

3 December 2013

Committee	Audit
Date	Wednesday, 11 December 2013
Time of Meeting	2:00 pm
Venue	Committee Room 1

ALL MEMBERS OF THE COMMITTEE ARE REQUESTED TO ATTEND



**for Sara J Freckleton
Borough Solicitor**

Agenda

1. ANNOUNCEMENTS

When the continuous alarm sounds you must evacuate the building by the nearest available fire exit. Members and visitors should proceed to the visitors' car park at the front of the building and await further instructions (staff should proceed to their usual assembly point). Please do not re-enter the building unless instructed to do so.

In the event of a fire any person with a disability should be assisted in leaving the building.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

To receive apologies for absence and advise of any substitutions.



Item	Page(s)
3. DECLARATIONS OF INTEREST	
Pursuant to the adoption by the Council on 26 June 2012 of the Tewkesbury Borough Council Code of Conduct, effective from 1 July 2012, as set out in Minute No. CL.34, Members are invited to declare any interest they may have in the business set out on the Agenda to which the approved Code applies.	
4. MINUTES	1 - 10
To approve the Minutes of the meeting held on 25 September 2013.	
5. GRANT THORNTON PROGRESS REPORT	11 - 24
To consider Grant Thornton's report on progress against planned outputs.	
6. ANNUAL AUDIT LETTER 2012/13	25 - 38
To consider Grant Thornton's annual audit letter.	
7. INTERNAL AUDIT PLAN MONITORING REPORT	39 - 54
To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited for the period September to November 2013.	
8. MONITORING OF SIGNIFICANT GOVERNANCE ISSUES	55 - 61
To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	

DATE OF NEXT MEETING
WEDNESDAY, 19 MARCH 2014
COUNCILLORS CONSTITUTING COMMITTEE

Councillors: Mrs K J Berry, Dr A L Carter, B C J Hesketh, A L Mackinnon (Chairman), M G Sztymiak, A C Tugwell and D J Waters (Vice-Chairman)

The Council has a substitution procedure and any substitutions will be announced at the beginning of the meeting.

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit Committee held at the Council Offices,
Gloucester Road, Tewkesbury on Wednesday, 25 September 2013 commencing
at 2:00 pm**

Present:

Chairman
Vice Chairman

Councillor A L Mackinnon
Councillor D J Waters

and Councillors:

Mrs K J Berry, Dr A L Carter, B C J Hesketh and A C Tugwell

also present:

Councillor Mrs J M Perez

AUD.13 ANNOUNCEMENTS

- 13.1 The Chairman welcomed Peter Barber, Engagement Lead, and Peter Smith, Audit Manager, both from Grant Thornton.
- 13.2 The evacuation procedure, as noted on the Agenda, was taken as read.

AUD.14 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

- 14.1 An apology for absence was received from Councillor M G Sztymiak.

AUD.15 DECLARATIONS OF INTEREST

- 15.1 The Committee's attention was drawn to the Tewkesbury Borough Council Code of Conduct which was adopted by the Council on 26 June 2012 and took effect from 1 July 2012.
- 15.2 There were no declarations of interest made on this occasion.

AUD.16 MINUTES

- 16.1 The Minutes of the meeting held on 26 June 2013, copies of which had been circulated, were approved as a correct record and signed by the Chairman.

AUD.17 GRANT THORNTON PROGRESS REPORT

- 17.1 Attention was drawn to Grant Thornton's progress report, circulated at Pages No. 9-21, which set out the progress that had been made in relation to the audit plan together with any emerging national issues and developments that might be relevant to the Borough Council. Members were asked to consider the report.

17.2 Members were advised that all audits were complete but there was still some work to be undertaken on the certification and claims including housing benefits. This work would be completed in October before the submission deadline for audited claims. All that was left to do now was to issue the annual audit letter. This summarised the audit work undertaken and would be circulated to all Members of the Council.

17.3 Accordingly it was

RESOLVED That Grant Thornton's progress report be **NOTED**.

AUD.18 GRANT CERTIFICATION WORK PLAN 2012/13

18.1 Attention was drawn to Grant Thornton's grant certification work plan 2012/13, circulated at Pages No. 22-29, which set out how grant certification work was undertaken and which claims were being audited. Members were asked to consider the report.

18.2 The Audit Manager indicated that various grant-paying bodies required external certification of claims for grant or subsidy and returns of financial information. As the Council's appointed external auditor, Grant Thornton undertook grant certification work acting as an agent of the Audit Commission. He explained that each claim and return was audited and a certificate issued. The certificate would state that the claim was certified without qualification; without qualification but with agreed amendments incorporated by the Council; or with a qualification letter (with or without agreed amendments incorporated by the Council). Where a claim was qualified because the Council had not complied with the strict requirements set out in the certification instruction there was a risk that grant-paying bodies would retain funding claimed by the Council or claw-back funding which had already been provided or had not been returned. In addition, where claims or returns required amendment or were qualified, this increased the time taken to undertake the work which may impact on the certification fee.

18.3 The Audit Manager explained that the most significant claims and returns to be audited in 2011/12 were the housing and council tax benefit claim and national non-domestic rates return. The audit of the housing and council tax benefit claim was still ongoing and this would be reported to Members once it was complete. The national non-domestic rates return had been completed and no issues found.

18.4 Accordingly it was

RESOLVED That the grant certification work plan 2012/13 be **NOTED**.

AUD.19 FINANCIAL RESILIENCE REPORT

19.1 Attention was drawn to Grant Thornton's financial resilience report, circulated separately at Pages No. 1-30, which set out the value for money findings in respect of financial resilience work. Members were asked to consider the report.

19.2 Members were informed that Grant Thornton produced this report as part of its value for money conclusion work. The report demonstrated the evidence obtained to make the assessment and was produced on a red, amber, green basis; whereby red was high risk; amber had potential risks and/or weaknesses; and green was where arrangements met or exceeded adequate standards. The overall conclusion reached was that the Council had adequate arrangements in place to secure financial resilience.

- 19.3 The Audit Manager referred Members to Page No. 7 which set out the conclusions in the four areas of: key indicators of performance; strategic financial planning; financial governance; and financial control. Two of those areas, key indicators of performance and financial control, had been assessed as amber, which meant they were adequate but there was scope for improvement, and the other two were green. In terms of key indicators of performance, the main reason for the amber rating was the budget overspend for the last two years as it was considered that this did not demonstrate good performance. In addition, the sickness absence rate had not been on target. The financial control risk area looked at budgeting, savings, risk management and resourcing. This area was amber partly due to the impact of overspending in the last two years and also due to the fact that the risk register had not been submitted to Committee for review, although it was understood that this had subsequently been done. The audit also recognised the size of the Finance Team and the difficulty experienced in covering staff absences. The risk area in relation to strategic financial planning was rated as green. There were a couple of comments within the body of the report which related to the lack of public consultation on the 2013/14 budget and the fact that the Council needed to improve its scenario planning which it was hoped would negate the overspend on its budget. In terms of financial governance, overall there were strong arrangements in place which meant the risk was also rated as green.
- 19.4 Pages No. 8-11 set out the recommendations made in respect of each area of review along with the management response in each case. Grant Thornton was happy that it had sought responses and that the responses received were adequate to ensure improvements in future.
- 19.5 During the discussion which ensued, a Member felt that it should be noted within the report that the 2012/13 budget deficit had not been solely due to underperformance on savings targets but rather was largely due to a third party not following through on an agreed arrangement and this had not been within the control of the Council. In response, the Engagement Lead explained that inevitably things would change throughout the year after the budget had been set. However, he felt that the Council would benefit from improved scenario planning so that, if an element of the budget was not delivered, the Council had another option, or if there were year on year overspends, a more prudent approach was taken. In respect of the current financial year, the Finance and Asset Management Group Manager explained that in the first quarter the Council had been in line with budget predictions and the early indications for the second quarter suggested a small surplus. However, there was still a long way to go in delivering the more difficult elements of the savings plan. It was understood by Officers that any elements of the budget which involved a third party needed to be more clearly highlighted in future with the risks set out explicitly. Officers were currently working on problem solving and scenario planning and this would be submitted to Members in due course.
- 19.6 In addition to the concerns raised about the need to include a note that some of the previous deficit in the budget was due to the withdrawal of a third party, another Member also felt that somewhere within the report there should be reference to any areas that were due to a change in Government thinking. In response, the Engagement Lead indicated that the withdrawal of the Primary Care Trust's investment had been noted within the body of the report as this was a detailed point and had not been considered appropriate for inclusion within the Executive Summary, however he would be happy to look at this again should Members so wish. Members agreed that whilst this was a detailed point it was an extremely important point and accordingly it was

RESOLVED That Grant Thornton's financial resilience report be **NOTED** but that an amendment be made within the Executive Summary to make reference to the withdrawal of the Primary Care Trust's investment being one of the reasons that the Council's budget had been in deficit in the previous year.

