

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit Committee held at the Council Offices,
Gloucester Road, Tewkesbury on Wednesday, 24 September 2014 commencing
at 2:00 pm**

Present:

Chairman
Vice Chairman

Councillor M Dean
Councillor R E Allen

and Councillors:

Mrs K J Berry, Mrs J E Day, Mrs S E Hillier-Richardson, A C Tugwell and D J Waters

AUD.14 ANNOUNCEMENTS

- 14.1 The evacuation procedure, as noted on the Agenda, was advised to those present.
- 14.2 The Chairman welcomed Alex Walling, Engagement Lead from Grant Thornton, to the meeting.

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 25 June 2014, copies of which had been circulated, were approved as a correct record and signed by the Chairman.

AUD.17 GRANT THORNTON AUDIT FINDINGS 2013/14

- 17.1 Attention was drawn to Grant Thornton's report, circulated at Pages No. 11-45, which set out the audit findings for the Council for 2013/14. Members were asked to consider the report.
- 17.2 Alex Walling, Engagement Lead, explained that the report highlighted the key matters which had arisen from Grant Thornton's audit of the Council's financial statements for the year ended 31 March 2014. It was also used to report the audit findings to management and to those charged with governance in accordance with the requirements of the International Standard on Auditing 260 (ISA). Under the Audit Commission's Code of Practice, Grant Thornton was required to report whether, in its opinion, the Council's financial statements represented a true and fair view of the financial position, its expenditure and income for the year and whether they had been properly prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting. In addition to this work, Grant Thornton was also required to reach a formal conclusion on whether the Council had put into place proper arrangements in terms of the Value for Money (VFM) conclusion.

- 17.3 Members were advised that, overall, the findings of the audit had been very positive; particularly from her perspective, given the major changes that had gone on within the finance team staffing. It had been clear to her that the Council had obviously been aware of the bigger picture and was thinking about how to do things differently and better. This had resulted in very few internal control weaknesses which was good to see. The audit was substantially complete now, as things had moved on since the Committee report had been published, and the only outstanding piece of work was the testing of housing benefit expenditure and Council Tax support. The key messages from the audit of the financial statements were that the accounts contained only a small number of errors, the majority of which had been adjusted by management; the working papers continued to be of a high quality; and finance staff had responded promptly to all audit queries. An unqualified opinion had been provided on both the financial statements and the VFM conclusion. In terms of controls, attention was drawn to two minor control issues which had been identified in relation to the posting of journals and the authorisation of timesheets. The recommendations made were that the Chief Financial Officer should have the ability to post journals and, to strengthen control, the timesheets should be individually signed as authorised.
- 17.4 In drawing attention to Page No. 19 of the report, the Engagement Lead explained that there were two presumed significant risks which were applicable to all audits under auditing standards: improper revenue recognition; and management override of controls. The audit work undertaken had not identified any issues in respect of revenue recognition or in terms of management override of controls. In terms of audit findings against other risks, no significant issues had been identified in respect of operating expenses or employee remuneration. At this stage the audit of welfare expenditure was ongoing but to date no significant issues had been identified. In respect of Property, Plant and Equipment (PPE), one issue had been identified which was set out at Page No. 25. The Paragraph of the Code permitted a class of assets to be revalued on a rolling basis provided the revaluation of the class of assets was completed within a 'short period' and the revaluations were kept up to date. In the view of Grant Thornton the 'short period' would usually be within a single financial year as the purpose of simultaneous valuations was to avoid reporting a mixture of costs and values at different dates. For assets not valued in the year, insufficient assurance had initially been provided by Officers that PPE valuations held in the accounts remained materially correct hence, whilst the Council's accounting policy was considered appropriate, it needed to ensure arrangements were in place in future to confirm that the carrying amount of PPE did not differ materially from the fair value at the balance sheet date. Grant Thornton would work with Officers next year to ensure compliance with the Code in this respect.
- 17.5 There were a small number of misclassification and disclosure changes which were identified at Page No. 27. None of them had any effect on the overall financial position but all had to be noted within the findings report. However, there was one unadjusted misstatement which Grant Thornton had requested be processed but which had not been made within the final set of financial statements. The issue related to information received from the Valuation Office regarding the reduction in the rateable value for a large property for which the Council collected business rates. The Council had included this as an additional note entitled 'events after the balance sheet date' which meant that it had been classed by Officers as a non-adjusting event. In Grant Thornton's view this was an adjusting event, however, it had been accepted that the overall impact on the Council's financial statement each year was not material.
- 17.6 Referring to the Value for Money work undertaken, the Engagement Lead advised that the Auditors were required to provide a Value for Money conclusion based on

