

# **TONBRIDGE AND MALLING BOROUGH COUNCIL**

## **AUDIT COMMITTEE**

### **MINUTES**

**Monday, 13th January, 2025**

**Present:** Cllr M R Rhodes (Vice-Chair, in the Chair), Cllr T Bishop, Cllr J Clokey, Cllr M A J Hood, Cllr B A Parry, Cllr S M Hammond and Cllr K S Tunstall

**Virtual:** Councillors Mrs A S Oakley and K B Tanner participated via MS Teams in accordance with Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors R I B Cannon (Chair) and J R S Lark.

### **PART 1 - PUBLIC**

#### **AU 25/1 NOTIFICATION OF SUBSTITUTE MEMBERS**

Notification of substitute Members were recorded as set out below:

- Councillor K Tunstall substituted for Councillor R Cannon (Chair)
- Councillor S Hammond substituted for Councillor J Lark

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

#### **AU 25/2 DECLARATIONS OF INTEREST**

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

However, for reasons of transparency, Cllr Clokey reminded Members that in relation to agenda item 7 (Treasury Management Update and Treasury Management and Annual Investment Strategy for 2025/26) he was employed by one of the companies who managed a multi asset fund which the Borough Council had invested in and was referenced in the report. As this did not represent either a Disclosable Pecuniary or Other Significant Interest there was no reason for Cllr Clokey to withdraw from the meeting.

#### **AU 25/3 MINUTES**

**RESOLVED:** That the Minutes of the meeting of the Audit Committee held on 23 September 2024 be approved as a correct record and signed by the Chairman.

**MATTERS FOR RECOMMENDATION TO THE CABINET****AU 25/4 RISK MANAGEMENT**

The report of the Management Team provided an update on the risk management process and the Strategic Risk Register. An update was also provided in respect of the Zurich Risk Management Review which was initially presented to Members in January 2024.

An executive summary of the RED risks was provided at Annex 1 of the report and a full update on the current strategic risks and how they were being managed as at the time of writing were set out at Annex 1a. The risks that were categorised RED at the time of the September 2024 meeting were:

- Achievement of Savings and Transformation Strategy
- Failure to agree a Local Plan
- Implementation of the Agile software system
- Contract/Contractor Procurement

Management Team had undertaken a review of all the risks contained within the Strategic Risk Register with a view to achieving a more streamlined version, highlighting only the strategic risks to the Council over the next one-to-two-year horizon. Management Team had assessed that the Economic Stability, Homes for Ukraine and Waste/Recycling Income risks should be removed from the Strategic Register.

On the grounds that training had been successfully rolled out to officers and a new procurement strategy had been approved by Cabinet on 10 December 2024, the Contract/Contractor Procurement risk had been reduced to Amber. Therefore, the number of RED risks had reduced to three, as follows:

- Achievement of Savings and Transformation Strategy
- Failure to agree a Local Plan
- Implementation of the Agile software system

In response to questions raised by Members with regard to the risks associated with the Local Plan and the Agile project, the Committee were advised that mitigation measures would be set out in reports due to be presented to the Housing and Planning Scrutiny Select Committee of 12 February 2025 in respect of the Local Plan, and a further internal post-implementation audit report was being commissioned to review the implementation of the Agile system with an update to be provided to this Committee at its next meeting in April 2025.

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

Following the appointment of Risk Champions at both Member and Officer levels, an officer Risk Management Group had been established with the objective of spreading the workload, and word, on the importance of risk management throughout the Council. The Group would be undertaking a review of the Risk Management Strategy in the forthcoming months and anticipated to provide an updated strategy to the Committee to review in September 2025.

Furthermore, an update on progress in addressing the recommendations identified by Zurich Risk Management in a Risk Management Review report, which was presented to the Committee in January 2024, was provided at Annex 3 of the report.

In addition, particular reference was made by Members to the potential risk to arise from the 'Devolution White Paper' and Local Government Reorganisation. However, given current uncertainties around the 'devolution' programme and implications for the Borough Council, it was hoped that a clearer timescale would be available once the result of the bid from Kent County Council and Medway Council to be considered for the priority devolution programme was known by the end of January, when due regard could be given to assess the risk in more detail and report to Members at the next meeting of the Audit Committee in April 2025.

