

# **TONBRIDGE AND MALLING BOROUGH COUNCIL**

## **AUDIT COMMITTEE**

### **MINUTES**

**Monday, 25th September, 2023**

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

(Note: As Councillor J Clokey was unable to attend in person and participated via MS Teams, he was unable to vote on any matters).

**Virtual:** Councillors R P Betts, M D Boughton, J Clokey, M A Coffin, D Keers, W E Palmer and K B Tanner 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.

An apology for absence was received from Councillor Clokey.

### **PART 1 - PUBLIC**

#### **AU 23/38 NOTIFICATION OF SUBSTITUTE MEMBERS**

Notification of substitute Members were recorded as set out below:

- Cllr Bishop substituting for Cllr Clokey

In accordance with Council Procedure Rules 17.5 to 17.9 these Councillors had the same rights as the ordinary member of the committee for whom they were substituting.

#### **AU 23/39 DECLARATIONS OF INTEREST**

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

#### **AU 23/40 MINUTES**

**RESOLVED:** That the Minutes of the meeting of the Audit Committee held on 24 July 2023 be approved as a correct record and signed by the Chairman.

**MATTERS FOR RECOMMENDATION TO THE CABINET****AU 23/41 AUDITOR'S ANNUAL REPORT 2022/23**

The report of the Management Team introduced the Auditors Annual Report (attached at Annex 1) prepared by Grant Thornton UK LLP in respect of the Borough Council's overall arrangements for securing economy, efficiency and effectiveness in the use of resources. In introducing the report, a brief outline of the national context was provided.

Grant Thornton believed that there were two significant weaknesses in the Council's arrangements to improve economy, efficiency and effectiveness. These related to procurement and performance management, and recommendations were made as to how this could be addressed. The responses of management were detailed at 1.3.4 and 1.3.9 of the report.

During discussion, Members raised concern regarding the Council's procurement resource and it was noted that the options for a procurement resource were being discussed and that the Procurement Strategy would be reviewed once the procurement resource issue had been resolved.

In addition, a number of improvement recommendations were also made and these were detailed in 1.4 of the report.

**RECOMMENDED\*:** That

- (1) the Auditor's Annual Report (attached at Annex 1) for 2022/23 be approved;
- (2) the key recommendations made in respect of 'performance management' and procurement' be noted and the management comments be endorsed;
- (3) the management comments to the improvement recommendations be noted and endorsed; and
- (4) the Audit Committee receive a progress report on the key recommendations made in respect of 'performance management' and procurement' at their next meeting.

**\*Referred to Cabinet****AU 23/42 TREASURY MANAGEMENT UPDATE AND MID-YEAR REVIEW**

The report of the Director of Finance and Transformation provided an update on treasury management activity undertaken during April to July of the current financial year. A mid-year review of the Treasury

Management and Annual Investment Strategy for 2023/24 was also included in the report.

A full list of investments held on the 31 July 2023 was attached at Annex 1 to the report and a copy of the lending list at Annex 2. In terms of cash flow and core cash investments, £813,500 was earned in interest to the end of July, which was higher than the original estimate for the same period. The increase reflected the continued upward movement of interest rate rises and the favourable rates available to the Council. During the period 1 April 2023 to 30 June 2023, the £5m investment in property funds generated dividends of £45,350 which represented an annualised return of 3.63%, compared to 3.29% in 2022/23.

Following the last meeting of the Audit Committee, the position of the Lothbury Property Trust had been reviewed and it was concluded that the new direction of the fund remained intrinsically the same as before but on a reduced scale, and the new strategy would focus on high conviction sectors such as student and commercial accommodation whilst reducing their position in the office and retail sector. As a result of discussions, an expression of interest had been communicated with Lothbury and a commitment would be provided to remain in the fund.

The parameters to limit the Borough Council's exposure to investment risks were summarised in Annex 5. There were no changes to the current approved risk parameters proposed at this time.