two criteria: that the Council had proper arrangements in place for securing financial resilience; and that the Council had proper arrangements for challenging how it secured economy, efficiency and effectiveness. Overall the work had highlighted that, in a period of austerity, the Council had, to date, managed its finances effectively and, despite not delivering all of its savings plans, the 2013/14 accounts had reported an underspend of £537,000 against budget, mainly due to increased planning and land charges income and business rate retained income. The Council would continue to face significant financial risks and challenges during 2014/15 and beyond, but its current arrangements for achieving financial resilience remained satisfactory. It was the view of the Engagement Lead that, for a fairly small District Council, the outlook was positive given the work which was ongoing in terms of the projects that were coming forward and the Business Transformation Programme. Page No. 35 identified two small residual risks to the Value for Money conclusion which were performance against capital budgets; and performance against savings targets. It was recommended that the Council should continue to monitor its capital spend during the year so that the level of slippage could be easily identified and addressed where possible. In addition, it was recommended that the Council should continue to monitor progress against its savings plan in 2014/15 to ensure delivery and financial stability. In terms of the audit fees, these had been largely set by the Audit Commission. However, there was one additional fee of £900 in respect of work on material business rates balances in the accounts. Certification work was still ongoing and the final fee would be reported to the Audit Committee later in the year as part of the annual certification report. There were no fees for other services. In terms of independence and ethics, there were no matters to draw to Members' attention. The action plan, which contained only five actions, was set out at Pages No. 41-42 and all were low priority with a risk of inconsequential misstatement. The Engagement Lead offered her thanks and congratulations to the finance team for the work put in to ensure this was a positive report.

- 17.7 A Member questioned what the corporate fraud in relation to electoral registration had been. In response, the Borough Solicitor advised that she had raised this at the last meeting. The issue had been identified by the electoral registration team during the annual canvass. This had been reported to the Police for investigation and, although this had not resulted in prosecution, a restorative justice solution had been found. The situation had been remedied as soon as it had been found and no one had been disadvantaged as a result of the issue.
- 17.8 Members offered their congratulations to the finance team and accordingly it was **RESOLVED** That Grant Thornton's audit findings 2013/14 be **NOTED**.

AUD.18 LETTER OF REPRESENTATION

- 18.1 Attention was drawn to the Section 151 Officer's Letter of Representation on the financial statements for the year ended 31 March 2014, which had been circulated at Pages No. 46-48. Members were asked to consider the letter.
- 18.2 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.
- 18.3 Accordingly, it was

RESOLVED That the Letter of Representation be **APPROVED** and signed by the Section 151 Officer.

AUD.19 STATEMENT OF ACCOUNTS 2013/14

- 19.1 The report of the Finance and Asset Management Group Manager, circulated at Pages No. 49-164, set out the Statement of Accounts for 2013/14. Members were asked to consider and approve the Statement of Accounts as attached at Appendix 1 to the report.
- 19.2 The Finance 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. The accounts were prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and this year there were two main changes to the Code: extensive revisions to IAS 19 classification, recognition, measurement and disclosure - this had no impact on the balance sheet figure; and a change in the way business rates income was accounted for. As a consequence of the audit, a small number of changes had been made to the Statement of Accounts and those had been agreed with the Auditors.
- 19.3 Attention was drawn to an error at Paragraph 2.1 of the report, Income and Expenditure, and Members noted that, despite the sentence contained within the report, there had not been a decrease in working balances arising from variances. The headline issues were set out within the report and included a number of overspends including the savings plan not being met; the Bellwin Scheme threshold; and benefits take-up. There were also underspends including additional income from planning and land charges; staff savings against vacant posts; and business rates retained income. In respect of the balance sheet, the total net worth of the Council had decreased by £778,000 in the year from £6.9 million to £6.1 million. The decrease in net worth was summarised in the Movement in Reserves Statement and there were a number of movements which had contributed to that including: an increase of £2 million in Earmarked Reserves; a decrease of £812,000 in the capital receipts reserve and a decrease of £1.2 million in the pensions reserve. In terms of Council Tax Fund Collection Balances, £660,000 had been committed in 2014/15 for a reduction in Council Tax levels and, in respect of capital balances, the unallocated budget for new capital projects was £1,979,060. The main expenditure on capital in-year had been Disabled Facilities Grants, Property, Plant and Equipment; and IT software. The Annual Governance Statement had been approved by the Audit Committee at its meeting on 25 June 2014 with no changes being required. It had subsequently been signed off by the Leader of the Council and the Chief Executive and was therefore not re-presented to support the Statement of Accounts.
- 19.4 In respect of the savings from vacant posts, a Member questioned whether the posts had now been filled or whether they were likely to continue making savings. She also queried why the revenue budget support had not been required. In

response, the Finance Manager explained that staff were starting to be recruited now so savings on vacant posts were unlikely to continue at such a high level in future years. In terms of the revenue budget support, this was a one-off sum from reserves which it had been intended would be used for one year to support the budget. This had not been needed in the end which was good news.

