

TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

MINUTES

Monday, 22nd July, 2024

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

Virtual: Councillors Mrs A S Oakley and W E Palmer were also present pursuant to Council Procedure Rule No 15.21.

PART 1 - PUBLIC

AU 24/23 NOTIFICATION OF SUBSTITUTE MEMBERS

There were no substitute members.

AU 24/24 DECLARATIONS OF INTEREST

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

AU 24/25 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 15 April 2024 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO COUNCIL

AU 24/26 LOCAL CODE OF CORPORATE GOVERNANCE

The joint report of the Chief Executive and the Director of Central Services informed Members of the outcome of the annual review of the Local Code of Corporate Governance.

The Local Code was last reviewed in July 2023. The proposed changes to the Local Code were relatively minor in nature and the revised Code was attached as Annex 1 to the report.

During discussion, it was requested that literature be included in future to demonstrate that checks were undertaken to ensure that procedures were being followed and were reviewed to ensure their effectiveness in determining the outcome.

In terms of the effectiveness of the internal audit service and Audit Committee, although it was recognised that the Annual Report of the Audit Committee reported the effectiveness of the Committee, it was suggested that consideration be given to Grant Thornton undertaking a review of the Committee's effectiveness.

RECOMMENDED*: That the amendments to the Local Code of Corporate Governance, as set out at Annex 1 to the report, be approved and commended to Council for adoption.

***Referred to Council**

AU 24/27 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2023/24

The report of the Director of Finance and Transformation provided an update on treasury management activity undertaken during April to May of the current financial year. The treasury management outturn position for 2023/24 was also set out.

The report provided an assessment of the current economic situation and interest rate forecasts together with 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 May 2024 was set out in Annex 1 to the report.

Members received an update on the Lothbury Property Trust, who had for several months been in negotiations to find a suitable merger to enable investors to continue to hold shares within the property market. Unfortunately the merger discussions did not provide the desired result and concluded with the termination of the Lothbury Property Trust on 30 May 2024. The first tranche in respect of TMBC's holdings had been paid back on 5 June 2024 and a further tranche on 5 July 2024. Additional funds would be distributed as and when assets were sold and dividends would continue to be paid on income generating assets whilst the fund was in the process of securing the sale of assets.

Member's attention was drawn to the Treasury Management Annual Report for 2023/24 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 by £866,137, and £1.272m when compared to the 2023/24 original estimates mainly due to the Bank Rate being held at 5.25% for longer than expected in 2023/24.

RECOMMENDED*: That the following be commended to Council:

- (1) the action taken in respect of treasury management activity for April to May 2024 be endorsed; and

(2) the 2023/24 outturn position be noted.

***Referred to Council**

MATTERS FOR RECOMMENDATION TO THE CABINET

AU 24/28 RISK MANAGEMENT

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

The executive summary of the RED risks was attached at Annex 1 of the report and a full update of the current strategic risks and how they were being managed as at the time of the report being written was attached at Annex 1a.

Members received an update on the risk management process and the Strategic Risk Register (SRR). In April 2024, there were 4 risks categorised as RED as summarised below:

- Savings and Transformation Strategy
- Local Plan
- Implementation of the Agile software system
- Procurement

Following the detailed training the Committee received earlier in the year, together with the recommendations made by the risk consultant from Zurich, Management Team had commenced a review of all the risks contained within the Strategic Risk Register with a view to achieving a more streamlined version, highlighting only the strategic risks to the Council over the one to two year horizon. A number of changes had been made to the current Register, including the deletion of some risks that were no longer felt to be strategic risks and the titles of some of the risks. The risks deleted were:

- IT Infrastructure
- Compliance with legislation
- Devolution
- Elections
- Partnerships including shared services
- Flooding

The RED risks at the time of the publication of the report were:

- Achievement of Savings and Transformation Strategy
- Failure to agree a Local Plan
- Implementation of the Agile software system
- Contract/Contractor Procurement

A schedule of ongoing risks identified by Service Management Teams and Management Team since the last report to the Committee in January 2024 was set out in Annex 2 of the report.

During discussion, Members were advised of the potential risks associated with the continuation of the Local Plan at this stage and were reminded of the importance of an effective Local Plan to manage development.

RECOMMENDED*: That

- (1) the review undertaken by Management Team in streamlining the Strategic Risk Register, be noted; and
- (2) the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as RED, be noted.

***Referred to Cabinet**

MATTERS FOR DECISION UNDER DELEGATED POWERS

AU 24/29 ANNUAL GOVERNANCE STATEMENT 2023/24

The report of the Management Team presented the Annual Governance Statement for the year ended 31 March 2024 which was certified by both the Leader of the Council and the Interim Chief Executive on 31 May 2024 and would accompany the Council's Statement of Accounts 2023/24.

The Annual Governance Statement, attached at Annex 1, had been prepared by way of a self-assessment questionnaire and supporting evidence to demonstrate that there was a sound system of corporate governance in place throughout the organisation.

Members attention was brought to the responsibility of the Audit Committee to provide independent assurance of the adequacy of the risk management framework and associated control environment.

RESOLVED: That the Annual Governance Statement for the year ended 31 March 2024, as set out at Annex 1 to the report, be endorsed.

AU 24/30 STATEMENT OF ACCOUNTS 2023/24

The report of the Director of Finance and Transformation presented an unaudited set of Accounts for 2023/24 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom. Attention was drawn to the Statement of Accounts at Annex 1 which had been circulated separately.

The final contribution to the General Revenue Reserve was in the region of £1.3m, which was £63k more than expected at final estimates. This was predominantly due to the levels of investment income that were able to be achieved over the last year alongside higher levels of income from other Council sources.

The Council's net worth increased by £8.9m in 2023-24 due to a number of factors, significantly the £3m reduction in pension liability due to asset returns having been higher than expected, the increase of heritage asset values by £2.9m based on the Council's insurance valuations for the year.

Overall there had been an increase in the value of the authority's assets, however it was noted that the Council's property and equipment had decreased in value this year, primarily due to the homelessness properties being considered to be social housing and therefore valued using the local housing allowance. These properties had previously been held within the asset register at their purchase price. Other changes in asset values included an increase in the value of industrial units by £866k. These units were being leased to predominantly secure tenants which had led to an increase in their value. Industrial yields were currently reporting between 5-7.25% but being prudent 4-5% had been applied to these properties.

During discussion, concern was raised regarding the 'backlog' issues nationally and the impact on the Council's audit of the 2023-24 accounts and it was noted that the External Auditors from Grant Thornton confirmed that the final accounts audit would start as of 1 October 2024.

RESOLVED: That

- (1) the unaudited set of Accounts for 2023/24 be noted and endorsed; and
- (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.

AU 24/31 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 for the year 2023/24. Members were advised that the Management Team had considered the outcome of the review and concluded that the opinion on the effectiveness of the Internal Audit function in place for the year 2023/24 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 2023/24 was Good, be endorsed.

MATTERS SUBMITTED FOR INFORMATION

AU 24/32 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 2023/24

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 2023/24 to support that opinion. The report also informed the Committee of the work carried out by the Counter Fraud function in 2023/24.

RESOLVED: That the report be noted.

AU 24/33 GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATE

The report of the Director of Finance and Transformation introduced a progress report on the audit of the 2023/24 accounts and update on emerging national issues and developments from the external auditor Grant Thornton.

RESOLVED: That the report be noted.

AU 24/34 EXCLUSION OF PRESS AND PUBLIC

There were no items considered in private.

The meeting ended at 8.41 pm