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

- (1) the action taken in respect of treasury management activity for the period April to July 2023 be endorsed; and
- (2) the existing parameters intended to limit the Council's exposure to investment risks, as set out at Annex 5 to the report, be retained.

**\*Referred to Cabinet**

## **AU 23/43 RISK MANAGEMENT**

The report of the Management Team provided an update on the risk management process and the Strategic Risk Register (SRR). In June 2023, there were 8 risks categorised as 'red' as summarised below:

- Financial position/budget deficit
- Economic Stability
- Savings and Transformation Strategy
- Local Plan
- Organisational Development including recruitment and retention/skills mix
- Homes for Ukraine Scheme
- Implementation of the Agile software system

- Political factors including stability of political leadership and decision making

Since last reported, Performance Management, Carbon Neutral 2030 Aspiration and Waste and Recycling Income had been identified as risks. Full details of the risks were set out in Annex 1 to the report and the heading of Key Performance Indicators and Carbon Neutral 2030 Aspirations had been assessed as RED risks at this time.

A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to this Committee in June 2023 were set out in Annex 2 of the report.

**RECOMMENDED\*:** That

- (1) the recommendations made by the External and Internal Auditors on Risk Management as set out, be noted.
- (2) the updates to the Strategic Risk Register since the last iteration, with particular emphasis on those risks categorised as 'red and the direction of travel for all risks, be noted;
- (3) the approach proposed within paragraph 1.3 for reporting back to the Audit Committee at the next cycle of meetings, be endorsed;
- (4) in light of the Auditors Annual Report, the property asset management provision be reviewed in relation to the Organisational Development risk; and
- (5) a report be provided at the next meeting of the Audit Committee on the implementation of the Agile software system.

**\*Referred to Cabinet**

### **DECISIONS TAKEN UNDER DELEGATED POWERS**

#### **AU 23/44 STATEMENT OF ACCOUNTS 2022/23 AND EXTERNAL AUDITORS REPORT ON THE OUTCOME OF THE AUDIT OF THE ACCOUNTS**

The report presented the current set of Accounts for 2022/23 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom. The Committee was invited to approve both the Statement of Accounts and the Audit Findings Report.

The audited set of Accounts for 2022/23 were attached at Annex 1 to the report. Members noted that the Council's responsible financial officer had certified that the Statement of Accounts presented a 'true and fair view' of the financial position of the local authority at the end of the year and its income and expenditure for the year. Members were reminded that the Statement of Accounts was subject to external audit.

The Audit Findings Report gave one recommendation for the Borough Council as a result of an issue identified during the audit. This related to the approval of journals. More detail was provided in 1.4.4 of the report together with the proposed management response.

**RESOLVED:** That

- (1) the enclosed audited set of Accounts for 2022/23 (attached at Annex 1) be approved and the Chair of the Audit Committee be asked to sign the Accounts in the appropriate place;
- (2) the Audit Findings Report and the Management Response, as detailed in paragraph 1.4.4 and 1.4.5 of the report, on the outcome of the audit of the Statement of Accounts for 2022/23 be approved; and
- (3) the Letter of Representation (attached at Annex 3) be approved for signature by the Chair of the Audit Committee and the Director of Finance and Transformation once Grant Thornton had issued their opinion.

**MATTERS SUBMITTED FOR INFORMATION**

**AU 23/45 INTERNAL AUDIT AND COUNTER FRAUD UPDATE**

The report provided an update on the work of both the Internal Audit and the Counter Fraud functions.

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

**AU 23/46 EXCLUSION OF PRESS AND PUBLIC**

The Chairman moved, it was seconded and

**RESOLVED:** That as public discussion would disclose exempt information, the following matters be considered in private.

**PART 2 - PRIVATE**

**AU 23/47 INSURANCE CLAIMS HISTORY**

(LGA 1972 Sch 12A Paragraph 3 – Financial of business affairs of any particular person)

The report of the Director of Finance and Transformation informed Members as to the nature and volume of liability and property damage insurance claims submitted for the year ended 31 August 2023.

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

The meeting ended at 9.07 p.m.