19.5 Accordingly, it was

RESOLVED That the Statement of Accounts 2013/14 be **APPROVED**.

AUD.20 PUBLIC SERVICES NETWORK COMPLIANCE

- 20.1 The report of the Business Transformation Group Manager, circulated at Pages No. 165-168, provided Members with information about the Council's compliance with the Public Services Network. Members were asked to consider the information provided and agree that a further report be brought back to a future meeting of the Committee to provide an update on the reassessment process and its results.
- 20.2 The Business Transformation Group Manager explained that the Council currently used the Public Services Network to exchange data electronically with other connected agencies. To remain accredited to the Network the Council had to complete an annual assessment process and failure to meet the required standards may result in the Council's connection being withdrawn. The Council was currently authorised to connect to the Network until 2 October 2014 at which point it must prove compliance with the latest Public Services Network requirements. This was a key risk issue which was the reason for bringing it to the Audit Committee for information.
- 20.3 Currently the main users of the Network were Revenues and Benefits and Customer Services with the connection for the Revenues and Benefits service being essential as it was the only way it could make returns to the Department for Work and Pensions. The Network allowed the agencies that used it to work together in a transformational way as it looked and felt like a single network for a number of different services and agencies. It would mean that security would become less of a problem for each organisation as they had demonstrated through the compliance process that they were all working to the same standards.
- 20.4 The Business Transformation Group Manager indicated that this was not merely an IT issue as the Council had to prove that its information governance was strong and met all necessary requirements, including the notable requirement that the Council must complete security checks for all staff that had access to Public Services Network level data. It was possible that this requirement may be extended to all Council IT users by 2015, which could include Members, and this would have funding implications for the Council as each check cost a minimum of £25. In addition, there were a number of areas where Councils had issues in meeting compliance requirements including: restrictions regarding access to Council systems by employees using personal/home or other non-Council devices; the extensive work needed to patch and upgrade IT systems; issues that arose from completely separating some systems e.g. email into Public Service Network and non-Public Services Network variants; legacy software and hardware where items could no longer be patched to a compliant level, for example Windows XP – this operating system was still in use on computers that wanted to access Council systems; an appropriate focus on information security; and funding of the requirements for the Public Services Network - this had been estimated by some IT Managers at between 10% and 25% of the annual IT budget.
- 20.5 The Council would shortly be submitting its assessment and the results of that would be brought back to a future meeting of the Committee. Early indications, following an external health check, had suggested some areas for improvement

which had now been addressed including setting, use and management of passwords; internal security/trusted users; and weak change management/patching policy. The check had otherwise been very successful. In terms of the reassessment, where issues were identified the application would have to be resubmitted with those issues addressed. There may be multiple resubmissions within a three month period following the recertification due date so the Council had a chance to address any weaknesses identified.

20.6 A Member questioned whether the Business Transformation Group Manager was looking at the introduction of a better policy for Members that used their own equipment. In response, he was advised that the same policy could not be used for Members as was used for staff and the intention was that the Members part of the policy would become a Code of Practice which would be a much more simplified version. It was anticipated that this would be introduced for the new Council after the May 2015 election.

20.7 Accordingly, it was

- RESOLVED**
1. That the information provided be **NOTED**.
 2. That it be **AGREED** that a further report be submitted to a future meeting of the Committee to provide an update on the reassessment process and results.

AUD.21 HOUSING BENEFIT FRAUD

21.1 The report of the Revenues and Benefits Group Manager, circulated at Pages No. 169-171, advised Members of the housing benefit fraud work undertaken during the financial year 2013/14. It also explained that from 1 May 2015 the new Single Fraud Investigation Service would take over the responsibility for investigating housing benefit fraud. Members were asked to consider the report and make recommendations where appropriate.

