

## TONBRIDGE AND MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

Monday, 26th July, 2021

**Present:** Cllr Mrs F A Kemp (Chairman), Cllr N Foyle (Vice-Chairman), Cllr R I B Cannon, Cllr D W King, Cllr J R S Lark and Cllr M R Rhodes.

Councillors R P Betts, V M C Branson, N Heslop, D Keers, Mrs A S Oakley, W E Palmer, H S Rogers and J L Sergison participated via MS Teams and joined the discussion when invited to do so by the Chairman in accordance with Council Procedure Rule No 15.21.

(Note: As Councillor N Heslop was unable to attend in person and participated via MS Teams, he was unable to vote on any matter).

An apology for absence was received from Councillor T Bishop.

### PART 1 - PUBLIC

#### **AU 21/27 DECLARATIONS OF INTEREST**

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

#### **AU 21/28 MINUTES**

**RESOLVED:** That the Minutes of the meeting of the Audit Committee held on 6 April 2021 be approved as a correct record and signed by the Chairman.

#### **AU 21/29 EXTERNAL QUALITY ASSESSMENT**

The report of the Chief Audit Executive informed Members of the results of the External Quality Assessment (EQA) of the Internal Audit service undertaken in February to March 2021. The EQA provided an overall opinion on Internal Audit's conformance with the standards and an individual rating against the Standards and Code of Ethics. The overall assessment resulting from the EQA was that the internal audit function generally conformed to the Institute of Internal Auditor's professional standards. Proposed actions and timescales had been developed for the recommendations raised in the assessment and these had formed an improvement plan.

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

**MATTERS FOR RECOMMENDATION TO COUNCIL****AU 21/30 LOCAL CODE OF CORPORATE GOVERNANCE**

The report of the Chief Executive and Director of Central Services informed Members of the outcome of the annual review of the Local Code of Corporate Governance. The Committee received an amended Annex 1 at the meeting which highlighted the changes to the Local Code of Corporate Governance.

**RESOLVED:** That the amendments to the Local Code of Corporate Governance, as presented at the meeting, be commended to Council for adoption.

**\*Referred to Council**

**AU 21/31 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2020-21**

The report of the Director of Finance and Transformation provided an update on treasury management activity undertaken during April to June of the current financial year. The treasury management outturn position for 2020/21 was also set out.

The report provided a commentary on investments derived from cash flow surpluses, core cash balances and other long term cash balances. A full list of investments held on 31 June 2021 was set out in Annex 1 to the report.

Particular reference was made to the adoption of a multi asset fund which aimed to generate returns over and above inflation and thus preserve spending power. Three funds had been selected for investment with an expectation based on past performance that, each would deliver a return in excess of 3% per annum and preserve capital over the five-year duration of the investment. £1m was being invested in each of the three funds which collectively were expected to generate £60,000 of additional income in 2021/22.

Member's attention was drawn to the Revenue and Capital Outturn report for 2020/21 as set out at Annex 4 which provided a summary of the investment performance. The combined performance of the Authority's investments exceeded the revised estimate of £132,953 but were £224,047 less than the 2020/21 original estimates reflecting the Covid-19 impact on investment returns.

The impact of the pandemic on the economy was difficult to assess, and although fluctuations in long term property investments were expected, it was anticipated that there would be some capital appreciation.

**RECOMMENDED:** That the following be commended to Council:

- (1) The action taken in respect of treasury management activity for April to June 2021 be endorsed;
- (2) The £3m being applied to investment asset (diversified income) funds be noted; and
- (3) The 2020/21 outturn position be noted.

**\*Referred to Council**

**DECISIONS TAKEN UNDER DELEGATED POWERS IN ACCORDANCE WITH PART 3 OF THE CONSTITUTION (RESPONSIBILITY FOR COUNCIL FUNCTIONS)**

**AU 21/32 RISK MANAGEMENT**

The report of the Management Team provided an update on the risk management process and the Strategic Risk Register (SRR).

A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to this Committee in April 2021 were set out in Annex 1 of the report. Of the six risks categorised as RED at that time, all remained RED with the exception of 'Elections' which had since been removed from the SRR.

Brexit/EU Transition Impact and Economic Stability continued to be identified as RED due to the unexpected impact of economic uncertainty around EU legislation on finances and resources and the economic implications of the pandemic on businesses and residents.

Particular attention was made to the risk of cyber security and the increase in cyber-attacks across the public industry nationally.

**RESOLVED:** That the updates to the Strategic Risk Register since the last iteration with particular emphasis on those five risks categorised as RED be noted.