AUD.20 GRANT THORNTON AUDIT FINDINGS 2012/13

- 20.1 Attention was drawn to Grant Thornton's report on its audit findings 2012/13, circulated separately at Pages No. 31-65. Members were asked to consider the report.
- 20.2 The Engagement Lead indicated that the purpose of the report was to highlight the key matters arising from the audit of the Council's financial statements for the year ended 31 March 2013; and also to report the audit findings to management and those charged with governance in accordance with the requirements of International Standards on Auditing 260. The audit was substantially complete although work was still being finalised in some areas. The key issues arising from the audit were identified as the financial statements opinion; the value for money conclusion; and the whole of Government accounts. In terms of the financial statements opinion, the audit had identified no material errors in the accounts. However, management had identified one misclassification error, which had been adjusted in the revised accounts, and the auditors had identified a small number of adjustments to enhance disclosures and the presentation of the accounts. It was anticipated that an unqualified opinion would be provided on the financial statements. In respect of the value for money conclusion, it was intended that an unqualified conclusion would be provided which stated that, in all significant respects, the Council had in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. In terms of the whole of Government accounts, work on the audit was underway and would be completed in line with the national timetable. So far the auditors had been satisfied that that the return was consistent with the draft accounts.
- 20.3 The Engagement Lead confirmed that the auditors had received excellent communication with staff whilst undertaking the audits and that the draft accounts had been of very high quality. In terms of controls, particular attention was drawn to preliminary work on assessing the Council's IT controls which had identified some weaknesses regarding access controls, in particular the lack of reviews of access to Civica Financial, Revenues and Benefits and CHRIS HR/Payroll systems; consideration of whether network users had appropriate access rights; and the limited segregation of duties of the main administrators of the finance and payroll systems. Whilst these findings were fairly consistent with other Councils it was felt that there was scope to refine the access controls for IT systems and this was the suggestion made within the Action Plan at Page No. 57.
- 20.4 Accordingly it was

RESOLVED That Grant Thornton's audit findings for 2012/13 be **NOTED**.

AUD.21 LETTER OF REPRESENTATION

- 21.1 Attention was drawn to the Section 151 Officer's Letter of Representation on the closure of the accounts for the year ended 31 March 2013, which had been circulated at Pages No. 30-32. Members were asked to consider the Letter.

- 21.2 The Finance and Asset Management Group Manager indicated that he, as the Council's Section 151 Officer, was required to write a Letter of Representation to the external auditors which outlined the principles on which the accounts were based, and confirmed compliance with the Law, as well as disclosing any fraudulent activity that may have taken place. The Letter also confirmed that the Section 151 Officer had not played an active role in the production of the accounts and so could perform his Section 151 duties independently.
- 21.3 It was noted that the date at the end of the Letter was incorrect and the Finance and Asset Management Group Manager indicated that this would be amended. Accordingly it was

RESOLVED That the Letter of Representation be **APPROVED**, and signed by the Section 151 Officer, subject to the amendment of the date at the end of the Letter.

AUD.22 STATEMENT OF ACCOUNTS 2012/13

- 22.1 The report of the Finance and Asset Management Group Manager, circulated separately at Pages No. 66-185, asked Members to approve the 2012/13 Statement of Accounts.
- 22.2 The Finance and Asset Management Group Manager explained that the Statement of Accounts was a statutory document which was produced to demonstrate the Council's financial position at the end of the financial year. In line with the revised Accounts and Audit (England) Regulations 2011 guidelines, approval of the accounts was now made by the Section 151 Officer by 30 June then the accounts were audited and amended, if necessary, by 30 September before the Section 151 Officer signed the accounts again. Those accounts were then approved by the Audit Committee and the Chairman would sign them as well.
- 22.3 The headline issues were set out within the report at Paragraph 2.0 and Members were advised that an overspend of £1,510,000 had occurred due to the savings plans not being met and staff termination costs. The savings plans had not been met due to a combination of delays in implementation and the withdrawal of promised Government legislation on planning fees. This was contrasted against an underspend of £1,172,000 which left a total net overspend of £338,000. In terms of the balance sheet, the total net worth of the Council had decreased by £4.95 million in the year from £11.8 million to £6.9 million. The decrease in net worth was summarised in the Movement in Reserves Statement and the main reason was a £4 million increase in the pension reserve due to a less favourable set of financial assumptions than the year before. A full valuation of the Gloucestershire Pension Fund would take place towards the end of 2013. In respect of capital resources, the total balance, including capital grants, as at 31 March 2013 was £15,855,571. However, after allowing for commitments of £8,129,380 the unallocated budget available for new capital projects was £7,726,191. The Finance and Asset Management Group Manager thanked the Finance Team and the Chairman of the Audit Committee for their hard work in producing the Statement of Accounts and the Committee echoed these sentiments and asked that their thanks be given to the Finance Team.
- 22.4 In response to a query about the Pension Scheme, the Finance and Asset Management Group Manager explained that the actuary was currently looking at the pension fund. It was hoped the contributions would go down but this was unlikely to be the case. There were many scenarios that could change the contributions, and therefore the Council's budget, so this information would be crucial.

22.5 Having considered the report and information provided, it was

RESOLVED That the Statement of Accounts 2012/13 be **APPROVED** and that the thanks of the Committee be given to the Finance Team for their hard work in producing the Statement of Accounts.

AUD.23 ANNUAL GOVERNANCE STATEMENT 2012/13

23.1 The report of the Corporate Governance Group, circulated at Pages No. 33-52, set out the Council's Annual Governance Statement 2012/13 which Members were asked to approve.

23.2 In introducing the report, the Borough Solicitor explained that as a matter of best practice, the Annual Governance Statement was normally approved at the same time as the Statement of Accounts and was basically a description of the governance arrangements that the Council had in place for 2012/13. The report attempted to balance the things that the Council did well against those where improvements could be made and Page No. 51 set out those matters which it was felt needed to be addressed throughout 2013/14 so that the Council could report good governance arrangements in its next Statement. The 6 significant governance issues contained within the Statement included delivery of the 2013/14 savings programme; demonstrating effective procurement; delivering effective organisational and cultural change; effectiveness of governance framework to support the new organisational structure; demonstrating effective business continuity; and maintaining adequate health and safety arrangements.

23.3 During the discussion which ensued, a Member noted that reference to the Budget Working Group should be changed to Budget Working Groups as there were now two rather than just one. In addition, a Member referred to Paragraph 4.3.1, Complaints, and indicated that it would be helpful to include the number of complaints received in the previous year as that would allow a comparison and it could be established whether the number had increased or decreased. Referring to the significant governance issues, Members questioned how the Council would deliver effective organisational and cultural change and whether it would be possible to monitor how the Council made money as well as the savings plans. In response, the Borough Solicitor indicated that the Business Transformation Working Group would be looking at organisational and cultural change within the development of the Business Transformation Strategy. In terms of the savings plan, this was raised as a significant governance issue due to the fact that it had not been delivered in its entirety in previous years. The Budget Working Group would be monitoring this and the Corporate Governance Group would periodically review progress of this and other significant governance issues. In terms of income raised, this would be a matter for inclusion within the main body of the report as it would be something that the Council did well. This was certainly something that could be monitored.

23.4 Accordingly it was

RESOLVED That the Annual Governance Statement 2012/13 be **APPROVED**.

AUD.24 UPDATE ON PLAYGROUND INSPECTIONS AUDIT

24.1 The report of the Finance and Asset Management Group Manager, circulated at Pages No. 53-56, updated Members on the implementation of a playground management and inspection scheme. Members were asked to consider the update provided.

- 24.2 In introducing the report, the Asset Manager indicated that an audit of playgrounds had found a number of areas where it was felt improvements could be made to ensure play equipment was safe and fit for purpose and that litigation risks were reduced. Following visits to all sites, and in line with BS EN 1176:2008, risk assessments had been completed to establish the frequency of visits needed based upon location, repair history and the risk of injury from the equipment on the site. This had reduced the number of inspections in a majority of sites to one inspection per week therefore reducing resources required for inspections. A service level agreement had been developed and agreed between Property Services and Environmental Health to provide weekly and quarterly routine and operational inspections. In addition, an annual inspection would be undertaken by an independent body. The risk inspection programme and risk assessment process categorised repairs from very low risk to high requiring immediate attention and this gave clear work programmes, objectives and timescales for the Property Team to provide safe play equipment.
- 24.3 Referring to a playground in Tudor Mead, Churchdown, a Member indicated that the Parish Council already undertook an annual inspection in that area. In response, she was advised that the playground was only under licence to Churchdown Parish Council and as such the Borough Council still had a duty of care in that regard. The Asset Manager had spoken to the Parish Clerk and had indicated that the Borough Council would still need to organise annual independent inspections to meet the requirements placed upon it.
- 24.4 Accordingly it was
- RESOLVED** That the update on the implementation of a playground management and inspection scheme be **NOTED**.

AUD.25 INTERNAL AUDIT PLAN MONITORING REPORT

- 25.1 The report of the Policy and Performance Group Manager, circulated at Pages No. 57-72, summarised the work undertaken by the Internal Audit Team for the period April-August 2013. Members were asked to consider the report and the assurance given on the adequacy of internal controls operating in the systems audited.
- 25.2 The Policy and Performance Group Manager explained that the report was overall a positive one with no unsatisfactory levels of control found. The audits completed included National Fraud Initiative; Data Quality; Planning Fees; Housing Benefit Debtors; Recycling; and Land Charges. A number of follow-up audits had also been undertaken which included One Legal; Out of the Hat; and the Business Grant Scheme. All recommendations from the previous audits had been found to have been implemented except one at the Out of the Hat Shop which was to be addressed with an appropriate programme of stock taking being introduced based on the cost value of the items involved.
- 25.3 In terms of corporate improvement work, Members were advised that a pot of days to undertake this work had been included within the 2013/14 internal audit plan and so far work had been undertaken on business continuity and the tree inspection programme. In respect of business continuity, the update of the corporate business continuity plan had been completed during the audit period. The plan had been presented to the Audit Committee in June for comment and had subsequently been approved by the Executive Committee. It was anticipated that the Internal Audit Team would now help review and update individual service continuity plans. In relation to the tree inspection programme, the Internal Audit Team had helped to develop a Tree Management Policy on behalf of the Environmental Services Manager and this had been approved by the Executive Committee in October 2012. The Grounds Maintenance Team was to have carried out inspections of all high risk locations by March 2013 but there had been slippage in the programme and a

programme would now be implemented to ensure delivery by March 2014. The Policy and Performance Group Manager understood that this issue was of concern to Members and he indicated that when the final audit report was brought to Members he would ensure the up to date position on the tree inspection programme was provided.