21.2 Members were advised that the Borough Council had an obligation to administer housing benefits on behalf of the Department for Work and Pensions and part of those duties included the investigation of housing benefit fraud. It was important that assurance was given to the public and Councillors that benefit fraud was fully investigated and appropriate action was taken in cases where benefit fraud had taken place. The Council currently administered housing benefit to 4,149 households in the Borough and, as a proportion of referrals received in relation to the number of claims administered, frauds were relatively small in number. During 2013/14, the Borough Council had received 347 referrals where fraud was suspected; of those, 195 were fully investigated and that had resulted in 40 formal cautions being administered, 41 administrative penalties and 25 successful prosecutions. Approximately 50% of referrals received were from the Department for Work and Pensions as part of its data matching activities. The remainder of referrals came from the Council's staff, members of the public and other organisations. The majority of referrals were due to failure to tell the Council about changes in circumstances; namely income from other sources, undeclared earnings and changes in the value of benefits received. In all cases the Council made every effort to recover the overpayments from those who had acted fraudulently. Sometimes payment was received in full but in most cases the overpayments were recovered by special arrangement or directly from ongoing housing benefits. In response to a query as to the number of referrals which were malicious in origin, the Revenues and Benefits Group Manager indicated that he did not have the exact figures but he was aware these were small in number and tended to be as a result of a relationship breakdown or neighbours who had fallen out.

21.3 In response to a query regarding formal cautions and administrative penalties, the Benefits and Revenues Group Manager explained that a formal caution was an

alternative to a prosecution, usually when there were mitigating circumstances. A record was kept of it and the Department for Work and Pensions was notified; if there were three occurrences of such activity the person's benefits may be stopped. From next year such cautions would not be a sanction which the Council could use.

- 21.4 In respect of the Single Fraud Investigation Service, Members were advised that the Government had first announced its intention to create the Service in 2010 and it had aimed to bring together investigators from the Department for Work and Pensions, Her Majesty's Revenues and Customs and Local Authorities. Originally the intention had been that the Service would look at all types of fraud relating to public services. However, those arrangements had been reduced now and the Service would instead be a key part of the Government's strategy in tackling fraud and error within the tax credits and benefits system. The creation of the Service meant that, from 1 May 2015, the Borough Council would no longer be responsible for investigating benefit fraud; although it would still be responsible for investigating Council Tax support fraud. This could potentially have an impact on staff numbers; however, the full impact on the revenues and benefits structure had yet to be determined as the Single Fraud Investigation Service was not yet fully in place. In response to a query as to whether the Council had to pay for the new service, the Revenues and Benefits Group Manager advised that for the next year the Council would continue to receive the same grant that it previously had for investigating fraud. It would also still have an obligation to keep the Department for Work and Pensions informed of any fraud that came to its attention. It was anticipated that the Council would have a single point of contact who would liaise with the Single Fraud Investigation Service; currently this was the Revenues and Benefits Group Manager but in the future it was felt that the current Fraud Investigation Officer would be the appropriate person to undertake that role.
- 21.5 In response to a query as to whether the Single Fraud Investigation Service would work out of the Borough Council Offices, Members were advised that it was currently based in Gloucester; although it was looking to have investigators working in the Borough area and it was keen to have a presence at the Borough Offices. Discussions about this were underway to see if it was feasible. There were still some investigations to be made as the Service would have a particular way it would want its interview rooms set up and the Council needed to be sure it could meet those needs. Clear communication lines between the Council and the Department for Work and Pensions and the Single Fraud Investigation Service would be critical going forward and these were being built up from now until the May 2015 transfer.
- 21.6 Accordingly, it was
RESOLVED That the report on housing benefit fraud be **NOTED**.

AUD.22 INTERNAL AUDIT PLAN MONITORING REPORT

- 22.1 The report of the Policy and Performance Group Manager, circulated at Pages No. 172-222, summarised the work undertaken by the Internal Audit team for the period April 2014 to August 2014. The Committee was asked to consider the audit work completed and the assurance given on the adequacy of internal controls operating in the systems audited.
- 22.2 The Policy and Performance Group Manager indicated that this was the first monitoring report for the year. The work undertaken within the period was set out at Appendix 1 which provided a commentary on the activity audited, the control objectives for each activity and the audit opinion for each control objective.

Appendix 2 set out the progress made against the Audit Plan and he was pleased to report that the majority of the work undertaken was good/satisfactory with the team on course to achieve the minimum 90% target completion of the Plan. Appendix 3 set out the Limited Assurance Statement which referred to the safeguarding audit and Appendix 4 detailed all of the audit recommendations made within 2014/15 monitoring reports. In addition, included within the 2014/15 Audit Plan there was an allocation of days for the team to undertake corporate improvement work and work undertaken during the period, or work to be programmed, could also be found in Appendix 1.