**AU 21/33 THE CIPFA FINANCIAL MANAGEMENT CODE**

The report of the Director of Finance and Transformation provided an overview of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code and the outcome of a self-assessment to demonstrate compliance. The outcome of the self-assessment, as set out in Annex 1, saw a green rating assigned to all but two of the seventeen Financial Management Standards. The two Standards assigned as amber rating were stakeholder engagement and business cases.

In respect of Financial Management Standard A, Members were advised that the leadership team was able to demonstrate that the services provided by the authority were value for money, with a clear governance structure and scrutiny arrangements in place where collective responsibility for value for money was made explicit.

**RESOLVED:** That the outcome of the self-assessment to demonstrate compliance with the CIPFA Financial Management Code be noted.

#### **AU 21/34 ANNUAL GOVERNANCE STATEMENT 2020/21**

The report of the Management Team presented the Annual Governance Statement for the year ended 31 March 2021 which was required to be certified by both the Leader of the Council and the Chief Executive to accompany the Council's Statement of Accounts 2020/21.

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 2021, as set out at Annex 1 to the report, be endorsed.

#### **AU 21/35 STATEMENT OF ACCOUNTS 2020/21 AND PROGRESS UPDATE ON THE AUDIT OF THE ACCOUNTS**

The report of the Director of Finance and Transformation presented an unaudited set of Accounts for 2020/21 in the form specified by the Code of Practice on Local Authority Accounting in the United Kingdom. The Annual Governance Statement (referred to in Minute AU 21/34) accompanied the Statement of Accounts.

The total comprehensive income and expenditure for the year was £5.8m compared to -£7.2m in 2019/20. The net worth had decreased primarily due to a decrease in asset values which were foreseen to be short term and an increase in the Council's pension liability. Particular attention was made to the financial impact arising from the Covid-19 pandemic as detailed in the financial statement.

**RESOLVED:** That

- (1) the unaudited set of Accounts for 2020/21 be noted and endorsed;
- (2) 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 3 to the report, be noted; and
- (3) the progress update on the audit of Accounts for 2020/21 be noted.

**AU 21/36 REVIEW OF THE 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 2020/21 was Good.

**RESOLVED:** That on the basis of the findings of the review, the opinion that the effectiveness of Internal Audit function for the year 2020/21 was Good be endorsed.

**MATTERS SUBMITTED FOR INFORMATION****AU 21/37 OPINION OF THE CHIEF AUDIT EXECUTIVE ON THE FRAMEWORK OF GOVERNANCE, RISK MANAGEMENT AND CONTROL, TOGETHER WITH THE ANNUAL INTERNAL AUDIT REPORT AND ANNUAL COUNTER FRAUD REPORT FOR THE YEAR 2020/21**

The report informed the Committee of the opinion of the Chief Audit Executive on the Council's framework for governance, risk management and control together with the Internal Audit work completed during 2020/21 to support that opinion. The report also informed the Committee of the work carried out by the Counter Fraud function in 2020/21.

It was the opinion of the Chief Audit Executive that Tonbridge and Malling Borough Council's framework of governance, risk management and control 'substantially' contributed to the proper, economic, efficient and effective use of resources in achieving objectives during 2020/21. There were however areas where compliance with existing controls should be enhanced or strengthened, or where additional controls should be introduced. Recommendations against these findings had been made and progress against these during 2020/21 had been good.

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

**AU 21/38 GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATE**

The report of the Director of Finance and Transformation set out the progress of the external auditors in delivering their responsibilities in auditing the Borough Council's accounts.

It was anticipated that the Auditor's Annual report, communicating the key issues arising from the auditors Value for Money work, would be submitted by the deadline of 30 September 2021.

It was explained that it was prudent to establish a provision (impairment allowance) for non-payment of debt due to the potential adverse impact on collectability of debt caused by the Covid-19 pandemic. Collection rates were lower in 2020-21 due to the pandemic and steps had been taken to increase provisions. Council tax and NDR collection rates for the current financial year were on target and outstanding debt from 2020-21 would be reviewed at the end of 2021-22.

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

**AU 21/39 CONSULTATION ON THE DRAFT PROSPECTUS FOR THE NATIONAL SCHEME FOR LOCAL AUDITOR APPOINTMENTS FROM APRIL 2023**

The report of the Director of Finance and Transformation advised the Committee of a draft prospectus prepared by the Public Sector Audit Appointments Limited (PSAA) for a national scheme for local auditor appointments from April 2023. The PSAA had invited views and comments in relation to the aims of the scheme and how it needed to develop going forward.

The return date for responses to the consultation was 8 July 2021 and due to the timing of meetings, the responses as detailed in Annex 2 were agreed with the Committee Chairman and Cabinet Member for Finance, Innovation and Property prior to submission.

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

**AU 21/40 EXCLUSION OF PRESS AND PUBLIC**

There were no items considered in private.

The meeting ended at 8.48 pm