

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

24 January 2022

### Joint Report of the Chief Executive and Director of Finance and Transformation

#### Part 1- Public

#### Matters for Recommendation to Cabinet

## 1 AUDITOR'S ANNUAL REPORT

**Our external auditors (Grant Thornton UK LLP) are required to satisfy themselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report on the same to those charged with governance - which for this purpose is the Audit Committee - followed by Cabinet and Full Council.**

### 1.1 Introduction

- 1.1.1 The arrangements have changed from that in previous years where the auditor is now required to report in more detail on the Authority's overall arrangements for securing economy, efficiency and effectiveness in its use of resources, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.
- 1.1.2 Auditors are required to report their commentary on the Authority's arrangements under specified criteria. The criteria are financial sustainability, governance and improving economy, efficiency and effectiveness.
- 1.1.3 Before turning to the report in more detail there are some contextual comments in respect of the difficult and challenging financial outlook that we wish to draw to Members' attention. These are:
- *"Our work indicates the council will face significant financial challenges in future years"*
  - *"Members must ensure they own these challenges and ensure the Council is on a sound financial footing"*
  - *"We have seen from recent reports, the importance of Members taking the right financially prudent decisions at the right time."*
- 1.1.4 These are of course messages which we have already impressed upon Members in other forums, but it is important to recognise the same messages from the independent external auditor.

## 1.2 Auditor's Annual Report

1.2.1 A copy of the Auditors Annual Report is attached at **[Annex 1]**. The Engagement Lead and or their representative will be at the meeting to present the report and to answer questions.

1.2.2 No significant weaknesses in arrangements were identified, but a number of improvement recommendations are made. For ease of reference the improvement recommendations made under each criteria and the management comment (*italics*) are set out below.

### ***Financial sustainability***

1.2.3 Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgeted information provided to Members and published on the web.

*This is not as straightforward as it might seem as some service areas are a mix of mandatory and discretionary and a discretionary service area(s) could be in support of the Councils strategic priorities and objectives. We do however recognise we will need to draw out the distinction between mandatory and discretionary spend as we progress and consider the prioritisation of services exercise in response to the financial challenge faced.*

1.2.4 Consideration should be given to completing an annual public consultation exercise when preparing the budget.

*Previous high level annual budget consultation exercises have not been particularly helpful in providing direction, and a more bespoke and tailored consultation on specific service area(s) linked to the prioritisation of services exercise could provide a more informed outcome.*

1.2.5 The Human Resources Strategy should be updated to tie into the latest corporate plan and budget as well as undertaking a workforce review.

*Officers will consider how this approach could be implemented.*

### **Governance**

1.2.6 A risk training programme should be implemented for all staff levels based on the new risk management policy.

*Members received risk management training following the 2019 Borough Election. Risk management is a standing agenda item on all weekly Service Management Team meetings and is seen as a way of disseminating the roles and responsibilities of officers in the identification, evaluation and cost-effective control of risks. However, will consider whether any specific training is required either service specific or council wide.*

### ***Improving economy, efficiency and effectiveness***

- 1.2.7 The Council should formally identify their key performance indicators and develop a system of monitoring performance and annual reporting against this suite.

*Performance of the Council and its partners in achieving its objectives is monitored and measured by services and their respective Service Management Teams and subsequently Members. Individual services are accountable to the Corporate Management Team for operational performance monitoring and measurement and are responsible for taking action to correct any adverse performance, in the first instance, as appropriate. That said the subject of key performance indicators is a matter currently being considered by the Leader and Deputy Leader in conjunction with Management Team and await the outcome of that review.*

- 1.2.8 The Council should reintroduce the benchmarking practices used pre-pandemic looking to see how other councils provide services with a view to introducing best practice and providing value for money.

*Benchmarking can be resource intensive, that is not to say benchmarking is not a useful tool, it is, adding insight and value when used in the right context and will continue to look for opportunities to benchmark where and when it is determined it will be beneficial to do so when undertaking a review of a specific service area(s).*

- 1.2.9 Consideration should be given to reviewing and updating the Procurement Strategy.

*The nature, scale and size of procurement activity is relatively constant year on year and as such consider the current Procurement Strategy remains fit for purpose. However, do acknowledge the need to revisit the Strategy when other more pressing priorities and work pressures allow and in recognition of the new procurement regime due to be implemented in 2023.*

## **1.3 Legal Implications**

- 1.3.1 The Council's external auditor is required under s20(1)c) of the Local Audit and Accountability Act 2014 to satisfy themselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 1.3.2 The Code of Audit Practice issued by the National Audit Office in 2020 requires us (Grant Thornton UK LLP) to report to you our commentary relating to proper arrangements.

## **1.4 Financial and Value for Money Considerations**

- 1.4.1 As set out in the Auditor's Annual Report.

## **1.5 Risk Assessment**

1.5.1 As set out in the Auditor's Annual Report.

## **1.6 Equality Impact Assessment**

1.6.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## **1.7 Policy Considerations**

1.7.1 Business Continuity/Resilience

1.7.2 Human Resources

## **1.8 Recommendations**

1.8.1 Members are **RECOMMENDED** to:

- 1) Approve the Auditor's Annual Report [**Annex 1**] for 2020/21.
- 2) Note and endorse the management comments to the improvement recommendations made.

Background papers:

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Nil

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