25.4 Accordingly it was

RESOLVED

1. That the audit work undertaken, and the assurances given on the adequacy of internal controls operating in the systems audited, be **NOTED**.
2. That, when Members received the final audit report, an update would be provided on the tree inspection programme.

AUD.26 REGULATION OF INVESTIGATORY POWERS 2000 (RIPA)

- 26.1 The report of the Borough Solicitor, circulated at Pages No. 73-99, updated the Committee on the changes to the Regulation Investigatory Powers Act 2000 (RIPA) and codes of practice; summarised the new duties and responsibilities the legislation placed on Local Authorities, Officers and Members; and recommended amendments to the procedural guide to meet those. Members were asked to consider the amended RIPA procedural guide and recommend it to the Executive Committee for approval; to approve the designation of the Borough Solicitor and Monitoring Officer as the Council's Senior Responsible Officer for the purposes of RIPA; and to note the Office of Surveillance Commission inspection due on 21 November 2013.
- 26.2 The Borough Solicitor indicated that RIPA provided the legal framework for the control and regulation of surveillance and information gathering techniques which public authorities undertook as part of their duties. The use of covert surveillance by the Council was rare and since 2010 the Council had not undertaken any covert surveillance or information gathering techniques that would fall under the scope of RIPA. However there may be cases, such as benefit fraud cases, where the use of such surveillance was both necessary and proportionate and it was therefore necessary for the Council to have an up to date procedural guide to ensure that Officers complied with RIPA requirements.
- 26.3 The Home Office had carried out a review of Counter-Terrorism and Security Powers and the Outcomes were included in the Protection of Freedoms Act 2012. That Act had changed the Council's RIPA Powers, most notably that approval was now required from the Magistrates Court before any authorisation granted by authorised officers within the Council could take effect. In addition, urgent oral authorisations were no longer available and RIPA directed surveillance could only be authorised when the offence carried a maximum custodial sentence of 6 months or more or the offence related to underage sales of tobacco and alcohol. Referring to the list of designated officers, contained at Page No. 92, the Borough Solicitor advised that she would like to amend that list so that only those most likely to require use of the powers were included. This would mean the removal of the Development Services Group Manager, the Business Transformation Group Manager and the Policy and Performance Group Manager.
- 26.4 During the brief discussion which ensued, a Member questioned when the Council might need to undertake covert surveillance. In response, the Borough Solicitor indicated that often this would apply to cases of benefit fraud or breaches of licensing etc. However, most of the Council's information gathering was done overtly so the covert surveillance powers were rarely used. The Council had Fraud Investigation Officers and they would carry out the surveillance if authorised and this could involve following people or using strategically placed CCTV etc. In terms of the time it would take for a Magistrate to authorise surveillance, Members were

advised that this could be done very quickly and as such should not cause a problem in terms of timing. Another Member questioned whether the phrasing used within the Policy should be 'authorised' or 'authorising'. In response, the Borough Solicitor indicated that she would ensure the Policy was checked and was consistent before it was circulated to the Executive Committee.

26.5 Having considered the report, it was

RESOLVED

1. That the amended RIPA Procedural Guide, as set out at Appendix 1 to the report, be **RECOMMENDED TO EXECUTIVE COMMITTEE** for **APPROVAL**, subject to the Guide being checked for consistency in terms of the use of 'authorising' and 'authorised'; and the Development Services Group Manager, the Business Transformation Group Manager and the Policy and Performance Group Manager being deleted from the list of designated officers.
2. That the Borough Solicitor and Monitoring Officer be designated as the Council's Senior Responsible Officer for the purposes of RIPA.
3. That it be **NOTED** that the Office of Surveillance Commission would undertake an inspection on 21 November 2013.

AUD.27 REVIEW OF DATA PROTECTION POLICY

27.1 The report of the Borough Solicitor, circulated at Pages No. 100-117, asked the Committee to consider, and to recommend to the Executive Committee, any changes to the revised Data Protection Policy; and to note the Personal Data Investigation Guidance Notes which would assist Officers to investigate potential breaches of the Data Protection Act 1998.

27.2 The Borough Solicitor explained that, since the adoption of the current Policy in 2002, the Information Commissioner had introduced robust monitoring processes and had increased the level of enforcement against Local Authorities and, in view of those changes, it was felt prudent to develop guidance notes for Officers to assist them in the event of a potential breach of the Data Protection Act. The Policy itself only required minor changes and those were set out within the Policy attached to the report at Appendix 1.

27.3 Over the last 3 years, only one formal complaint had been made to the Information Commissioner about the Council and the complaint related to the manner in which personal data had been made available to the complainant/data subject. The data subject had requested copies of her personal data and the Council had decided, given the quantity of the data, to make her personal data files available at the Council rather than copying the contents of each file. The information Commissioner had found against the Council on the basis that the data subject's request was reasonable. The personal data had accordingly been copied and provided to the data subject as required.

27.4 Accordingly it was

RESOLVED

1. That the revised Data Protection Policy, as set out at Appendix 1 to the report, be **RECOMMENDED TO COUNCIL** for **ADOPTION**.
2. That the Personal Data Investigation Guidance Notes, as set out at Appendix 2 to the report, be **NOTED**.

AUD.28 TIMING OF FUTURE MEETINGS

28.1 A Member indicated that she had asked for this item to be placed on the Agenda as a number of Members found it difficult to attend the meeting at the usual time of 2.00pm. A brief discussion ensued whereby different views were raised but it was decided that the start time of the meeting should remain at 2.00pm.

28.2 Accordingly it was

RESOLVED That the meeting continue to commence at the usual time of 2.00pm.

The meeting closed at 3:40 pm

Audit Committee Update for Tewkesbury Borough Council

Year ended 31 March 2014

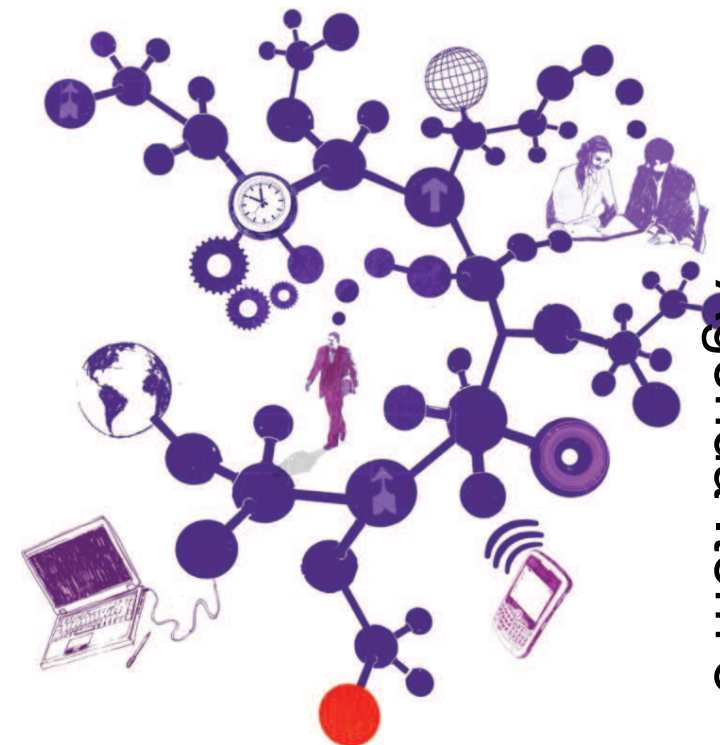
2 December 2013

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Agenda Item 5

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a District Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at 2 December 2013

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	June 2014	No	<p>We have not yet started our detailed audit work for 2013-14.</p> <p>The accounts audit plan will follow after completion of our interim audit in spring 2014.</p>
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council control environment • updating our understanding of financial systems • Review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	February – March 2014	No	<p>We have not yet started our detailed audit work for 2013-14.</p>
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July – August 2014	No	<p>We have not yet started our detailed audit work for 2013-14.</p>

Progress at 2 December 2013

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2012/13 VFM conclusion comprises:</p> <ul style="list-style-type: none"> • a initial risk assessment; • a detailed review of arrangements against the criteria; • bringing forward knowledge form previous auditors; • reviewing key documents; and • discussion with officers. 	August 2014	No	<p>Our work will be focussed on the two criteria specified by the Audit Commission i.e.</p> <ul style="list-style-type: none"> - The organisation has proper arrangements in place for securing financial resilience; and - The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. <p>We will provide a report setting out the findings from our work on the Financial Resilience criteria.</p>
<p>Other areas of work – Certification of claims and returns</p> <ul style="list-style-type: none"> • National Non-Domestic Rates return • Housing and Council Tax Benefits claim 	September 2014	No	We have not yet started our detailed audit work for 2013-14.
	November 2013	No	
Other activity undertaken			To be updated during the audit

Emerging issues and developments

Local government guidance

Income from charging

In September, the Audit Commission published 'Income from charging: Using data from the VFM Profiles, September 2013'. The briefing provides an analysis of councils' 2011/12 income from charging, totalling £10.2 billion, and the contribution it made to service spending. It looks at the trends for different types of councils across broad service areas.

Key findings were:

- charging in 2011/12 funded 9 per cent of single-tier and county councils' overall service expenditure, and 20 per cent of district councils
- nationally the total income from charging was less than half the amount raised through council tax in 2011/12, at the local level it exceeded council tax in one in three (32 per cent) district councils and one in five (21 per cent) London boroughs
- there is great variation between councils in terms of the amount of income they generate from charges, the ratio of charging income to service spending, and the changes to these over recent years. The contribution of charging to spending in 2011/12 varied most for district councils, with 2 to 87 per cent being generated through charges.

The Audit Commission chairman, Jeremy Newman, said 'There is no 'one-size-fits-all' formula for how councils set their local charging policies. We are providing information and tools for councils, and those who hold them to account, to help understand the important role that charging plays in councils' strategic financial management. The fact that some bodies derive more income from charging than council tax is neither good nor bad, but highlights the significant role charging plays in funding public services, and reminds councillors and electors to carefully scrutinise the approaches councils are taking.'

