

TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

MINUTES

Monday, 29th September, 2025

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

In attendance: Apologies for absence were received from Councillors M A J Hood and M R Rhodes, who participated via MS Teams in accordance with Council Procedure Rule No 15.21.

PART 1 - PUBLIC

AU 25/38 NOTIFICATION OF SUBSTITUTE MEMBERS

There were no substitute members.

AU 25/39 DECLARATIONS OF INTEREST

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

AU 25/40 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 21 July 2025 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO THE COUNCIL

AU 25/41 ANNUAL AUDIT REPORT 2024/25

The report of the Management Team introduced the Auditor's Annual Report (attached at Annex 1) 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. In introducing the report, a brief outline of the national context was provided.

Grant Thornton had not identified any significant weaknesses in the Council's arrangements to improve economy, efficiency and effectiveness. An improvement recommendation was made in respect of the response to the Internal Audit recommendation on the Agile Software implementation and the response of management was detailed in paragraph 5.5 of the report.

RECOMMENDED*: That

- (1) the Auditor's Annual Report (attached at Annex 1) for 2024/25 be approved;
- (2) the key recommendations made in respect of the comments made, be noted;
- (3) the management comments to the 2024/25 value for money recommendations be noted and endorsed; and
- (4) any specific recommendations be made to Cabinet and/or Full Council as the Committee feels appropriate considering the Annual Report.

Recommended to Council*AU 25/42 TREASURY MANAGEMENT PERFORMANCE UPDATE AND MID-YEAR REVIEW FOR 2025/26**

The report of the Head of Finance provided an update on treasury management activity undertaken during April to July of the current financial year. A mid-year review of the Treasury Management and Annual Investment Strategy for 2025/26 was also included in the report.

A full list of investments held on 31 July 2025 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, £840,200 was earned in interest to the end of July which was £116,200 higher than the original estimate for the same period. The positive variance was primarily driven by the slower-than-anticipated reduction in the Bank Rate, which had resulted in sustained higher interest yields on deposits. During the period 1 April 2025 to 30 June 2025, the £3m investment in property funds generated dividends of £28,730 which represented an annualised return of 4.04%.

The Lothbury Property Fund officially terminated on 30 May 2024 and commenced the sale of assets. To date, the Council had received six payments totalling £1,324,240 of its initial investment. The four remaining assets, valued at £65.5m were currently under offer and sales were expected to conclude by August 2025, however the timetable for completion had been extended and Members would be provided an update on performance via a briefing note. Distributions would be made as asset sales were completed.

In respect of the Hermes property fund, the Council had disinvested at the time of the completed merger with Legal and General Assurance Pensions Management Limited and received a share settlement of £908,000 on 20 August 2025, compared to an initial investment of £1m.

Attention was made to CCLA, which had announced a partnership with Juniper Fund Management Plc, subject to approval by the Financial Conduct Authority (FCA), and until such time, business would be as usual. CCLA had pursued the partnership to better serve organisations such as Tonbridge and Malling Borough Council and whilst maintaining its own identity, CCLA would benefit from Juniper Fund Management's expanded resources and project opportunities, with the company committed to preserving CCLA's investment philosophy.

Members were advised that the Council had operated within the treasury limits and prudential indicators set out in the Annual Investment Strategy and in compliance with the Council's Treasury Management Practices and the Prudential and Treasury Indicators which were attached at Annex 4 to the report.

The parameters to limit the Borough Council's exposure to investment risks were summarised in Annex 5. Following a review of the risk parameters and the Treasury Management and Annual Investment Strategy, a change to the current approved risk parameters to include Ethical Investments was proposed to broaden investment options whilst maintaining security and liquidity. Furthermore, future consideration would be given to the inclusion of borrowing and debt rescheduling in anticipation of the future needs of the Council.

RECOMMENDED*: That the following be commended to Council:

- (1) the action taken in respect of Treasury Management activity for April to July 2025, be endorsed;
- (2) the inclusion of Ethical Investments to the existing parameters intended to limit the Council's exposure to investment risks as per paragraph 9.2 of the report, be endorsed;
- (3) the current position in respect of the Lothbury and Hermes Property Investment Funds, be noted.

***Recommended to Council**

MATTERS FOR RECOMMENDATION TO THE CABINET

AU 25/43 RISK MANAGEMENT

The report of Management Team provided an update on the risk management process and the Strategic Risk Register (SRR). An update in respect of the work being undertaken within the Council to champion risk management was also provided.

In July 2025, there were 3 risks categorised as RED as summarised below and these remained RED.

- Achievement of Savings and Transformation Strategy
- Failure to agree a Local Plan
- Managed exit from the Agile System

Reference was made to the risk in respect of 'Devolution and Local Government Reorganisation', which remained as AMBER at this stage, although it was recognised that the ongoing risk assessment would be informed by the work underway regarding the submissions from the Kent authorities with the assistance of an appointed strategic partner.

