

TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 22nd June, 2015

Present: Cllr V M C Branson (Chairman), Cllr T Edmondston-Low (Vice-Chairman), Cllr M C Base, Cllr T Bishop, Cllr B T M Elks, Cllr S R J Jessel, Cllr S M King and Cllr Mrs S L Luck

Grant Thornton, External Auditors: Mr T Greenlee (Audit Manager)

Councillors Mrs J A Anderson, O C Baldock, M A Coffin, N J Heslop, M R Rhodes and H S Rogers were also present pursuant to Council Procedure Rule No 15.21.

An apology for absence was received from Councillor M Parry-Waller

PART 1 - PUBLIC

AU 15/28 DECLARATIONS OF INTEREST

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

AU 15/29 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 7 April 2015 be approved as a correct record and signed by the Chairman.

AU 15/30 SHARED SERVICE UPDATE

Members were advised that, following the ending of partnership arrangements with Gravesham Borough Council in relation to the post of Audit and Assurance Manager, a six month pilot arrangement had been entered into with Kent County Council to provide management for both Internal Audit and Fraud Investigation. Samantha Buckland was accordingly welcomed by the Committee.

MATTERS FOR RECOMMENDATION TO THE CABINET

AU 15/31 RISK MANAGEMENT STRATEGY

The joint report of the Chief Executive and Director of Finance and Transformation reviewed the current Risk Management Strategy. No amendment was considered to be required other than some minor textual adjustments.

RECOMMENDED: That the Risk Management Strategy set out at Annex 1 to the report be adopted by the Council.

AU 15/32 LOCAL CODE OF CORPORATE GOVERNANCE

The joint report of the Chief Executive and Director of Finance and Transformation reviewed the Local Code of Corporate Governance. It was noted that no amendment was considered to be required other than some minor textual adjustments.

Members requested that reference to the Committee be included in section 2.2 of the Code in respect of the independent scrutiny role of the Audit Committee. It was also suggested that section 4.1 be expanded regarding the means of securing transparent decisions.

RECOMMENDED: That the Local Code of Corporate Governance set out at Annex 1 to the report be adopted by the Council subject to expansion of sections 2.2 and 4.1.

AU 15/33 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2014/15

The report of the Director of Finance and Transformation provided details of treasury management activity undertaken during April and May of the current financial year within the context of the national economy. The treasury management outturn position for 2014/15, due to be reported to the Cabinet on 24 June 2015, was also presented.

The Committee was advised that the interest rate forecast provided by Capita anticipated that the Bank Rate would remain at the emergency level of 0.5% for a further 12 months before rising in the second quarter of 2016, six months later than anticipated in the 2015/16 Annual Investment Strategy. However, core fund and cash flow balances were higher than anticipated and as a consequence the budgeted level of investment income for the 2015/16 year as a whole was expected to be achieved.

It was noted that the summary of investment performance for 2014/15 indicated that the combined performance of the Council's cash flow and core funds had bettered the revised estimate by £4,100.

Officers responded to a number of questions raised by Members including possible impacts of the current debt crisis in Greece, the range of the Council's investments and the cash flow forecast.

RECOMMENDED: That the following be commended to the Council:

- (1) the action taken by officers in respect of treasury management activity for April and May 2015 be endorsed; and
- (2) the 2014/15 outturn position be noted.

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

AU 15/34 ANNUAL GOVERNANCE STATEMENT 2014/15

The report of the Director of Finance and Transformation presented the Annual Governance Statement for the year ended 31 March 2015 which was required to be certified by both the Leader of the Council and the Chief Executive and to accompany the Council's Statement of Accounts 2014/15.

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 advised that reference to the Forward Plan would be corrected to Notice of Forthcoming Key Decisions and the paragraph rephrased and that the production of an annual report of the Overview and Scrutiny Committee would be acknowledged in the supporting evidence.

RESOLVED: That the Annual Governance Statement for the year ended 31 March 2015, as set out at Annex 1 to the report as amended, be approved.

**AU 15/35 STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE
STATEMENT 2014/15**

The report of the Director of Finance and Transformation presented an unaudited set of Accounts for 2014/15 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. It was noted that the Accounts included the proposals recommended to the Cabinet meeting on 24 June 2015. The Annual Governance Statement (referred to at Minute AU 15/34) accompanied the Statement of Accounts. Members were reminded that responsibility for approval of the Statement of Accounts was now delegated to the Audit Committee under the Council's constitutional arrangements.

An explanation was given of the factors leading to the adverse variance in the contribution from the General Revenue Reserve including pressure on the housing benefits budget and the shortfall to be met by the Council under the business rates retention scheme. Officers were thanked for their efforts in relation to producing the accounts.

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 and endorsed;

- (2) the recommendations detailed at paragraph 1.5.4 of the report, following a review of the specific earmarked reserves held by the Council, be noted and endorsed; and
- (3) the unaudited set of Accounts for 2014/15 be received and approved and the Chairman be authorised to sign the Accounts in the appropriate place.

AU 15/36 REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT 2014/15

The report of the Chief Internal Auditor 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 during 2014/15 was Good.

RESOLVED: That on the basis of the findings of the 2014/15 review, the opinion that the effectiveness of Internal Audit during 2014/15 was Good be endorsed.

MATTERS SUBMITTED FOR INFORMATION

AU 15/37 AUDIT FEE LETTER 2015/16

The Director of Finance and Transformation reported receipt of the Audit Fee Letter for 2015/16 from Grant Thornton which gave details of the Council's audit fee (£45,776 plus a composite indicative fee of £18,084 for certification work) together with the scope and timing of audit work and the audit team.

Mr Greenlee explained the background to the reduction in fee compared with that for 2014/15 following the second tranche of the procurement exercises run by the Audit Commission. He also answered Members' questions regarding composition of the audit team.

RESOLVED: That the report be received and noted.

AU 15/38 ANNUAL FRAUD INVESTIGATION REPORT 2014/15

The report of the Director of Finance and Transformation gave details of the work carried out by the Fraud Investigation Team in 2014/15 in preventing and detecting fraud and corruption, including performance in relation to matters investigated, and future plans for tackling fraud committed against the Council.

Reference was made to the pending changes surrounding benefit fraud and the implementation of the DWP Single Fraud Investigation Service. The transfer to the DWP of benefit fraud investigation in Tonbridge and Malling was planned for March 2016.

RESOLVED: That the report be received and noted.

AU 15/39 ANNUAL INTERNAL AUDIT REPORT 2014/15

The report informed the Committee of the opinion of the Chief Internal Auditor on the Council's internal control environment together with the Internal Audit work completed during 2014/15 to support that opinion. Reference was made to the way in which resources had been allocated and the outcome against performance measures. Members noted the opinion that the system of internal control adequately contributed to the proper, economic, efficient and effective use of resources in achieving the Council's objectives in 2014/15.

The Committee was advised that more than 100 claims had been received since the initial audit in respect of the Repair and Renew Grant scheme, one of the four government flood support schemes administered by local councils following the winter 2013 floods.

RESOLVED: That the report be received and noted.

MATTERS FOR CONSIDERATION IN PRIVATE

AU 15/40 EXCLUSION OF PRESS AND PUBLIC

There were no items considered in private.

The meeting ended at 8.17 pm