

# **TONBRIDGE AND MALLING BOROUGH COUNCIL**

## **AUDIT COMMITTEE**

### **MINUTES**

**Monday, 26th January, 2026**

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

**In attendance:** Councillor Mrs A S Oakley\* was also present pursuant to Council Procedure Rule No 15.21.

(\*participated via MS Teams)

### **PART 1 - PUBLIC**

#### **AU 26/1 NOTIFICATION OF SUBSTITUTE MEMBERS**

There were no substitute members.

#### **AU 26/2 DECLARATIONS OF INTEREST**

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

#### **AU 26/3 MINUTES**

**RESOLVED:** That the Minutes of the meeting of the Audit Committee held on 29 September 2025 be approved as a correct record and signed by the Chairman.

### **MATTERS FOR RECOMMENDATION TO THE COUNCIL**

#### **AU 26/4 TREASURY MANAGEMENT UPDATE AND TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY 2026/27**

The report of the Head of Finance provided an overview of the Council's treasury management activities for the first eight months of the 2025/26 financial year and introduced the proposed Treasury Management and Annual Investment Strategy for 2026/27.

The Council's investments, including cash flow surpluses, core cash, property and diversified income funds, had generated interest income exceeding original budget forecasts, largely due to the Bank Rate remaining higher for longer than anticipated.

The Council's approach prioritised security and liquidity, with investments diversified across highly rated UK and selected non-UK

institutions. Property and diversified income funds were capped at 20% of long-term balances due to their higher risk and volatility.

The Council's returns were in line with comparator local authorities and its risk profile remained consistent with the sector average.

The Property and Multi-Asset Funds continued to generate stable income, though capital values might fluctuate. The Council had mitigated potential losses through earmarked reserves. The authority remained debt-free, with no borrowing planned unless needed to support strategic investments aligned with Council priorities.

In terms of long-term investment, particular attention was brought to the Lothbury and Hermes Property funds following concern raised by Members. The Council evaluated various options when considering the diversification of its funds. At the time, alternatives had been considered and were deemed to have carried significant risk, therefore after careful consideration, the Council had chosen to pursue property funds, which had proven to be financially beneficial overall. Members noted that it would not have been reasonable to foresee these developments at the outset. When considering the overall performance of the property portfolio, the impact of the Lothbury and Hermes Property funds accounted for approximately 5% of the portfolio's value and assurance was given that the decisions made were appropriate given the information available at the time.

In hindsight, market conditions had been turbulent, which had informed ongoing review and adjustment of investment strategies. The Council had reflected on its approach to long-term investment strategies, particularly regarding the mix of asset types within its portfolio. Members were advised that the local authority property fund had transitioned towards student accommodation and had entered into a partnership with Jupiter Asset Management, which would strengthen the Council's long-term resilience and broaden its investment resource pool.

**RECOMMENDED\*:** That

- 1) the Treasury Management position as at 30 November 2025, be noted; and
- 2) the Treasury Management and Annual Investment Strategy for 2026/27 set out at Annex 5, be adopted.

**\*Recommended to Cabinet**

**MATTERS FOR RECOMMENDATION TO THE CABINET****AU 26/5 RISK MANAGEMENT**

The report of Management Team provided an update on the risk management process and the current status of the Strategic Risk Register (SSR). It highlighted the importance of efficient and effective risk management in protecting the Council's assets, employees, and customers, as well as ensuring value for money and service continuity for residents.

The Risk Management Strategy, which outlined objectives and responsibilities, was endorsed by the Committee in September 2025 and adopted by Full Council in October 2025. The Council had transitioned to a national 5x5 risk scoring matrix, categorising risks as AMBER (scores 8–12) and RED (scores 15–25), with procedures for escalating significant risks to the Corporate Management Team for inclusion in the Strategic Risk Register.

The Strategic Risk Register was regularly updated by the Management Team. An executive summary of RED (high) risks was provided, with a full version available in the annexes. Recent reviews had resulted in the removal of certain risks, such as Performance Management and Contract Procurement, due to improved protocols and external auditor feedback. However, some areas remained RED, including:

- Failure to adopt a Local Plan
- Recruitment and retention of staff
- Local Government Reorganisation in Kent

Ongoing service risks and outcomes from the escalation process were reported to the Committee, and a schedule of current and newly identified risks was appended to the report at Annex 2.