Challenge questions:

- When did the Council last review its local charging policy? Does the Council's policy still support the Council's strategic objectives? What options are available for change?
- Do your officers monitor changes in income from charging and its contribution to spending in order to assess whether local charging policies are supporting the council's financial objectives and complying with legal requirements?
- Has your Group Manager – Finance and Asset Management reviewed the council's charging policy and levels of income against similar organisations?
- Where issues have been identified, has an action plan been implemented?

Emerging issues and developments

Local government guidance

Business rate collection

In April 2013, the government introduced a business rates retention scheme. Local authorities as a whole will now be able to keep half of the business rates income they collect rather than paying it all into the national pool. As business rate income grows, authorities will keep half of the growth.

In October, the Audit Commission published 'Business rates: using data from the VFM profiles October 2013'. This briefing has been drawn from the Commission's Value for Money (VFM) profiles and shows an analysis of English council's collection rates and costs of collecting business rates.

The Audit Commission also highlights the following steps councils could take to maximise business rates:

- supporting existing business to do well and attracting new businesses to the area
- identifying and billing all business properties with a rateable value promptly
- using discretionary relief in an effective way, targeting businesses most in need
- preventing and tackling fraudulent claims for relief
- improving collection rates
- reducing collection costs.

Challenge questions:

- Has your Group Manager – Finance and Asset Management reviewed the costs and performance of your authority against similar organisations?
- What steps could your authority take to increase the amount it collects from business rates?
- Is an action plan in place?
- Are you satisfied that your authority has made a robust estimate for its provision for business rate appeals?

Emerging issues and developments

Grant Thornton

Potential for procurement fraud

The Chancellor's Spending Round announcement earlier this summer has forced authorities to make further cuts to their budgets and operate under tighter constraints.

As Chris Clements, Head of Public Sector Forensics at Grant Thornton UK LLP, wrote in Local Government News, the National Fraud Authority estimates that in the wider public sector, the cost of fraud reached a staggering £19.9bn this year. Procurement fraud in local government accounted for £876m of this amount and therefore a properly functioning procurement process is key to mitigating much of this risk of loss.

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'Helping ensure people are not in a position where they are tempted by an opportunistic gain is vital. Employees feeling undervalued – either financially or on account of other motivating factors – can breed an atmosphere of despondency which allows for procurement fraud. Sometimes all it takes is one exploratory incident by an individual to snowball into a culture wide acceptance of fraud, where employees not only rationalise the activity, but are spurred on by other actions.'

Challenge questions:

- Does your authority have a properly functioning procurement process, where duties are clearly segregated?
- Does your authority maintain an adequate whistleblowing mechanism for whistleblowing, whereby employees feel they are able to report their suspicions in a safe and secure manner?

If you have any queries on procurements processes and/or procurement fraud, talk to your audit manager to see how Grant Thornton could help.

Emerging issues and developments

Accounting and audit issues

Simplifying and streamlining the presentation of local authority financial statements

Both HM Treasury and CIPFA/LASAAC have recently consulted on how to streamline and simplify local authority financial statements. In our response, we set out our view that streamlining is a collaborative process involving standard setters, preparers of the accounts and auditors. This requires a much needed change in culture and attitude from the accounting and auditing profession as a whole.

However, there is much that can be done now. In his October article in Room 151, the on-line local authority finance publication, Graham Liddell, Grant Thornton's National Technical Lead sets out the practical steps local authorities can take to:

- Learn the lessons from 2012/13 to improve the preparation and audit of the financial statements for future years
- de-clutter their accounts using the previous year's financial statements as the starting point

Graham notes that Grant Thornton has been working with a range of local authorities to achieve these goals. One council audited by Grant Thornton succeeded in producing a set of financial statements in 2012/13 that were only half the length of those for 2011/12 and were much easier to follow.

Challenge questions:

- How are you planning to improve the preparation of your financial statements for 2013/14?
- Do your financial statements provide a clear overall picture of the financial performance of your authority?
- Has your Group Manager – Finance and Asset Management carried out a de-cluttering exercise to ensure that disclosures are relevant, material and up to date?

Emerging issues and developments

Accounting and audit issues

Consultation on Local Authority Accounting Code of Practice for 2014/15

CIPFA/LASAAC's consultation on the Local Authority Accounting Code of Practice for 2014/15 closed in October.

In our response we noted that the complexity of international financial reporting standards (IFRS) inevitably means that it is increasingly difficult to construct a Code that is comprehensive, of reasonable length and fit for purpose. We suggested that the Code of Practice follows the approach adopted by the Treasury in the Financial Reporting Manual under which bodies are required to follow the relevant accounting standard other than where there are specified formal adaptations or interpretations. This would result in a much shorter simpler Code with local authorities referring directly to the underlying standards themselves. This approach is consistent with that adopted in the NHS, where the accounting manuals do not seek to repeat text from accounting standards.

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In respect of the some of the other key consultation issues, our views were:

- IFRS 13 - the Code should follow the principles of IFRS 13 as closely as possible. We regard it as important that there is a common application of fair value by all bodies preparing accounts under IFRS.
- Infrastructure assets - we supported the adoption of IFRS based accounting for infrastructure assets. We recognise the practical difficulties in doing this and have offered to work with CIPFA/LASAAC and local authorities to help overcome these difficulties.
- Schools - we emphasised the importance of addressing the accounting issues for schools as a matter of priority, particularly because this is an area for which the Whole of Government Accounts are currently qualified.

Challenge question:

- Has your Group Manager – Finance and Asset Management reviewed the proposed amendments to the 2014/15 Code and assessed the potential impact?

Emerging issues and developments

Accounting and audit issues

Property plant and equipment revaluations

The 2013/14 Code of Practice on Local Authority Accounting changes the requirements for the frequency at which authorities are required to carry out valuations of property plant and equipment. Previously the Code permitted valuations to be carried out on a rolling basis over a maximum of 5 years. The 2013/14 Code now restricts this option by requiring:

- revaluations to be sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period
- items within a class of property, plant and equipment to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates.

However, the Code permits assets within the same class to be revalued on a rolling basis provided the revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date. There is no definition of 'a short period' but the Code's requirement to avoid reporting a mixture of costs and values as at different dates suggests that to comply with the Code, all assets within a particular class should be valued within the same financial year.

Challenge questions

- Are both your Group Manager – Finance and Asset Management and your professional advisors satisfied that your revaluation programme is sufficiently regular to ensure that the carrying amount of Property, Plant and Equipment at 31 March 2014 will not differ materially from that which would be determined using the fair value at that date?
- Has your Group Manager – Finance and Asset Management reviewed the changes to the 2013/14 Code and implemented a valuation process to ensure your authority complies with other aspects of the Code requirements?
- Where your authority is unable to comply fully with the Code in 2013/14, are you satisfied that any non-compliance is immaterial and has an action plan been put in place to address non-compliance issues in future years?

Emerging issues and developments

Accounting and audit issues

Public briefing on the Local Audit and Accountability Bill

In September, the Audit Commission published a briefing note on the Local Audit and Accountability Bill. The Bill is currently going through Parliament.

The briefing provides background information on the Bill as well as a view on the areas where the Audit Commission believe that the Bill can be further improved. These areas are:

- collective procurement arrangements
- audit appointment arrangements
- the National Fraud Initiative
- small bodies
- supporting accountability to Parliament and the public
- reporting on arrangements to secure value for money
- updating the legislative framework governing local public audit.

Challenge question:

- Have you considered how the proposed audit arrangements under the Draft Local Audit Bill will affect you?



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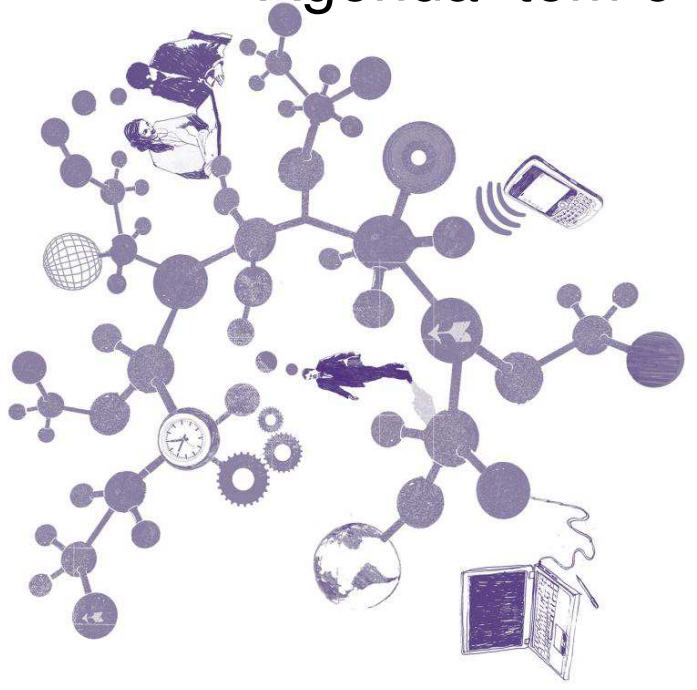
The Annual Audit Letter for Tewkesbury Borough Council

Year ended 31 March 2013

15 October 2013

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Agenda Item 6

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4. Certification of grant claims and returns	10

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A Reports issued and fees

Section 1: Executive summary

01. Executive summary
02. Audit of the accounts
03. Value for Money
04. Certification of grant claims and returns

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Tewkesbury Borough Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- Value for Money - assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

2013

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 25 September 2013.

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 11 March 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the council's Whole of Government Accounts submission
- we have certified the Business Rates claim without amendment or qualification. Our audit of the Housing and Council Tax Benefit claim is ongoing. The detailed findings from our work will be reported in our grant certification report.

