**

MATTERS TO BE TAKEN UNDER DELEGATED POWERS

AU 24/15 TREASURY MANAGEMENT PERFORMANCE UPDATE

The report of the Director of Finance and Transformation provided details of investments undertaken and return achieved in the first eleven months of the current financial year and made proposals in respect of the Lothbury Property Investment Fund.

A full list of investments held on 30 November 2023 was attached at Annex 1 to the report and a copy of the lending list at Annex 2. In terms of cash flow and core cash investments, £2,931,760 was earned in interest to the end of February 2024, which exceeded expectation when compared to the revised estimate for the same period. This was due to the interest rates remaining elevated for longer than anticipated, and provided the authority with the opportunity to continue investing at the favourable rates currently available.

Members were advised that a forward deal for £3m with Close Brothers was agreed to commence in February 2024. Since agreeing the deal, and due to the current investigation by the FSA into motoring industry loans, Close Brother's long term rating had been downgraded, although the short term rating remained unaltered. The situation would be closely monitored and any emerging information would form part of the treasury updates whilst the deal remained active.

Thus far in 2023/24, the £5m investment in property funds had generated dividends of £136,970 which represented an annualised return of 3.65%.

The report outlined the current position of the Lothbury property fund. On 28 March 2024, following a vote, it was resolved that investors could exchange their units into the new Fund. Confirmation had been received from Lothbury that should the Council decide to disinvest at this time and not proceed to the new fund, there would be no exit fees payable prior to

the deadline of 1 May 2024. During discussion, given the significant regeneration plans the Council was progressing and the need to liquidate funds in the not too distant future, Members supported the recommendation that the redemption opportunity be registered in advance of the deadline of 1 May 2024. However Members requested that prior to the final notification, consideration be given to the redemption of part of the units in the fund with the transfer of the remainder to the new fund. It was suggested that delegated authority be granted to the Director of Finance and Transformation in liaison with the Cabinet Member for Finance and Housing and the Chair of the Audit Committee to consider and determine whether a partial redemption be appropriate.

In terms of medium-term investment, the diversified income funds had generated £191,930 up to 29 February 2024 which represented an annualised return of 4.92%.

RESOLVED: That

- (1) the treasury management update be noted;
- (2) delegated authority be granted to the Director of Finance and Transformation in liaison with the Cabinet Member for Finance and Housing and Chair of the Audit Committee to consider and determine whether a partial redemption of the Lothbury Property Fund be appropriate with the transfer of the remaining units to the new Fund; and
- (3) subject to the outcome of recommendation (2), the proposed redemption from the Lothbury Property Fund as explained at paragraphs 1.2.7 to 1.2.16, be approved.

AU 24/16 LOCAL AUDIT CONSULTATION

The report of the Director of Finance and Transformation informed Members of the Local Audit Consultation undertaken by the National Audit Office (NAO) on the progress for Local Authority Audit to be undertaken through to 2027/28. The report also provided an update on the proposed audit plan for the 2023/24 Financial Statements and consideration of the timing and signing of these statements.

The increased requirements of various International Auditing Standards and a lack of resources in both Local Government Accounting and External Audit teams had led to a backlog in the publication of audited accounts of local bodies in England. A Joint Statement from the Minister for Local Government, attached at Annex 2, proposed a way forward to tackle this backlog.

Attention was brought to Phase 2, the 'Backstop' proposals for the recovery period, financial years 2023/2024 to 2027/28, which would

impact on the Council's accounts being prepared for these financial years. Work was commencing on the 2023/24 statements and the deadline for Publication of Accounts was 31 May 2024. However, priority was being given to those authorities whose 2022/23 Accounts remained unsigned. It was unlikely therefore that the Audit Team would commence on the Council's 2023/24 account until October 2024 with conclusion of the Audit in December 2024.

Members considered the options at paragraph 1.3.7 in terms of the timing and signing of the statements and noted the Auditors preferred option, that the Committee consider the accounts and Audit Finding Report at their meeting on 13 January 2025.

Members received the External Indicative Audit Plan 2023-24 attached at Annex 7, which was presented by the Key Audit Manager at Grant Thornton.

RESOLVED: That

- (1) the External Indicative Audit Plan 2023-24 attached at Annex 7, be noted;
- (2) the accounts and Audit Finding Report (AFR) be considered by the Audit Committee at their meeting on 13 January 2025; and
- (3) the responses returned by Officers in liaison with the Chairman, Vice Chairman and the Cabinet Member for Finance and Housing on the two Consultation proposals, be noted.

AU 24/17 INFORMING THE AUDIT RISK ASSESSMENT FOR TONBRIDGE AND MALLING BOROUGH COUNCIL 2023-24

The report of the Management Team contributed towards the effective two-way communication between Tonbridge and Malling Borough Council's external auditors and the Audit Committee, as 'those charged with governance' in respect of the audit of the financial statements.

RESOLVED: That the responses to the questions set out at Annex 1 of the report, be endorsed.

AU 24/18 INTERNAL AUDIT CHARTER

The report of the Chief Audit Executive presented the Internal Audit Charter for Member consideration and approval. It was noted that the Charter had been reviewed against the Public Sector Internal Audit Standards (PSIAS) and no amendments had been made.

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

AU 24/19 INTERNAL AUDIT AND FRAUD PLAN 2024-25

The report of the Chief Audit Executive presented the Internal Audit and Fraud Plan for 2024/25 which had been developed using a risk-based approach to determine the priorities of the internal audit activity consistent with the organisation's goals. 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 Directors both individually and collectively as part of Management Teams. The Plan had been reviewed and endorsed by the Management Team.

RESOLVED: That the Internal Audit and Fraud Plan for 2024/25, as set out at Annex 1 to the report, be approved.

MATTERS SUBMITTED FOR INFORMATION**AU 24/20 INTERNAL AUDIT AND COUNTER FRAUD UPDATE**

Members were provided with an update on the work of both the Internal Audit function and the Counter Fraud function. The progress report at Annex 1 provided an accumulative summary view of the work undertaken by Internal Audit for the period January 2024 to April 2024, together with the resulting conclusions where appropriate.

RESOLVED: That the Internal Audit Progress Report for the period January 2024 to April 2024, be noted.

AU 24/21 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**AU 24/22 INSURANCE CLAIMS HISTORY**

(LGA 1972 Sch 12A Paragraph 3 – Financial of 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 2024.

RESOLVED: That the report be noted.

The meeting ended at 9.07 pm