During discussion regarding increasing demand on temporary accommodation, it was noted that instead of purchasing properties, the Council had opted to lease them, thereby limiting its direct exposure to property market risk and asset management challenges. This strategy reflected an ongoing commitment to prudent risk management. The Council was however exploring the potential to invest in council-owned temporary accommodation. There was concern about the risk of over-supply, if demand did not materialise, which could lead to vacant properties and associated costs.

**RECOMMENDED\*:** That

- (1) the updates to the Strategic Risk Register since the last iteration, be noted, with particular emphasis on those risks categorised as RED as shown in Annexes 1 and 1(a); and

(2) the service risks identified in Annex 2, be noted.

**\*Recommended to Cabinet**

### **MATTERS FOR DECISION UNDER DELEGATED POWERS**

#### **AU 26/6 ACCOUNTING POLICIES**

The report of the Head of Finance (Section 151 Officer) presented the Accounting Policies proposed for the 2025/26 Financial Statements for consideration and endorsement.

The policies were vital for maintaining efficient and effective council services, underpinning the preparation and presentation of accounts. For 2025/26, two main amendments were highlighted, firstly, following updates to the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) code, annual indexation would be applied to Property, Plant and Equipment assets not formally valued in the year, and secondly, insurance charges would now be fully recognised in the year of payment to reduce administrative workload. All other policies remained consistent with 2024/25, and no further amendments were anticipated unless indices for asset valuation were specified after a valuer was appointed.

**RESOLVED:** That the Accounting Policies be endorsed to be used in the preparation of the 2025/26 Financial Statements as set out at Annex 1.

### **MATTERS SUBMITTED FOR INFORMATION**

#### **AU 26/7 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 2 PROGRESS REPORT**

The report of the Head of Finance updated the Committee on the progress of the Internal Audit and Counter Fraud functions for the period September to December 2025. It outlined how these services provided independent assurance on the Council's risk management, internal controls, and governance, supporting the priority of delivering efficient services to residents.

The report highlighted compliance with statutory requirements, such as the Accounts and Audit Regulations 2015, and standards set by the Global Internal Audit Standards and CIPFA. It also detailed proposed amendments to the 2025/26 Internal Audit Plan and emphasised the importance of audit and counter fraud activities in safeguarding Council resources and minimising financial losses.

Particular attention was made to the three audits that had been finalised in the period. Six of the twenty originally agreed audits from the 2025/26

rolling Audit Plan had been completed to at least draft report stage, plus one grant review. An update on the status of the 2025/26 Internal Audit Plan was received, and at the current time, five audits were in 'fieldwork' and five in the 'planning stage'. In addition, there had been one amendment to the 2025/26 Audit Plan. Due to timing of the rollout of the updated Risk Management Policy and Procedures, the planned Risk Management audit had been deferred to 2026/27. This audit had been replaced with an audit of the Annual Service Delivery Plan 2025/26.

Members received details of the Council's activity in preventing and detecting fraud and corruption during the second quarter of the 2025/26 financial year. The data for the National Fraud Initiative had been collated, reviewed and uploaded in the required timescale.

The Kent Intelligence Network continued to support local authorities in Kent in fraud prevention and detection and the focus for 2025/26 remained on addressing fraud and errors related to Single Person Discounts, Small Business Rate Relief and unrated business and residential premises.

**AU 26/8 GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATE**

The report provided a summary of audit progress for the 2025/26 financial statement, outlined planned deliverables and offered updates of emerging national developments affecting local government, such as ministerial changes, the Autumn Budget, local government support, the Fair Funding Review, and new legislative proposals.

**AU 26/9 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 FOR RECOMMENDATION TO THE CABINET**

**AU 26/10 INTERNAL AUDIT SERVICE**

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

The report of the Head of Finance (Section 151 Officer) advised Members of the requirement for an Internal Audit Service as set out in section 151 of the Local Government Act 1972, and the requirement that 'a relevant body shall maintain an adequate and effective system of internal control of its accounting records and its system of internal

control in accordance with the proper internal audit practices' as set out in the Accounts and Audit Regulations 2003.

The current arrangement with Kent County Council to provide both Internal Audit and Counter Fraud Services to the Council through its Kent Audit Function was due to end in September 2026 and it was recommended that the service continue up to Local Government Reorganisation.

**RECOMMENDED\*:** That the recommendation from the Head of Finance (Section 151 Officer) to appoint Kent County Council to provide Internal Audit and Counter Fraud Services from 1 October 2026 to 31 March 2029, be approved.

**\*Recommended to Cabinet**

The meeting ended at 8.59 pm