Executive summary

Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

The Council continues to operate in a difficult financial climate. Our work highlighted that whilst the Council faces significant challenges and has reported a deficit for both 2011/12 and 2012/13 it has adequate arrangements in place to plan its finances over the next five years. Indications are that public sector spending will continue to be subdued for several years, with the government setting a target of achieving a budget surplus in the next parliament. This may well lead to further reductions in government funding for local authorities.

Our Value for Money work concluded that the Council has sound arrangements in place to secure economy, efficiency and effectiveness. Service costs are generally consistent with the trends indicated by other councils. Given that future budget predictions are subject to uncertainty, officers and members will need to continue working effectively and proactively together to manage the risks the Council faces and to bridge any funding gaps identified.

Nevertheless, the Council is responding well to the challenges of the Local Government Finance Settlement, delivering savings and targeting its resources effectively.

Acknowledgements

This Letter has been agreed with the Group Manager - Finance and Asset Management and will be presented to the Audit Committee on 11 December 2013.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts

01. Executive summary
- 02. Audit of the accounts**
03. Value for Money
04. Certification of grant claims and returns

Our audit of your accounts went well and we were able to issue an unqualified opinion and Value for Money Conclusion by the 30 September deadline.

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Council presented us with draft accounts on 27 June 2013, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 8 July 2013.

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Issues arising from the audit of the accounts

We have identified no material errors in the accounts. Management identified one misclassification error in the Comprehensive Income and Expenditure Statement which was adjusted in the revised accounts. In addition, we identified a small number of adjustments to enhance disclosures and the presentation of the accounts.

Annual governance statement

The Council has in place a thorough and robust process to produce the annual governance statement. The statement was consistent with our knowledge of the Council and complaint with guidance issued by CIPFA.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the Council). We presented our report to the Audit Committee on 25 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 27 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Section 3: Value for Money

- 01. Executive summary
- 02. Audit of the accounts
- 03. Value for Money**
- 04. Certification of grant claims and returns

We were able to provide an unqualified Value for Money Conclusion.

Value for Money

Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial

resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures

economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Our work highlighted that whilst the Council faces significant challenges and has reported a deficit for both 2011/12 and 2012/13 it has adequate arrangements in place to plan its finances over the next five years. The Council has maintained its current level of reserves and does not have any long term debt. Further details are provided in our Financial Resilience report issued in September 2013.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Our work highlighted that in comparison to the Audit Commission's nearest neighbours, the Council's service costs are generally consistent with the trends indicated by other councils.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Certification of grant claims and returns

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

We have completed our work on the Business Rates grant claim, which was certified by the relevant deadline, and without amendment or qualification. Our work on the Housing and Council Tax Benefit claims continues

Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified the Business Rates claim for the financial year 2012/13 totalling £32.9 million. Our work on Housing and Council Tax Benefit continues.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Key messages

The key messages from our certification work are summarised in the table below. Further details will be provided in our certification report which will be issued in January 2014.

Summary of the Council's arrangements

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	The Business Rates claim was submitted by the relevant deadline.	●
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	The Business Rates claim was certified without amendment and was unqualified.	●
Supporting working papers	Working papers have been of a good standard.	●

Appendices

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Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees	Per Audit plan	Actual fees
	£	£
Audit Fee	58,995	58,995
Grant certification fee*	14,650	tbc
Total fees	73,645	tbc

*Subject to Audit Commission approval we are proposing a reduction in the certification fee for auditing the NNDR claim as we carried out only Part A testing this year. We will notify you of the exact amount when approval is received. We have not yet completed our grant certification work. We will report the final fee in our Grant Certification Report.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	March 2013
Audit Findings Report	September 2013
Certification report	September 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013



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TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	11 December 2013
Subject:	Internal Audit Plan Monitoring Report
Report of:	Graeme Simpson, Policy and Performance Group Manager
Corporate Lead:	Mike Dawson, Chief Executive
Lead Member:	Councillor Mrs J M Perez
Number of Appendices:	2

<p>Executive Summary:</p> <p>This report summarises the work undertaken by the Internal Audit team for the period September-November 2013.</p>
<p>Recommendation:</p> <p>To consider the audit work completed, and the assurance given on the adequacy of internal controls operating in the systems audited.</p>
<p>Reasons for Recommendation:</p> <p>Internal Audit Work should comply with the Public Sector Internal Audit Standards (PSIAS). These standards state that the Chief Audit Executive (CAE) must report functionally to 'the board' (Audit Committee). This includes reporting on Internal Audit's activity relative to its Plan.</p>

<p>Resource Implications:</p> <p>None.</p>
<p>Legal Implications:</p> <p>None.</p>
<p>Risk Management Implications:</p> <p>If the CAE does not report functionally to the board then this does not comply with the PSIAS.</p> <p>If there are delays in response to the acceptance/implementation of essential audit recommendations then this potentially increases the risk of fraud or error occurring.</p>

Performance Management Follow-up:

All recommendations made by Internal Audit are followed-up within appropriate timescales to give assurance they have been implemented. The outcome of the follow-up audit is formally reported to the Audit Committee.

Outstanding recommendations made by Internal Audit that are categorised as essential will be proactively monitored through the recommendation template detailed in Appendix 2.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 The 2013/14 Internal Audit Plan was approved at Audit Committee on 20 March 2013. This is the second monitoring report for the year and summarises Internal Audit work undertaken for the period September 2013 – November 2013. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that the Chief Audit Executive (Policy and Performance Group Manager) reports formally to the 'board' (Audit Committee).

2.0 INTERNAL AUDIT WORK FOR THE PERIOD

- 2.1** As at 30 November 2013, good progress is being made towards completion of the annual Audit Plan and the 90% target completion of the Plan will be achieved. A resourcing issue within the team should be brought to the attention of the Committee. The Internal Audit Plan is delivered by two full time Performance and Audit Officers. One of these Officers is currently working part time (18.5hrs per week) and this arrangement will be reviewed at the end of December. To mitigate this reduction in hours, and so there is no adverse impact on the Plan, the following have been implemented : -
- an amount of overtime being undertaken by the other Performance and Audit Officer;
 - a reciprocal working arrangement with a neighbouring authority has been brought forward from March 2014; and
 - the allocation of budget savings to buy in additional resource.
- 2.2** The work undertaken in the period is detailed in Appendix 1. This provides a summary of the activity audited, the control objectives for each activity and the audit opinion for each control objective. Also included is the outcome of any follow-up audits undertaken in the period and whether the audit recommendations have been implemented.
- 2.3** When reporting, a 'split' opinion is given. This means individual opinions are given for different parts of the system being audited. This approach enables Internal Audit to identify to management specific areas of control that are operating or not. Assurance opinions are categorised as 'good', 'satisfactory', 'limited' and 'unsatisfactory'. It is pleasing to report that of the systems audited there are no audit opinions of a 'limited' or 'unsatisfactory' nature.

2.4 The Committee also receives information on 'essential' audit recommendations that have not been implemented. These have been identified through the undertaking of follow-up audits. Essential recommendations that remain outstanding as a result of follow-up work are detailed in Appendix 2. Additional comments relating to the progress of implementing the recommendations have been obtained from the appropriate Manager(s) and are included in the table. Changes from the previously reported position are shown in bold type.

3.0 CORPORATE IMPROVEMENT WORK

3.1 Included within the 2013/14 Internal Audit Plan is an allocation of days to undertake corporate improvement work. As reported previously to the Committee, the Policy and Performance Team can collectively identify corporate type activities that may have 'stagnated' or need resolving. Corporate Leadership Team and Group Managers are aware of this allocation of days and have been encouraged to put forward suggestions where the team may help. Work undertaken during the period can also be found in Appendix 1.

4.0 OTHER OPTIONS CONSIDERED

4.1 None.

5.0 CONSULTATION

5.1 All Managers are consulted prior to the commencement of the audit to agree the scope and each Manager has the opportunity to complete a client survey at the end of the audit.

6.0 RELEVANT COUNCIL POLICIES/STRATEGIES

6.1 Internal Audit Charter and Internal Audit Annual Plan.

7.0 RELEVANT GOVERNMENT POLICIES

7.1 None.

8.0 RESOURCE IMPLICATIONS (Human/Property)

8.1 None.

9.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

9.1 None.

10.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

10.1 Internal Audit contributes to VFM through its improvement work.

11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

11.1 None.

Background Papers: None

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01684 272002 Graeme.simpson@teWKesbury.gov.uk

Appendices: Appendix 1 – Audit work undertaken September – November 2013
Appendix 2 – Outstanding audit recommendations categorised as
'essential'

