

## **TONBRIDGE AND MALLING BOROUGH COUNCIL**

### **AUDIT COMMITTEE**

**Monday, 20th June, 2016**

**Present:** Cllr V M C Branson (Chairman), Cllr M C Base (Vice-Chairman), Cllr T Edmondston-Low, Cllr Mrs F A Kemp, Cllr S C Perry and Cllr B W Walker

Grant Thornton, External Auditors: Ms S Ironmonger (Engagement Lead) and Mr T Greenlee (Audit Manager)

Councillors M A Coffin, N J Heslop and T C Walker were also present pursuant to Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors T Bishop, B T M Elks and S R J Jessel

### **PART 1 - PUBLIC**

#### **AU 16/28 DECLARATIONS OF INTEREST**

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

#### **AU 16/29 MINUTES**

**RESOLVED:** That the Minutes of the meeting of the Audit Committee held on 5 April 2016 be approved as a correct record and signed by the Chairman.

### **MATTERS FOR RECOMMENDATION TO THE CABINET**

#### **AU 16/30 RISK MANAGEMENT STRATEGY**

The joint report of the Chief Executive and Director of Finance and Transformation reviewed the current Risk Management Strategy. No substantive amendment was considered to be required at this time but Members were advised that the risk management process was due to be revisited and the Strategy updated for future consideration in the light of the forthcoming Corporate Strategy. Thereafter, as previously requested, a briefing on risk management for members of the Audit Committee would be arranged.

**RECOMMENDED:** That

- (1) the Risk Management Strategy set out at Annex 1 to the report be adopted by the Council; and

- (2) it be noted that the risk management process is due to be revisited and the Strategy updated as necessary for subsequent consideration and endorsement.

#### **AU 16/31 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2015/16**

The report of the Director of Finance and Transformation provided an update on 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 2015/16, due to be reported to the Cabinet on 29 June 2016, 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 nine months before rising in the first quarter of 2017. The forecast would be updated once the result of the EU referendum was known.

It was noted that the summary of investment performance for 2015/16 indicated that the combined performance of the Council's cash flow and core funds had bettered the revised estimate by £36,100. Investment income earned in April and May of 2016/17 was also higher than expected, exceeding the estimate for the same period by £5,400.

A commentary was given on the application of credit default swap data (the market view of risk) and approval sought to enhance the existing flexibility afforded to officers when determining the appropriate duration of term deposits.

**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 2016 be endorsed;
- (2) the 2015/16 outturn position be noted; and
- (3) the flexibility afforded to officers when determining the appropriate duration for term deposits be enhanced as outlined in paragraph 1.8.5 of the report.

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

#### **AU 16/32 ANNUAL GOVERNANCE STATEMENT 2015/16**

The report of the Director of Finance and Transformation presented the Annual Governance Statement for the year ended 31 March 2016 which was required to be certified by both the Leader of the Council and the

Chief Executive to accompany, but not form part of, the Council's Statement of Accounts 2015/16.

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.

**RESOLVED:** That the Annual Governance Statement for the year ended 31 March 2016, as set out at Annex 1 to the report, be approved.

#### **AU 16/33 STATEMENT OF ACCOUNTS 2015/16**

The report of the Director of Finance and Transformation presented an unaudited set of Accounts for 2015/16 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. It was noted that the Accounts included the proposals recommended to the Cabinet meeting on 29 June 2016. The Annual Governance Statement (referred to at Minute AU 16/32) accompanied the Statement of Accounts.

The officers answered a range of questions raised by Members on various aspects of the Accounts. The Committee was reminded that responsibility for approval of the Statement of Accounts was now delegated to the Audit Committee under the Council's constitutional arrangements and the external auditor's report on the outcome of the audit of Accounts was expected to be presented to the meeting on 5 September 2016.

**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 2015/16 be received and approved and the Chairman be authorised to sign the Accounts in the appropriate place.

#### **AU 16/34 REVIEW OF 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 2015/16 was Good.

Initial feedback from the external quality assessment was also positive and a full report would be presented to the September meeting.

**RESOLVED:** That on the basis of the findings of the review, the opinion that the effectiveness of Internal Audit during 2015/16 was Good be endorsed.

### **MATTERS SUBMITTED FOR INFORMATION**

#### **AU 16/35 OPINION OF CHIEF AUDIT EXECUTIVE ON INTERNAL CONTROL ENVIRONMENT TOGETHER WITH ANNUAL INTERNAL AUDIT REPORT AND ANNUAL COUNTER FRAUD REPORT FOR 2015/16**

The report informed the Committee of the opinion of the Chief Audit Executive on the Council's internal control environment together with the Internal Audit work completed during 2015/16 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 2015/16.

The report also informed the Committee of the work carried out by the Counter Fraud function in 2015/16. It was noted that a fraud-proofing review of the Council's arrangements in relation to Housing Benefit applications had been undertaken and further details of the outcome would be provided at a future meeting.

Members commented on the outcome of a number of the internal audit assurance reviews as set out at Annex 1 to the report. In particular the Committee reinforced the reminder to Members to submit the appropriate receipts for travel allowance claims to enable the Council to reclaim VAT where relevant.

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

#### **AU 16/36 AUDIT FEE LETTER 2016/17**

The Director of Finance and Transformation reported receipt of the Audit Fee Letter for 2016/17 from Grant Thornton which gave details of the Council's audit fee of £45,776 (the same as for 2015/16) plus an indicative fee of £13,950 for certification work, together with the scope and timing of audit work and the audit team.

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

**AU 16/37 NATIONAL FRAUD INITIATIVE 2016/17**

The report of the Director of Finance and Transformation gave details of the Proposed Work Programme and Scales of Fees in respect of the National Fraud Initiative (NFI) 2016/17. It was noted that the Cabinet Office became responsible for data matching exercises following the closure of the Audit Commission. It was proposed to introduce two new mandatory datasets, social housing waiting list data and council tax reduction scheme data, and that the scale of fees would remain unchanged from the NFI 2014/15.

Members were advised that it was considered that no particular comments needed to be made in response to the consultation which ended on 6 May 2016. The final programme and fees would be published shortly.

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

**AU 16/38 GRANT THORNTON - AUDIT COMMITTEE UPDATE**

The report of the Director of Finance and Transformation introduced Grant Thornton's report on progress in delivering their responsibilities as the Council's external auditors and summarising a number of relevant national issues and developments. In introducing the report Mr Greenlee referred to the Council's strong record of corporate governance and indicated that there were no issues to draw to Members' attention.

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

**AU 16/39 EXCLUSION OF PRESS AND PUBLIC**

There were no items considered in private.

The meeting ended at 8.35 pm