**RECOMMENDED\*:** That

- (1) the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as RED, be noted;
- (2) the progress towards the delivery of recommendations from the Zurich Risk Management Review, be noted; and
- (3) the objective to present an updated Risk Management Strategy to the September 2025 meeting of the Audit Committee, be noted and approved.

**\*Recommended to Cabinet**

**AU 25/5      TREASURY MANAGEMENT UPDATE AND TREASURY  
MANAGEMENT AND ANNUAL INVESTMENT STRATEGY FOR  
2025/26**

The report of the Director of Finance and Transformation provided details of the investments undertaken and return achieved in the first eight months of the current financial year and introduced the Treasury Management and Annual Investment Strategy 2025/26 (attached at Annex 5).

A full list of investments held on 30 November 2024 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, £2,024,350 was earned in interest to the end of November 2024, which was £442,600 above the original budget estimate for the same period. The positive variance was primarily attributed to the bank rate remaining higher for longer than initially anticipated. An extract from Link's latest benchmarking data was provided in the form of a scatter graph at Annex 3, which showed that as at 30 September 2024 the Borough Council's return was 5.12%, above the local benchmarking group average of 4.98%.

With regard to long term investment, during the period 1 April 2024 to 30 September 2024, the £4.04m investment in property funds generated dividends of £82,980 which represented an annualised return of 4.09% compared to 3.68% in 2023/24. Following the termination of the Lothbury Property Trust, five payments had been received to-date totalling £1.276m. The remaining assets were expected to be sold by February/March 2025, when further distributions would be made as and when asset sales had concluded and dividends paid from income generating assets.

Under medium term investment, during the period April 2024 to November 2024, the £4.25m investment in multi asset funds generated dividends of £127,690, which represented an annualised return of 4.51%.

An extract from the draft income and expenditure estimates attributed to the Treasury Management function were provided at Annex 4.

The parameters to limit the Borough Council's exposure to investment risks were summarised as part of the 2025/26 Annual Investment Strategy in Annex 5. Except where indicated by bold italic text, the 2025/26 Strategy adopted the same risk parameters as currently approved.

In addition, the report made reference to non-treasury management practices and the required procedures to ensure compliance with the Treasury Management and Prudential Codes of Practice and Statutory Guidance on Local Government Investments relating to non-treasury investments.

**RECOMMENDED\*:** That

- (1) the treasury management position as at 30 November 2024, be noted; and
- (2) the Treasury Management and Annual Investment Strategy for 2025/26 (attached at Annex 5), be adopted.

**\*Recommended to Cabinet**

**AU 25/6 ANNUAL AUDIT REPORT 2023/24**

The report of the Management Team introduced the Auditor's Annual Report for 2023/24, prepared by Grant Thornton UK LLP in respect of the Borough Council's overall arrangements for securing economy, efficiency and effectiveness in the use of resources.

Members recalled that the Auditor's Annual Report for 2022/23, presented to the Committee in September 2023, highlighted two significant weaknesses found in the Council relating to performance management and procurement. During the latest audit, it was acknowledged and reported that the significant weakness in respect of performance management had been addressed. With regard to procurement, given good progress being made and recognised during 2024/25, it was anticipated that this other significant weakness would also be 'signed off' fully during the year.

Particular reference was made to one of the improvement recommendations identified in the Auditor's Annual Report for 2023/24 (attached at Annex 1) as well as in the Audit Findings Report (attached at Annex 2 under Item 9 on the agenda) in relation to the non-return of Related party transaction forms by Members and its associated risk for the Borough Council. Members were keen for this recommendation to be addressed in a timely and effective manner and noted that an update would be provided to the Committee in April for any remaining concern and mitigation measure to be identified.