**List of Audits Completed as part of the 2013/14 Audit Plan
(September – November 2013)**

Audit	Audit Objective & Opinion															
Debtors	<p>Control Objectives (CO):</p> <ol style="list-style-type: none"> 1. Debt requests created by services are raised promptly and accurately. 2. Debtor invoices are generated accurately, with any adjustments being justified and payments correctly allocated. 3. Recovery action is appropriate and any outstanding debt is reported to services. 4. Monthly reconciliation of debtors to general ledger is undertaken. <p>Audit Opinion</p> <table border="1" data-bbox="403 741 1481 1783"> <thead> <tr> <th data-bbox="403 741 493 842">CO</th> <th data-bbox="493 741 683 842">Assurance Level</th> <th data-bbox="683 741 1481 842">Opinion</th> </tr> </thead> <tbody> <tr> <td data-bbox="403 842 493 1043">1</td> <td data-bbox="493 842 683 1043">Satisfactory</td> <td data-bbox="683 842 1481 1043">Debt requests created by services are raised promptly and accurately. In respect of setting charges in relation to Tewkesbury tourism advertising panels and Environmental Export Health Certificate, delegated approval needs to be obtained.</td> </tr> <tr> <td data-bbox="403 1043 493 1379">2</td> <td data-bbox="493 1043 683 1379">Good</td> <td data-bbox="683 1043 1481 1379">Debtor invoices are raised accurately by Financial Services. Adjustments undertaken on debtors are justified, furthermore amendments to the general ledger and VAT are performed and there is evidence of the recommendation to write-off debt by an authorised officer. Payments are received and recorded correctly within debtors and are appropriately allocated to the general ledger. Payments allocated to debtors' suspense are cleared promptly.</td> </tr> <tr> <td data-bbox="403 1379 493 1648">3</td> <td data-bbox="493 1379 683 1648">Good</td> <td data-bbox="683 1379 1481 1648">Recovery action undertaken by financial services is in accordance with system parameters. Debt is notified to services regularly using an outstanding debtors report which is colour coded to identify the age of debt. The distribution list in respect of the report was amended during the course of the audit to reflect the new organisational structure.</td> </tr> <tr> <td data-bbox="403 1648 493 1783">4</td> <td data-bbox="493 1648 683 1783">Good</td> <td data-bbox="683 1648 1481 1783">A monthly reconciliation of debtors to the general ledger is undertaken. A review of two of these statements provided assurance as to the accuracy of the reconciliation process.</td> </tr> </tbody> </table>	CO	Assurance Level	Opinion	1	Satisfactory	Debt requests created by services are raised promptly and accurately. In respect of setting charges in relation to Tewkesbury tourism advertising panels and Environmental Export Health Certificate, delegated approval needs to be obtained.	2	Good	Debtor invoices are raised accurately by Financial Services. Adjustments undertaken on debtors are justified, furthermore amendments to the general ledger and VAT are performed and there is evidence of the recommendation to write-off debt by an authorised officer. Payments are received and recorded correctly within debtors and are appropriately allocated to the general ledger. Payments allocated to debtors' suspense are cleared promptly.	3	Good	Recovery action undertaken by financial services is in accordance with system parameters. Debt is notified to services regularly using an outstanding debtors report which is colour coded to identify the age of debt. The distribution list in respect of the report was amended during the course of the audit to reflect the new organisational structure.	4	Good	A monthly reconciliation of debtors to the general ledger is undertaken. A review of two of these statements provided assurance as to the accuracy of the reconciliation process.
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3	Good	Recovery action undertaken by financial services is in accordance with system parameters. Debt is notified to services regularly using an outstanding debtors report which is colour coded to identify the age of debt. The distribution list in respect of the report was amended during the course of the audit to reflect the new organisational structure.														
4	Good	A monthly reconciliation of debtors to the general ledger is undertaken. A review of two of these statements provided assurance as to the accuracy of the reconciliation process.														

Cash & Bank	<p>Control Objectives (CO):</p> <ol style="list-style-type: none"> 1. Income received through the cash office is promptly banked and allocated to the general ledger. 2. Automated telephone payments are effectively controlled and reconciled. 3. Systems transactions are matched promptly to statement transactions. 4. A bank reconciliation is undertaken on a monthly basis. <p>Audit Opinion</p> <table border="1" data-bbox="403 499 1481 1503"> <thead> <tr> <th data-bbox="403 499 491 600">CO</th> <th data-bbox="491 499 683 600">Assurance Level</th> <th data-bbox="683 499 1481 600">Opinion</th> </tr> </thead> <tbody> <tr> <td data-bbox="403 600 491 768">1</td> <td data-bbox="491 600 683 768">Good</td> <td data-bbox="683 600 1481 768">Testing of 20 transaction listing reports provided a good level of assurance that income received through the cash office is promptly banked and allocated correctly to the general ledger.</td> </tr> <tr> <td data-bbox="403 768 491 1070">2</td> <td data-bbox="491 768 683 1070">Good</td> <td data-bbox="683 768 1481 1070">Card payments, including automated telephone payments, are effectively controlled and reconciled. Of the 20 daily transaction totals sampled during the audit, all were found to reconcile to the bank import file (bank statement) and be correctly allocated within the general ledger. Furthermore, payments made by card were found to have been allocated accurately within the service area to which they relate.</td> </tr> <tr> <td data-bbox="403 1070 491 1272">3</td> <td data-bbox="491 1070 683 1272">Good</td> <td data-bbox="683 1070 1481 1272">There is a good level of assurance that system transactions are matched promptly to bank statement deposits. Furthermore, cheques with an issue date greater than 6 months old are cancelled as part of the monthly bank reconciliation.</td> </tr> <tr> <td data-bbox="403 1272 491 1503">4</td> <td data-bbox="491 1272 683 1503">Good</td> <td data-bbox="683 1272 1481 1503">A bank reconciliation is carried out on a monthly basis, the statements for which are reviewed and signed by the Finance and Asset Management Group Manager. The accuracy of these reconciliations was confirmed through a review of reconciliation statements completed for two accounting periods.</td> </tr> </tbody> </table>	CO	Assurance Level	Opinion	1	Good	Testing of 20 transaction listing reports provided a good level of assurance that income received through the cash office is promptly banked and allocated correctly to the general ledger.	2	Good	Card payments, including automated telephone payments, are effectively controlled and reconciled. Of the 20 daily transaction totals sampled during the audit, all were found to reconcile to the bank import file (bank statement) and be correctly allocated within the general ledger. Furthermore, payments made by card were found to have been allocated accurately within the service area to which they relate.	3	Good	There is a good level of assurance that system transactions are matched promptly to bank statement deposits. Furthermore, cheques with an issue date greater than 6 months old are cancelled as part of the monthly bank reconciliation.	4	Good	A bank reconciliation is carried out on a monthly basis, the statements for which are reviewed and signed by the Finance and Asset Management Group Manager. The accuracy of these reconciliations was confirmed through a review of reconciliation statements completed for two accounting periods.
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4	Good	A bank reconciliation is carried out on a monthly basis, the statements for which are reviewed and signed by the Finance and Asset Management Group Manager. The accuracy of these reconciliations was confirmed through a review of reconciliation statements completed for two accounting periods.														
Council Tax	<p>Control Objectives (CO):</p> <ol style="list-style-type: none"> 1. Council Tax bills have been raised accurately and in accordance with the agreed charges. 2. A regular band reconciliation is undertaken between the Valuation Office and Tewkesbury Borough Council. 3. Procedures are in place to identify liable persons at the earliest opportunity and liability is raised accurately (discounts/ exemptions/ implementation of the Council Tax Support Scheme). 4. There are procedures in place to ensure the prompt posting of income, supported with a monthly reconciliation to the general ledger and any refunds are justified. 5. There are effective recovery procedures in place to ensure non-payers are promptly pursued and that write-offs are appropriately authorised. 															

6. Application controls are in place to ensure the system is secure.

Audit Opinion

CO	Assurance Level	Opinion
1	Good	<p>2013/14 Council Tax bills have been raised accurately and in accordance with the agreed charges. Council Tax precepts were agreed by Council on 21 February 2013 and parameters have been correctly applied to the Northgate system.</p> <p>The recalculation of the gross liability for 2 Parishes confirmed that this had been calculated correctly, based on the agreed banding values, and that the number of properties in respect of Council Tax 2013/14 on Northgate reconciled to the Valuation Office schedules.</p>
2	Good	<p>Weekly band reconciliations are undertaken between the Valuation Office schedules and the Northgate system. Any amendments were found to have been promptly and accurately updated within the Northgate system.</p>
3	Good	<p>System parameters concerning discounts, disregards and exemptions were found to have been correctly noted on Northgate and, in respect of individual Council Tax accounts, have been calculated and applied correctly with supporting evidence obtained. In respect of the Council Tax Support Scheme, appropriate reductions have been applied accurately to accounts in accordance with welfare legislation and the default scheme adopted.</p>
4	Good	<p>Recovery and write-off procedures were found to be documented and, in respect of write-offs, these were found to have been appropriately authorised, noted accurately on Northgate and documentation retained on Anite to support the reason for the write-off. The 2012/13 Council Tax collection rate of 98.10% was reviewed and was found to have been calculated accurately.</p>
5	Satisfactory	<p>Suitable controls are in place with regard to the security of the Northgate system. Passwords are changed on a regular basis and controls relating to their format and re-use are appropriately applied. In respect of the minimum number of characters within a password, it is recommended that the parameters within the Northgate system are reviewed in line with best practice; i.e. this should be set to at least seven.</p>

Main Accounting System (incl follow up)	Control Objectives (CO):	
	<ol style="list-style-type: none"> 1. Opening balances are rolled forward automatically and agree to previous years closing balances. 2. The structure of the main accounting system has been reconfigured to reflect the new organisational structure. 3. Journals are authorised, contain reasonable explanation, limited to input by Financial Services Officers and the Finance and Asset Management Group Manager reviews all journals over £10k on a monthly basis. 4. Suspense and unidentified remitters accounts are reviewed and cleared on a regular basis. 5. Application controls are robust to ensure there is restricted access to the system. 	
	CO	Assurance Level
	Opinion	
1	Good	Audit testing established that 2013/14 opening balances were rolled forward and these agreed to the 2012/13 closing balances. Testing of 10 individual cost code amounts included within the 2012/13 balance sheet totals provided assurance that these had been accurately rolled over.
2	Good	<p>The main accounting system has been reconfigured to reflect the new organisational structure and cost codes realigned in accordance with new Group Manager responsibilities. A scheme of budget delegation, in line with the new structure, is also now in place.</p> <p>In respect of the general ledger; this was found to net to zero and a review of the balancing statement file, maintained by Financial Services, demonstrated that each accounting period, a check is performed and signed-off by the Group Manager Finance and Asset Management.</p>
3	Good	Journals processed to date within 2013/14 were all found to have been authorised and input by Financial Services Officers. Furthermore, all journals were found to have adequate documentation to support their integrity. Journals in excess of £10,000 are subject to review by the Finance and Asset Management Group Manager within a 12 month period.
4	Good	Suspense and unidentified remitters accounts are reviewed and cleared on a regular basis. The suspense account was found to balance to '0' and items within the account had been cleared promptly. In respect of the unidentified remitters account; this identified no significant balances in respect of uncleared cash, bank and giro items and a sample test of entries provided assurance as to the integrity of the transfers.

