

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit Committee held at the Council Offices,
Gloucester Road, Tewkesbury on Wednesday, 20 March 2013 commencing at
2:00 pm**

Present:

Chairman
Vice Chairman

Councillor A L Mackinnon
Councillor D J Waters

and Councillors:

Mrs K J Berry and Miss H J Healy

AUD.31 ANNOUNCEMENTS

31.1 The evacuation procedure, as noted on the Agenda, was taken as read.

AUD.32 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

32.1 Apologies for absence were received from Councillors Dr A L Carter and A C Tugwell.

AUD.33 DECLARATIONS OF INTEREST

33.1 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.

33.2 There were no declarations of interest made on this occasion.

AUD.34 MINUTES

34.1 The Minutes of the meeting held on 12 December 2012, copies of which had been circulated, were approved as a correct record and signed by the Chairman.

AUD.35 AUDITING STANDARDS - COMMUNICATION WITH THE AUDIT COMMITTEE

35.1 Attention was drawn to Grant Thornton's report entitled 'Auditing Standards – Communication with the Audit Committee', circulated at Pages No. 9-23, which set out how the external auditor would ensure effective two-way communication between itself and those charged with governance, in the case of Tewkesbury Borough Council its Audit Committee.

- 35.2 Members were advised that the Council's external auditors had a responsibility under professional auditing standards to ensure that there was effective communication with the Audit Committee. This meant developing a good working relationship with Committee Members, whilst maintaining its independence and objectivity. If the relationship worked well it would help the external auditors to obtain information relevant to its audit and would help the Audit Committee Members to fulfil their financial reporting responsibilities. It was anticipated that the overall outcome would be to reduce the risk of material misstatement.
- 35.3 It was considered by the external auditors that it would be helpful, in planning and performing the audit of the Council's financial statements, to understand how the Audit Committee, supported by the Council's management, met its responsibilities in terms of fraud; law and regulation; going concern; related parties; and accounting for estimates. The report before the Committee summarised the responsibilities of the Audit Committee, management and external audit in each of those areas. Each section of the report included a series of questions that the management had responded to and the Committee was asked to consider those responses and confirm that it was satisfied with the arrangements in place.
- 35.4 Members felt that there were no surprises contained within the report and they were comfortable to support the management responses contained therein. Referring particularly to the question of fraud, Members were advised that housing benefit was inherently a risky area. The Council would never be able to say that there was no fraud but the challenge was to minimise the risk by the arrangements made and the monitoring of those arrangements.
- 35.5 Referring to the Council's Whistleblowing Policy, a Member asked for assurance that it was robust and that staff were fully aware of the Policy. In response Members were advised that the Policy had been updated fairly recently and at that time it had been introduced at staff briefings, had been circulated via email to all staff and had been placed on the intranet. The external auditor indicated that this Policy had previously been on the internet, so as to raise its profile to the wider stakeholder group, and he hoped that this could be done again. The Performance and Audit Manager undertook to ensure that the Policy was available on the internet as well as the intranet.
- 35.6 Having considered the report it was
- RESOLVED**
1. That it be confirmed that the Audit Committee is satisfied with the responses set out within the report and with the arrangements in place.
 2. That the Performance and Audit Manager ensures the Council's Whistleblowing Policy is available on the internet as well as the intranet.

AUD.36 GRANT THORNTON AUDIT PLAN 2012/13

- 36.1 Attention was drawn to Grant Thornton's Audit Plan, circulated at Pages No. 24-43, which set out the Audit Plan for the year ended March 2013. Members were asked to consider the information provided.
- 36.2 Members were advised that the fees letter for 2012/13 had been presented to the Committee at its last meeting. The Plan before Members at the current meeting set out in more detail the approach that would be adopted in discharging the duties of external audit. In planning the audit, the external auditors would need to understand the challenges and opportunities that the Council was facing. The areas to be looked at included the Council's financial position; the savings plans; and the restructure. Members were advised that, given the current economic climate, the areas of 'financial position' and 'savings plans' were likely to feature in the Audit

Plans of most Local Authorities this year. The Audit Plan also considered the impact of key developments in the sector and took account of national audit requirements as set out in the Code of Audit Practice and associated guidance. These elements included financial reporting; legislation; corporate governance; pensions; financial pressures; and other requirements. Page No. 29 set out the audit approach that would be taken and showed the issues identified along with the risks. This was the information used to develop the Audit Plan and to obtain reasonable assurance that the Council's financial statements as a whole were free from material misstatement and prepared, in all material respects, within the CIPFA Code of Practice framework. The diagram also showed how the external auditors gained the assurances needed and how this would lead to the opinion provided on the financial statements. Pages No. 30-36 brought together how the audit approach focused on the risks identified through the Audit planning. There was nothing of concern contained within the table and Members were advised that other low risk Authorities would have similar risks. Pages No. 37-38 set out the results of the interim audit work and, again, there were no significant issues to bring to Members' attention. The IT work was not yet complete but to date no significant issues had been noted. Page No. 39 focussed on the Council's Value for Money conclusion. This would concentrate on the Council's arrangements for securing financial resilience; and challenging how it secured economy, efficiency and effectiveness in its use of resources. The results of the Value for Money work and the key messages would be reported in the Audit Findings Report and in the Annual Audit Letter. Any additional reporting to the Council would be agreed on a review-by-review basis. However, the Council was a low risk client in this respect.

