

# **TONBRIDGE AND MALLING BOROUGH COUNCIL**

## **AUDIT COMMITTEE**

### **MINUTES**

**Monday, 14th April, 2025**

**Present:** Cllr M R Rhodes (Vice-Chair, in the Chair), Cllr T Bishop, Cllr J Clokey, Cllr J R S Lark, Cllr B A Parry and Cllr K Barton (substitute)

**Virtual:** Councillors M A Coffin, W E Palmer and K B Tanner participated via MS Teams in accordance with Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors R I B Cannon (Chair) and M A J Hood.

### **PART 1 - PUBLIC**

#### **AU 25/12 NOTIFICATION OF SUBSTITUTE MEMBERS**

Notification of substitute Members were recorded as set out below:

- Councillor K Barton substituted for Councillor M Hood

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

#### **AU 25/13 DECLARATIONS OF INTEREST**

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

However, for reasons of transparency, Cllr Clokey reminded Members that in relation to agenda item 8 (Treasury Management Performance Update) he was employed by one of the companies who managed a multi asset fund which the Borough Council had invested in and was referenced in the report. As this did not represent either a Disclosable Pecuniary or Other Significant Interest there was no reason for Cllr Clokey to withdraw from the meeting.

#### **AU 25/14 MINUTES**

**RESOLVED:** That the Minutes of the meeting of the Audit Committee held on 13 January 2025 be approved as a correct record and signed by the Chairman.

**MATTERS FOR RECOMMENDATION TO THE COUNCIL****AU 25/15 ANNUAL REPORT OF THE CHAIRMAN OF THE AUDIT COMMITTEE**

The report of the Chairman of the Audit Committee aimed to inform the Council of the means by which the Committee had provided independent assurance to those charged with governance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting and annual governance processes. The report summarised the work carried out by the Committee during 2024/25 and concluded that the required independent assurance, as defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance, had been provided by the Audit Committee to those charged with governance.

**RECOMMENDED\***: That the Annual Report be presented to the Full Council to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

**\*Recommended to Council**

**MATTERS FOR RECOMMENDATION TO THE CABINET****AU 25/16 RISK MANAGEMENT**

The report of the Management Team provided an update on the risk management process and the Strategic Risk Register. An update was also provided in respect of the work being undertaken within the Council to champion risk management.

An executive summary of the RED risks was provided at Annex 1 of the report and a full update on the current strategic risks and how they were being managed as at the time of writing were set out at Annex 1a. The risks that were categorised RED at the time of the January 2025 meeting were:

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

Following a decision taken by Cabinet on 4 March 2025 with a 'change of direction' given the strategic and operational issues relating to the implementation of the Agile software system, the risk associated with Agile implementation had been retitled 'Management exit from the Agile system' and due to the complex stage the Council was at, it was considered that the risk at the time should remain as RED pending further review.

The current RED risks were therefore as follows:

- Achievement of Savings and Transformation Strategy
- Failure to agree a Local Plan
- Management exit from the Agile system

Particular attention was drawn to a new risk added to the Strategic Risk Register in respect of 'Devolution and Reorganisation in Kent Local Government' which was currently classified as 'Amber', although it was recognised that the risk rating could change quickly pending release of further information from the Government.

In response to questions raised by Members with regard to the risks associated with service operations and the enhanced functionality of software systems, the Committee were advised that operational risks were monitored by services with prominent risks escalated to the Management Team for review as to whether they should be added to the Strategic Risk Register as and when required and that consideration would be given to including the potential non-delivery of the added functionality as a result of the exit from the Agile system within the relevant risk on the Strategic Risk Register.

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

In addition, Members were reminded that the Chair of the Audit Committee was nominated as the Member Risk Champion and a description of the role agreed with the Chair was attached at Annex 3.

Following the appointment of Risk Champions at both Member and Officer levels, an officer Risk Management Group had been established with the objective of spreading the workload, and word, on the importance of risk management throughout the Council. The Group was leading on a review and update of the Risk Management Strategy and anticipated to present an updated Strategy to the Committee to review in September 2025.

**RECOMMENDED\*:** That

- (1) the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as RED, be noted;
- (2) the service risks identified in Annex 2 of the report, be noted; and
- (3) the responsibilities of the Member Risk Champion as detailed in Annex 3 of the report, be noted.

**\*Recommended to Cabinet**

**MATTERS FOR DECISION UNDER DELEGATED POWERS****AU 25/17 TREASURY MANAGEMENT PERFORMANCE UPDATE**

The report of the Director of Finance and Transformation provided details of the investments undertaken and return achieved in the first eleven months of the current financial year.

A full list of investments held on 28 February 2025 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, £2,808,970 was earned in interest to the end of February 2025, which had exceeded expectation when compared to the revised estimate for the same period. The positive variance was primarily driven by the slower-than-anticipated reduction in the Bank Rate, which had resulted in sustained higher interest yields on deposits. An extract from MUFG's (Mitsubishi UFJ Financial Group, formerly Link Asset Services) latest benchmarking data was provided in the form of a scatter graph at Annex 3, which showed that as at 31 December 2024 the Borough Council's return was 4.76%, in line with the local benchmarking group average of 4.75%.

With regard to long term investment, during the period 1 April 2024 to 31 December 2024, the £3.72m investment in property funds generated dividends of £118,040 which represented an annualised return of 4.21% compared to 3.65% in 2023/24. The overall income from all property funds was expected to exceed the revised budget for the 2024/25 financial year by circa £39k.