	5	Good	Access to the main accounting system is restricted to the appropriate officers. Furthermore, permissions within the system ensure that full access to update and amend is restricted to Financial Services Officers only. A risk assessment in respect of Civica accessing the system remotely was completed as part of the audit. This concluded that the appropriate mitigating controls are in place and satisfies the requirements of the previous audit recommendation.
Payroll	Control Objective		
	<ol style="list-style-type: none"> 1. Key parameters have been correctly input to the system and are applied correctly during the payroll process. 2. Salary adjustment notifications are entered correctly into the payroll system. 3. Reconciliation and assurance checks are undertaken during the processing of the payroll, supported by a monthly reconciliation to the main accounting system. 4. The payment of employees is verified on an annual basis. 5. Application controls are robust to ensure there is restricted access to the system. 		
	CO	Assurance Level	Opinion
	1	Good	Key parameters in respect of income tax, national insurance and pension contributions for the current tax year have been input accurately to the payroll system. Audit testing confirmed that these are applied correctly to employees' salaries during the payroll process.
2	Good	Salary adjustment notifications received by the Payroll Officer are applied correctly within the payroll system. Furthermore, claims in respect of mileage, overtime and timesheets were found to have been processed in accordance with the claim forms submitted. Audit testing did, however, identify that VAT receipts are currently not obtained in respect of the mileage claimed by Councillors. It is therefore recommended that consideration is given to reclaiming this VAT amount. In respect of the agreed 2013/14 pay award, salaries and arrears were found to have been paid accurately in line with the 1% uplift.	
3	Good	A number of assurance checks are carried out during the processing of each payroll run. The total BACS payments processed for the month are reconciled to the monthly posting summary from the payroll system. A payroll calculation error report is also produced and checked by the Payroll Officer and remedial action taken where necessary. Furthermore, monthly reconciliations are carried out between the general ledger and the payroll system which are reviewed by the Finance and Asset Management Group Manager. Audit testing of reconciliations undertaken for AP3 and AP6 were found to be accurate.	

	4	Good	A list of employees paid for each service area during 2012/13 has been verified by the relevant Managers (under the previous organisational structure). This exercise has been carried out independently of the Payroll Officer.
	5	Good	Access to the CHRIS21 payroll system is restricted to the appropriate officers. Permissions within the system ensure that full access to amend and process payroll data is limited to the Payroll Officer and Financial Services Officers only. Passwords are prompted to be changed on a regular basis and risks concerning the processing of fraudulent claims were found to be appropriately mitigated.

Follow-Up Audits

Trade Waste	Control Objectives (CO):		
	<ol style="list-style-type: none"> To follow-up previous audit recommendations made within the Commercial Waste Audit 2012/13. To follow-up outstanding actions in respect of Commercial Waste identified within the Internal Audit monitoring report (June 2013). 		
	Previous Recommendations Reference	Findings	
	1	Recommendation outstanding. A report to Executive Committee in March 2013 had been drafted in respect of a review of the trade waste charging policy; however, was subsequently withdrawn pending the decision to join Ubico. It was agreed with the Direct Services Manager during the follow-up audit that this report be amended and taken to Executive Committee in respect of the ongoing free charge granted to village halls and the 190ltr weekly collection granted to charity shops, as original approval was granted in 2002. This will form part of an overall review of the Controlled Waste (England and Wales) Regulations 2012.	
	2	Recommendation implemented. Up-to-date transfer notes are held for commercial waste customers and where a waste transfer note has not been returned the service has been suspended.	
3	Recommendation implemented. Crew lists are now issued on a regular basis and procedures are in place to ensure a physical check of bin customers against the database; thereby ensuring its accuracy. Furthermore, this has led to improvements to the way in which the rounds are carried out; identifying resource efficiencies.		
4	Recommendation implemented. Recovery action is being undertaken in accordance with the recovery policy which was implemented during the course of the previous audit.		

Cascades	<p>Control Objectives (CO):</p> <p>1. To follow-up a previous audit recommendation made within the Cascades audit 2012/13 re: stock control.</p> <table border="1" data-bbox="416 300 1481 636"> <thead> <tr> <th data-bbox="416 300 722 434">Previous Recommendations Reference</th> <th data-bbox="722 300 1481 434">Findings</th> </tr> </thead> <tbody> <tr> <td data-bbox="416 434 722 636">1</td> <td data-bbox="722 434 1481 636">Recommendation implemented. Stock control procedures in respect of vending machine drinks and the coffee shop are now documented. Assurance was obtained that the regular stock taking of vending machine drinks has now been re-instated.</td> </tr> </tbody> </table>	Previous Recommendations Reference	Findings	1	Recommendation implemented. Stock control procedures in respect of vending machine drinks and the coffee shop are now documented. Assurance was obtained that the regular stock taking of vending machine drinks has now been re-instated.
Previous Recommendations Reference	Findings				
1	Recommendation implemented. Stock control procedures in respect of vending machine drinks and the coffee shop are now documented. Assurance was obtained that the regular stock taking of vending machine drinks has now been re-instated.				
Corporate Improvement Work	Summary of work undertaken				
Procurement	Demonstrating effective procurement was identified as a significant governance issue within the 2012/13 Annual Governance Statement. One of the key actions within the procurement delivery plan was to undertake a spend analysis. This is currently being undertaken by Internal Audit with findings to be reported to the Procurement Group in December.				
Customer Services	Internal Audit has been commissioned by Corporate Leadership Team to undertake a review of how customer service is dealt with across all services. For example, this will include how customer requests are logged, performance standards that are in place, how data is monitored and used etc. Findings will help inform the refresh of the Customer Services Strategy.				

The level of internal control operating within systems will be classified in accordance with the following definitions:-

LEVEL OF CONTROL	DEFINITION
Good	Robust framework of controls – provides substantial assurance.
Satisfactory	Sufficient framework of controls – provides satisfactory assurance – minimal risk. Probably no more than one or two ‘Necessary’ (Rank 2) recommendations.
Limited	Some lapses in framework of controls – provides limited assurance. A number of areas identified for improvement. A number of ‘Necessary’ (Rank 2) recommendations, and one or two ‘Essential’ (Rank 1) recommendations.
Unsatisfactory	Significant breakdown in framework of controls – provides unsatisfactory assurance. Unacceptable risks identified – fundamental changes required. A number of ‘Essential’ (Rank 1) recommendations.

Recommendations/Assurance Statement

CATEGORY		DEFINITION
1	Essential	Essential due to statutory obligation, legal requirement, Council policy or major risk of loss or damage to Council assets, information or reputation. Where possible it should be addressed as a matter of urgency.
2	Necessary	Could cause limited loss of assets or information or adverse publicity or embarrassment. Necessary for sound internal control and confidence in the system to exist and should be pursued in the short term, ideally within 6 months.

INTERNAL AUDIT RECOMMENDATIONS CATEGORISED AS ESSENTIAL THAT HAVE YET TO BE IMPLEMENTED – THESE HAVE BEEN IDENTIFIED THROUGH THE FOLLOW-UP PROCESS

Ref	Service Area	Audit	Date of Audit	Recommendation	Original Implementation Date	Assigned To	Agreed Action	Audit Comments	Comments of Manager /Responsible Officer
1.	Direct Services	Trade Waste	Dec 06	R2/3/4/5/6/8/9/11/13/14 (10 recommendations) Ensuring an up to date database of trade waste collections is maintained incl the implementation of a Recovery Policy.	April 2007	Assistant DSO Officer	<ul style="list-style-type: none"> Implementation of new database. Introduction of hire agreements. Village hall collections to be quantified and included on database. Survey of collections to be carried out and cross referenced to database and Powersolve debtors. Provision of crew lists. Implementation of a Recovery Policy. 	<p>A number of audits have been undertaken since the original audit with a 'limited' opinion reached in each case. A further follow up audit completed in February 2012 concluded :-</p> <p>Good progress has been made to reduce the level of arrears.</p> <p>A Recovery Policy has been adopted to ensure there is a consistent and robust approach.</p> <p>The latest follow-up audit confirms the essential audit recommendations have been implemented. It is therefore proposed to remove these from this template.</p>	<p>The latest follow-up audit confirms previous management reassurances that internal control issues have been resolved.</p>
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2.	Grounds Maintenance	Creditors (Procurement)	August 2009	R4./5.Expenditure should comply with the Council's Contract Procedure Rules.	March 2010	Various	<p>Agreed. The following activities should be subject to formal tender :</p> <p>Tree maintenance (Grounds Maintenance)</p>	<p>Follow-up audit undertaken in March 2010 with a revised implementation date of November 2010 agreed.</p>	<p>With regards to tree maintenance a formal tender exercise will be undertaken once the tree inspection programme has been complete.</p>

INTERNAL AUDIT RECOMMENDATIONS CATEGORISED AS ESSENTIAL THAT HAVE YET TO BE IMPLEMENTED – THESE HAVE BEEN IDENTIFIED THROUGH THE FOLLOW-UP PROCESS