A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to the Committee in July 2025 was attached at Annex 2 to the report.

As part of the arrangements in place to ensure risk management maintained a high profile within the Council, the Risk Management Strategy (attached at Annex 3) and accompanying guidance (attached at Annex 4) were subject to annual review. Following changes to the guidance and consideration by the Risk Champions Group, a new format of the risk matrix was proposed and attached at Annex 5, and if approved by Council would be used for reporting from January 2026.

During discussion, Members challenged the AMBER risk rating for 'Carbon Neutral 2030 Aspiration' despite various works having been carried out and the success of grant applications, however it was likely that the risk would remain AMBER due to a reduction in future grant funding.

RECOMMENDED*: That

- (1) the updates to the Strategy Risk Register since the last iteration with particular emphasis on those risks categorised as RED as shown in Annexes 1 and 1a, be noted;
- (2) the service risks identified in Annex 2, be noted; and
- (3) the Risk Management Strategy and accompanying Risk Management Guidance, subject to any amendments required, be reviewed and adopted by Full Council.

***Recommended to Cabinet**

MATTERS FOR DECISION UNDER DELEGATED POWERS

**AU 25/44 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 1
PROGRESS REPORT**

The report of the Head of Finance provided an accumulative summary view of the work undertaken by Internal Audit and Counter Fraud for the period July 2025 to September 2025, together with the resulting

conclusions where appropriate. The Internal Audit and Counter Fraud Progress Report, including eight recommended additional audit proposals for inclusion in the plan for 2025/26 was attached at Annex 1 to the report.

Particular attention was made to the five audits that had been finalised to draft/final report in the period, which included the remaining two audits from the 2024/25 plan and three audits from the 2025/26 plan. An update on the status of the 2025/26 Internal Audit Plan was received, and at the current time, two audits were in 'fieldwork' and four in the 'planning' stage. In addition, attention was brought to the Local Plan audit which would start once there had been Member agreement of a local plan; and the Castle project which had been removed as the use of the gateway space as a banking hub curtailed the immediate requirement for development for income generation purposes.

Members received details of the Council's activity in preventing and detecting fraud and corruption during the first quarter of the 2025/26 financial year. The annual exercise of Single Person Discount to Register of Electors, led to an increase of £17,500 in Council Tax liability and a future loss provision of £5,000. It was noted that the annual exercise required significant time for investigation and completion due to their complexity. Additionally, discrepancies on DWP payable benefits had affected the Council's ability to update accounts.

The Kent Intelligence Network continued to support local authorities in Kent in fraud prevention and detection and the focus remained on addressing fraud and errors related to single person discounts, small business rate relief, and unrated businesses and residential premises.

RESOLVED: That

- (1) the Internal Audit and Counter Fraud Progress Report as a source of independent assurance regarding the risk, control and governance environment across the Council, noting the outcomes from audits completed since July 2025 and the Counter Fraud activity for the period, be noted; and
- (2) the Internal Audit Plan additions and amendments for the year 2025/26, be approved.

AU 25/45 STATEMENT OF ACCOUNTS 2024/25 - AUDIT FINDINGS REPORT

The report presented the current set of Accounts for 2024/25 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom. The Committee was invited to approve both the Statement of Accounts and the Audit Findings Report.

The audited set of Accounts for 2024/25 were attached at Annex 1 to the report. Members noted that the 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. Members were reminded that the Statement of Accounts was subject to external audit.

The Audit Findings Report gave two recommendations for the Borough Council as a result of issues identified during the audit. These related to bank reconciliation and related party disclosures. More detail was provided in paragraph 5.4 of the report together with the proposed management response.

Following publication of the Letter of Representation, Grant Thornton had inserted the following 'We have considered the impact of the equal pay claim on the financial statement. We have no knowledge of any material events or circumstances that would require additional disclosures or adjustments made to the financial statements related to equal pay'.

RESOLVED: That

- (1) the enclosed audited set of Accounts for 2024/25 (attached at Annex 1) be 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 Responses, as detailed in paragraph 5.4 and 5.5 of the report on the outcome of the audit of the Statement of Accounts for 2024/25, be approved; and
- (3) the Letter of Representation (attached at Annex 3) be approved for signature by the Chair of the Audit Committee and the Head of Finance (S.151) once Grant Thornton had issued their opinion, subject to the inclusion of additional text related to equal pay.

AU 25/46 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 25/47 INSURANCE CLAIMS UPDATE

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

The report of the Head of Finance informed Members as to the nature and volume of liability and property damage insurance claims submitted between April 2025 to August 2025.

The meeting ended at 8.32 pm