- 22.3 In June 2014 the Committee had been advised of the intention to second the Council's Health and Safety Officer to the Policy and Performance Team to undertake audit type assignments. Health and Safety was a key part of the Council's governance framework and findings from the audits would be formally reported to the Audit Committee. Work had now started and the first audit being undertaken was a review of risk assessments. Other health and safety audits to be undertaken in the year were asbestos and legionella; lone working; and flexible working. In addition, Members were advised that there had been a specific request received from Tewkesbury Town Council for their internal audit work to be undertaken by the Borough Council's Internal Audit team. This request had now been approved by the Corporate Leadership Team and the number of days requested for 2014/15, estimated between five and seven, would be absorbed within the capacity of the team. The Town Council would be recharged for the work undertaken and future work for 2015/16 would be formally allocated when next year's Audit Plan was prepared. In response to this, a Member questioned whether five to seven days would be enough. He also expressed some concern about the amount of time that would actually be taken and he felt it would be useful to have that information in future reports. In response, the Policy and Performance Group Manager advised that there would be a 'light touch' audit in October and after that he would be better able to assess the audit need. In terms of similar work for other Parish Councils, he indicated that there was potential to offer a similar service; however, there would be a need to look at the capacity within the team.
- 22.4 Referring to the limited opinion given to the safeguarding audit, Members were advised that a review of the safeguarding children self-assessment had provided assurance that the responses given within it were a fair reflection of the Council's safeguarding arrangements at the time of its completion in November 2013. Furthermore, the supporting evidence was considered to be appropriate to demonstrate either partial, full or non-compliance; although that evidence could be strengthened in some areas. Areas of good practice were demonstrated through the Council having in place a Safeguarding Children Policy that was available to all staff. The Policy was implemented across the Council which was demonstrated by a number of referrals that had taken place. There was also a clear line of accountability within the organisation with procedures in place for the reporting of any safeguarding issues or concerns at a senior management level and close working with other authorities enabled communication with individual children and their families. Staff awareness in respect of safeguarding children was maintained through staff and Member briefings. In relation to the reporting of safeguarding issues, the audit had identified a number of areas which required attention: Member updates should be made to an appropriate Lead Member; staff contact details required updating following recent staff changes; and safeguarding training was required for appropriate staff. The self-assessment required the creation of an action plan to address those conditions that had not been fully met. The audit had focussed on those actions with due dates up to April 2014; all of which remained outstanding. With this in mind it was recommended that, in order to monitor progress and ensure its completion, ownership of the action plan should be identified and monitored by an appropriate Officer. This was particularly important as the Gloucestershire Safeguarding Children Board would be requesting updates

in the Autumn on progress against the action plans. If actions were identified that had not been completed it was possible that a review would be conducted by the Board into the potential impact this would have on safeguarding children and young people in Gloucestershire; this posed a high risk, reputationally, for the Council if there was to be a serious case review.

22.5 The Environmental and Housing Services Group Manager advised that Officers across the Council had responsibility for safeguarding but, as a result of the restructure, the safeguarding policy did require amendment to take account of particular roles. There had been some difficulty recruiting a staff member that would take responsibility for safeguarding. For the items that were not being done there were now further actions in place i.e. the identification of a Lead Member would be considered by Council at its meeting on 30 September 2014; a new staff member had now been recruited and would commence employment in December so there would be another responsible person for people to report concerns to; there was a suggestion that a new safeguarding group be set up, including the Lead Member and operational staff, to help drive the importance of safeguarding through the Council; and there was a training plan being established on the issue as well as it being included within the Corporate Induction Programme. It was understood that this was extremely important and it was felt that the safeguarding action plan should go through the Corporate Governance Group and the Overview and Scrutiny Committee so that there was a check that the work was in compliance with the Children's Act. The Environmental and Housing Services Group Manager offered reassurance that, although there were some areas of the Act with which the Council was not compliant, referrals were still coming through and being acted upon.

22.6 Members were in agreement that everyone needed to take responsibility for safeguarding and this should include Members as well as staff. One Member indicated that she had recently attended a very informative safeguarding training course and she felt that all Members and staff should receive similar information; particularly with regards to what they should do if they suspected a safeguarding issue. Another Member indicated that he had previously subscribed to the notion of 'corporate parenting' when he was a County Councillor and he felt that the Borough Council may also need to take that approach. In response, the Environmental and Housing Services Group Manager indicated that there were different staff across the Districts that were considered 'corporate parents' and the Council's Chief Executive was one of those people. In terms of the idea that a corporate safeguarding group be set up, Members felt that this would be helpful; particularly in terms of defining the structure and responsibilities etc.

22.7 Accordingly, it was

RESOLVED That the audit work completed, and the assurance given on the adequacy of internal controls operating in the systems audited, be **NOTED**.

The meeting closed at 3:30 pm