Ref	Service Area	Audit	Date of Audit	Recommendation	Original Implementation Date	Assigned To	Agreed Action	Audit Comments	Comments of Manager /Responsible Officer
3.	Corporate	ICT Physical & Environmental Controls	May 2011	<p>R1. With regards to corporate Business Continuity: -</p> <p>The reformation of the Corporate Business Continuity Group.</p> <p>Review and update the Corporate Business Continuity Plan.</p> <p>Review and update of Service Continuity Plans.</p> <p>Review and prioritisation of critical systems.</p>	July 2011	Director of Resources	<p>Agreed to implement the reformation of the Corporate Group. This would fulfil the first requirement of the audit recommendation.</p> <p>Implementation dates for other agreed actions would need to be agreed by the Group.</p>	<p>The follow-up audit confirmed the Group had been reformed but had not met on a regular basis. As a result, agreed audit actions had not progressed.</p> <p>Internal Audit is represented on the Corporate Business Continuity Group and can confirm the progression of the Business Continuity Action Plan.</p>	<p>The reformed Business Continuity Group has monthly meetings scheduled until June 2014. Individual services are now in the process of updating Service Business Continuity Plans.</p>

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INTERNAL AUDIT RECOMMENDATIONS CATEGORISED AS ESSENTIAL THAT HAVE YET TO BE IMPLEMENTED – THESE HAVE BEEN IDENTIFIED THROUGH THE FOLLOW-UP PROCESS

Ref	Service Area	Audit	Date of Audit	Recommendation	Original Implementation Date	Assigned To	Agreed Action	Audit Comments	Comments of Manager /Responsible Officer
<p>4.</p> <p>53</p>	<p>Property Services</p>	<p>ICT Physical & Environmental Controls</p>	<p>May 2011</p>	<p>R.4 A one stop shop approach to fire management should be implemented with all activities rolled up into one contract and let in accordance with the Council's Contract Procedure Rules.</p>	<p>July 2011</p>	<p>Property Services Manager</p>	<p>Agreed. A property services procurement programme is to be implemented and fire management will be included in this programme.</p>	<p>The follow-up audit confirms the original implementation date has not been achieved but the process has now commenced. A revised implementation date of Nov 2012 has been confirmed.</p>	<p>The audit recommendation was agreed with the previous Property Services Manager. Procurement of fire management activities is now being reviewed by the Asset Manager. A 5 year contract is soon to be let for fire extinguisher maintenance – other activities remain under contract and will be reviewed nearer to the expiry dates.</p>

INTERNAL AUDIT RECOMMENDATIONS CATEGORISED AS ESSENTIAL THAT HAVE YET TO BE IMPLEMENTED – THESE HAVE BEEN IDENTIFIED THROUGH THE FOLLOW-UP PROCESS

Ref	Service Area	Audit	Date of Audit	Recommendation	Original Implementation Date	Assigned To	Agreed Action	Audit Comments	Comments of Manager /Responsible Officer
5. 54	Direct Services	Vehicle Contract	Jan 2011	<p>R7/8/9 (3 recommendations)</p> <p>A financial limit for recharge works undertaken by the contractor prior to the raising of an order should be set.</p> <p>To provide assurance that rechargeable parts are charged at net cost + 15%, the monthly review of parts by the contractor should be provided.</p> <p>Procurement procedures used by the contractor should be established so as to determine VFM is being achieved.</p>	August 2011	Direct Services Officer	All recommendations agreed to be implemented by August 2011.	<p>The follow-up audit confirmed a £250 limit had been agreed whereby any work above this figure would be supported with a written estimate but had not been in implemented in full.</p> <p>A monthly parts pricing schedule has yet to be provided by the contractor and their procurement procedures established.</p> <p>A further follow-up audit has been carried out and is at draft report stage. Once finalised this will be reported to Audit Committee in March.</p>	The provision of a monthly parts pricing schedule is impractical as quoted but we are working closely with the contractor to demonstrate the principles requested in the audit recommendation are being fulfilled.

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	11 December 2013
Subject:	Monitoring of Significant Governance Issues
Report of:	Sara Freckleton, Borough Solicitor
Corporate Lead:	Sara Freckleton, Borough Solicitor
Lead Member:	Councillor Mrs J M Perez
Number of Appendices:	1

Executive Summary:

The report attaches, at Appendix 1, a table incorporating the Significant Governance Issues and the actions to be taken to address them which were identified in the Council's Annual Governance Statement approved by the Audit Committee in September 2013. The table indicates the progress on those specified actions by 30 November 2013, to enable the Audit Committee to monitor progress on these actions as required by the Annual Governance Statement.

Recommendation:

The Committee is asked to CONSIDER the information set out in Appendix 1 and to review progress against the actions.

Reasons for Recommendation:

To comply with the requirements of the Review of Effectiveness of the Council's Annual Governance Statement.

Resource Implications:

None arising from this report.

Legal Implications:

None arising from this report.

Risk Management Implications:

Risk Management is an integral part of the Corporate Governance Framework and actions taken to mitigate the Significant Governance Issues will also help mitigate related business risks.

Performance Management Follow-up:

Further review by Audit Committee will take place in March 2014.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 On the 25 September 2013, the Audit Committee approved the Council's Annual Governance Statement for 2012/13 which forms part of the annual Statement of Accounts. The purpose of the Statement is to provide assurance that the Council's Governance Framework is adequate and effective.

1.2 As part of the Annual Governance Statement, the Council is required to identify the Significant Governance Issues faced by the Council and to set out the proposed actions to be taken to address those issues and the timescale within which those actions will be taken. The role of the Audit Committee is to formally monitor progress on actions arising from the Significant Governance Issues identified in the Statement.

2.0 SIGNIFICANT GOVERNANCE ISSUES

2.1 The table set out at Appendix 1 comprises the Significant Governance Issues identified and the proposed action and timescale, with the addition of a further column which indicates the progress by 30 November 2013. The Committee will note that progress is being made against all identified issues and that the actions proposed are currently on target to achieve the intended timescale.

3.0 OTHER OPTIONS CONSIDERED

3.1 None.

4.0 CONSULTATION

4.1 The Corporate Governance Group has been consulted on progress on the proposed actions.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 Code of Corporate Governance.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 None.

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 None arising from this report.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 None.

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 None.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 Audit Committee 25 September 2013 – Approval of Annual Governance Statement 2012/13

Council 24 June 2008 – Approval of Code of Corporate Governance

Background Papers: Annual Governance Statement 2012/13

Contact Officer: Sara Freckleton, Borough Solicitor
01684 272011 sara.freckleton@teWKesbury.gov.uk

Appendices: Appendix 1 - Monitoring of Significant Governance Issues 2013/14

SIGNIFICANT GOVERNANCE ISSUES 2012/13

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2013
1.	Delivery of the 2013/14 Savings Programme	<ol style="list-style-type: none"> 1. Nominated CLT project sponsor. 2. Individual strands of the programme allocated to a lead officer. 3. Regular monitoring by Budget Working Group. 	<ol style="list-style-type: none"> 1. July 2013 2. July 2013 3. March 2014 	Corporate Leadership Team	<p>Borough Solicitor appointed as CLT sponsor.</p> <p>A nominated lead officer has been given to each strand.</p> <p>Standing item on Budget Working Group.</p>
2.	Demonstrating Effective Procurement	<p>Deliver the supporting action plan including:</p> <ol style="list-style-type: none"> 1. Re-establish the Procurement Group. 2. Provide procurement training. 3. Develop a programme based on spend analysis. 4. Publish a 'Selling to the Council' guide. 	March 2014	Finance & Asset Management Group Manager	<p>The Corporate Procurement Group has been re-established.</p> <p>The Policy and Performance Team (Internal Audit) is currently using an allocation of corporate improvement days from the Annual Audit Plan to undertake an analysis of the Council's spend. The outcome of this will be reported to the Procurement Group mid-December.</p>

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2013
3.	Delivering effective organisational and cultural change	<ol style="list-style-type: none"> 1. Approval of Business Transformation Strategy. 2. Development of Business Transformation Programme. 	March 2014	Chief Executive	<p>A Member Working Group has been convened to oversee the development of the Business Transformation Strategy and underpinning Work Programme.</p> <p>The Group has approved a Project Initiation Document and Communications & Engagement Plan for Business Transformation. Meetings are scheduled during December 2013 and January 2014 to draft the Strategy which will be discussed at Executive Committee in April 2014.</p>

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2013
4.	Effectiveness of governance framework to support the new organisational structure	<ol style="list-style-type: none"> 1. Update Scheme of Delegation. 2. Update Scheme of Budget Delegation. 3. Update Corporate Signatory List. 4. Realign budgets and payroll. 	<ol style="list-style-type: none"> 1. December 2013 2. December 2013 3. August 2013 4. September 2013 	Democratic Services Group Manager/Finance and Asset Management Group Manager	<ol style="list-style-type: none"> 1. Work has commenced on an update of the Scheme of Delegation including a review of Proper Officer functions, changes in legislation and the Council's organisational structure. It is anticipated that a draft scheme will be circulated in December for submission to Council in January/February. 2. Completed 3. Completed 4. Completed
5.	Demonstrating effective Business Continuity	<ol style="list-style-type: none"> 1. Reform the Business Continuity Group. 2. Review and update Service Continuity Plans. 3. Identify and prioritise the Council's critical systems. 4. Test the effectiveness of the business continuity arrangements. 	March 2014	Business Continuity Group	<p>The reformed Business Continuity Group has monthly meetings scheduled until June 2014.</p> <p>The Group is Chaired by the Lead Member for Corporate Governance. The Group will direct delivery of the Business Continuity Action Plan which includes actions to develop and test plans in line with identified priorities for services and systems.</p>

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2013
6.	Maintaining adequate Health & Safety arrangements	In relation to the management of playground inspections:- <ol style="list-style-type: none"> 1. Training for inspectors. 2. Introduction of good practice RoSPA inspection template. 3. Playgrounds to be risk assessed. 4. Improved documentation of defect resolution. 	September 2013	Finance and Asset Management Group Manager	<ol style="list-style-type: none"> 1. A number of TBC staff have now received both routine and operational inspection training. 2. Template introduced and used to record all inspections. 3. All playgrounds risk assessed which led to the development of the inspection and maintenance regime. 4. Full audit trail now available from defect identification to defect remedy.