**RECOMMENDED\*:** That

- (1) the Auditor's Annual Report for 2023/24 (attached at Annex 1), be approved;
- (2) the comments made in respect of the key recommendations from the Annual Audit Report for 2022/23, be noted; and
- (3) the management comments raised to the 2023/24 Value for Money recommendations, be noted and endorsed.

**\*Recommended to Cabinet****MATTERS FOR DECISION UNDER DELEGATED POWERS****AU 25/7 STATEMENT OF ACCOUNTS 2023/24 - AUDIT FINDINGS REPORT**

The report of the Director of Finance and Transformation presented the Audit Findings Report following the review carried out by Grant Thornton UK LLP on the unaudited Statement of Accounts presented to the Audit Committee in July 2024.

The current Statement of Accounts for 2023/24 were attached at Annex 1.

Members noted that the Borough Council's responsible financial officer had certified that the Statement of Accounts presented a 'true and fair view' of the financial position of the local authority at the end of the year and its income and expenditure for the year.

The Audit Findings Report gave two recommendations for the Borough Council as a result of the external audit. These related to non-return of Related party transaction form by Councillors and regular review of prior years' outstanding creditors' balance. More detail was provided in paragraph 5.4 of the report together with the proposed management response under respective issue.

**RESOLVED:** That

- (1) the enclosed audited set of Accounts for 2023/24 (attached at Annex 1) be received and approved and the Chair of the Audit Committee be asked to sign the Accounts in the appropriate place;
- (2) the Audit Findings Report (attached at Annex 2) and the Management Response, as detailed in paragraphs 5.4 and 5.5 of the report, on the outcome of the audit of the Statement of Accounts for 2023/24, be approved;
- (3) the Letter of Representation (attached at Annex 3) be approved for signature by the Chair of the Audit Committee and the Director of Finance and Transformation once Grant Thornton UK LLP had issued their opinion; and
- (4) appreciation from the Audit Committee to the Financial Services, especially the Accountancy Team, be recorded for the monumental and significant efforts they had made in concluding the Statement of Accounts for 2023/24.

## **AU 25/8 ACCOUNTING POLICIES**

The report of the Director of Finance and Transformation presented the Accounting Policies proposed for the 2024/25 Financial Statements for consideration and endorsement. It was noted that the Accounting Policies remained largely unchanged since 2023/24 and the only significant change was in respect of Leases.

**RESOLVED:** That the Accounting Policies to be used in the preparation of the 2024/25 Financial Statements, as set out at Annex 1 of the report, be endorsed.

**AU 25/9 REVIEW OF ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY AND WHISTLEBLOWING POLICY**

The joint report of the Chief Executive and the Director of Finance and Transformation informed Members of the outcome of the annual review of the Borough Council's Anti-Fraud, Bribery and Corruption Policy and Whistleblowing Policy.

The Anti-Fraud, Bribery and Corruption Policy was attached at Annex 1. The Whistleblowing Policy and Procedure were attached at Annexes 2 and 3 respectively. In line with best practice, it was recommended that an external policy was made available to support those working externally to the Borough Council who might witness wrongdoing by officers and councillors. Such a policy was attached at Annex 4 to provide the details on who and how to raise concerns.

**RESOLVED:** That

- (1) the Anti-Fraud, Bribery and Corruption Policy (attached at Annex 1), be approved:
- (2) the Whistleblowing Policy (attached at Annex 2), be approved; and
- (3) the ability to make any necessary amendments to key contacts held within the Whistleblowing Policy as and when they occur, be delegated to officers.

**MATTERS SUBMITTED FOR INFORMATION****AU 25/10 INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT**

Members were provided with an update on work progress of both the Internal Audit and the Counter Fraud Teams for the period September 2024 to December 2024. Details of additions and amendments to be made to the Internal Audit Plan for 2024/25 were also reported and noted.

In addition, the Audit Committee recorded their congratulations to the Kent County Council Internal Audit and Counter Fraud team for winning the 'Excellence In Public Sector Audit' award at the 2024 Public Finance Awards.

**AU 25/11 EXCLUSION OF PRESS AND PUBLIC**

There were no items considered in private.

The meeting ended at 8.46 pm