Following the termination of the Lothbury Property Trust, five payments had been received to-date totalling £1,276,520 of the initial investment. Taking into account the dividends received in the sum of £379,040 since the fund's inception up to February 2025, the breakeven point would be achieved with the recovery of £344,440 from the sale of outstanding assets which were expected to be finalised by June 2025.

In addition, being a small-value investment stakeholder in the Hermes Property Trust, the Council would have the shares realised and paid out upon successful completion of the merger of the Trust.

Under medium term investment, during the period April 2024 to February 2025, the £4.25m investment in multi asset funds generated dividends of £192,750, which represented an annualised return of 4.96%.

**RESOLVED:** That

- (1) the Treasury Management position as at 28 February 2025, be noted; and
- (2) the current positions in respect of the Lothbury and Hermes Property Investment Funds, be noted.

**AU 25/18 INFORMING THE AUDIT RISK ASSESSMENT FOR TONBRIDGE AND MALLING BOROUGH COUNCIL 2024/25**

The report of the Management Team contributed towards the effective two-way communication between Tonbridge and Malling Borough Council's external auditors and the Audit Committee, as 'those charged with governance' in respect of the audit of the financial statements.

As part of the risk assessment procedure, the external auditors were required to obtain an understanding of management processes and the Borough Council's oversight in a number of areas as set out in paragraph 5.1 of the report. A series of questions were asked of the Management and responses were detailed in Annex 1. It was noted that no major issues had been raised by the Management.

**RESOLVED:** That the responses to the questions set out at Annex 1 of the report, be endorsed.

**AU 25/19 INTERNAL AUDIT STRATEGY, CHARTER AND MANDATE**

The report of the Chief Audit Executive presented an Internal Audit Strategy, attached at Annex 1, together with an Internal Audit Charter and Mandate, attached at Annex 2, for Member consideration and approval in order to comply with the Global Internal Audit Standards.

Members noted that, once approved by the Committee, the draft Internal Audit Charter and Mandate would require signing off by the Chair of the Audit Committee, the Council's Chief Executive and the Chief Audit Executive.

**RESOLVED:** That

- (1) the Internal Audit Strategy, attached at Annex 1 of the report, be approved; and
- (2) the Internal Audit Charter and Mandate, attached at Annex 2 of the report, be approved.

**AU 25/20 INTERNAL AUDIT AND COUNTER PLAN 2025/26**

The report of the Chief Audit Executive presented the Internal Audit and Counter Fraud Plan for 2025/26, which had been developed using a risk-based approach to determine the priorities of the Internal Audit activity consistent with the organisation's goals.

Significant risk areas and priorities had been identified through a risk assessment which included a review of the Strategic and Service Risk Registers, analysis of the wider environment, use of organisational knowledge and discussions with Directors and Heads of Service, both

individually and collectively as part of Management Teams. The Plan had been reviewed and endorsed by the Management Team.

**RESOLVED:** That the Internal Audit and Counter Fraud Plan for the year 2025/26, as set out in Annex 1 of the report, be approved.

### **MATTERS SUBMITTED FOR INFORMATION**

#### **AU 25/21 INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT**

Members were provided with an update on the work of both the Internal Audit and the Counter Fraud Teams. The progress report at Annex 1 provided an accumulative summary view of the work undertaken by Internal Audit and Counter Fraud for the period January 2025 to March 2025, together with the resulting conclusions where appropriate.

It was clarified that a supplementary report would be issued in respect of a summary of the advisory work for the Tonbridge Castle Project.

During discussion, particular reference was made to the introduction and the benefit of using AI (Artificial Intelligence) technology and Microsoft Copilot in identifying potential risks and developing audit planning programme moving forward.

**RESOLVED:** That the Internal Audit Progress Report for the period January 2025 to March 2025, attached at Annex 1 of the report, be noted.

#### **AU 25/22 GRANT THORNTON'S INDICATIVE AUDIT PLAN FOR TONBRIDGE AND MALLING BOROUGH COUNCIL**

Members were provided with an indicative audit plan from the external auditor, Grant Thornton, for the 2024/25 year, attached at Annex 1, which provided an overview and timing of the statutory audit for the 2024/25 accounts.

It was noted that the draft statement of accounts was expected to be available online from the end of May 2025, with the draft copy being presented to the Committee in July 2025. Furthermore, it was expected that the Audited Statement as well as the Audit Findings Report would be presented to the Committee in September 2025.

**RESOLVED:** That the Indicative Audit Plan for the Borough Council for 2024/25, attached at Annex 1 of the report, be noted.

**AU 25/23 GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATE**

Members were provided with an update on audit progress and emerging national issues and developments from the external auditor, Grant Thornton.

In addition, Members of the Audit Committee were invited to join a series of Value for Money webinars on 4 June 2025, with details set out under 'Value for money webinar for Audit Committee members' section of the Audit Progress Report and Sector Updates, attached at Annex 1.

**RESOLVED:** That the Audit Progress Report and Sector Updates, attached at Annex 1 of the report, be noted.

**AU 25/24 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****MATTERS SUBMITTED FOR INFORMATION****AU 25/25 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 ending 31 March 2025.

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

The meeting ended at 8.21 pm