36.3 During the discussion which ensued, Members felt that the report was well laid out and clear. One Member felt that it was interesting how low risk it was and that there were no significant issues. In response the external auditor indicated that if something specific was happening, i.e. a significant project, this may result in a significant risk. At the moment he was not aware of any significant risks in any of the Gloucestershire Authorities. In terms of risks, he explained that the largest element of expenditure for most Councils was payroll and this was the reason that it was noted as a medium risk. A Member questioned whether the external auditors would take an interest in the new leisure centre if it went ahead and he was advised that the auditors would need to ensure it was properly accounted for and that a full options appraisal etc had been undertaken which demonstrated that the right decision had been made.

36.4 Accordingly it was

RESOLVED That the Audit Plan for 2012/13 be **NOTED**.

AUD.37 GRANT THORNTON PROGRESS REPORT

37.1 Attention was drawn to Grant Thornton's Audit Committee Update, circulated at Pages No. 44-56, and Members were asked to consider the progress made by the external auditors on delivering its responsibilities.

37.2 Members were advised that this report was provided to every meeting of the Committee and it set out progress against the Audit Plan and provided an update on the issues which it was felt were relevant to the role of the Audit Committee.

37.3 Attention was drawn to Pages No. 48-49 which detailed the progress as at 12 February 2013. Particular reference was made to the 2012/13 final accounts audit and the Value for Money conclusion. Members were advised that the external auditors were in the process of agreeing, with finance staff, its working paper requirements which would support the draft financial statements. It intended to make an early start on the audit this year with its post-statement work commencing in June. The Value for Money work would be focussed on the two criteria which

had been specified by the Audit Commission i.e. that the organisation had proper arrangements in place for securing financial resilience; and that the organisation had proper arrangements in place for challenging how it secured economy, efficiency and effectiveness. Most of this work would be undertaken around June time. In terms of 'other areas of work' this would include work on housing benefit claims and would be completed in September 2013. Pages No. 50-55, set out the emerging issues which would be taken into account. It was suggested that this was necessarily detailed but that feedback from Members on the level of information supplied was welcome.

37.4 A Member indicated that she found the detail within the report very helpful, however, she expressed the view that it would also be helpful if Officers were able to answer some of the questions posed within the report next time. In response the Director of Resources explained that discussions were currently underway with the administrators of Municipal Mutual Insurance so that it could be ascertained whether the liability could be discharged by 31 March 2013 or whether a provision would need to be made within the Council's financial statements. In respect of redundancy costs, provision had been made within the current budget. The external auditor indicated that he had had a meeting with the Chief Executive and the Director of Resources prior to the Committee and he was satisfied that Officers were fully aware of the issues raised within the progress report.

37.5 Accordingly it was

RESOLVED That the Audit Committee Update be **NOTED**.

AUD.38 INTERNAL AUDIT PLAN MONITORING REPORT

38.1 The report of the Performance and Audit Manager, circulated at Pages No. 57-74, summarised the work undertaken by the Internal Audit Section for the period December 2012-February 2013. Members were asked to consider the audit work completed and the assurance given on the adequacy of internal controls operating in the systems audited.

38.2 Members were advised that, based upon Internal Audit work undertaken as at 21 February 2013, 90% completion of the Plan would be achieved. As at that date, 5 audits awaited commencement and it was anticipated that 4 of those would be complete by the end of the year. A number of audits were also currently at draft report stage i.e. Housing Benefits, Corporate Sundry Debt Recovery and Playground Inspections. The audit opinions for all remaining audits would be reported in the final monitoring report which would be presented to Audit Committee in June. Members were advised that this was a very positive report with no limited assurance conclusions for the work in the period.

38.3 Within the 2012/13 Internal Audit Plan there was an allocation of days relating to corporate improvement work. The Performance and Audit Team collectively identified corporate type activities that may have stagnated or need resolving and, in addition, the Corporate Management Team and Service Managers were encouraged to put forward any suggestions where the Team may be able to provide help. An update on these areas was included at Appendix A and currently related to Playground Inspections and Business Continuity. In terms of risk management, the Committee was advised that the Risk Management Strategy had been updated and formally reviewed by the Overview and Scrutiny Committee at both a workshop and the Committee. The Strategy had subsequently been approved by the Executive Committee in December 2012. The Strategy detailed the implementation of the new Directorate Risk Registers which would form part of the Quarter 4 Performance Management Framework.

- 38.4 Referring to comments made at the last meeting of the Committee, attention was drawn to Page No. 70, 'Trade Waste Audit – Non-Receipt of Waste Transfer Notes'. Members were advised that there was an annual renewal process in January and a follow-up audit on this issue had confirmed that 461 waste transfer notes had been received through the annual renewal. This left 13 outstanding and the collections had been suspended for those customers. A Member questioned what would happen to those customers and was advised that they would not receive a collection until their waste transfer notes had been received by the Council.
- 38.5 In respect of the assurance level for the completed audits, a Member indicated that there were a number of 'satisfactory' opinions. She questioned whether satisfactory was alright or whether the Council should be aiming for better than satisfactory. In response she was advised that a satisfactory opinion was common and demonstrated a reasonable level of assurance which was good. In addition the Director of Resources indicated that Officers had to balance the resources and risks which would be required to lift the assurances to good, for example, some areas would require significant resources to raise the opinion level and those resources may be better placed elsewhere.
- 38.6 Accordingly it was
- RESOLVED** That the audit work completed, and the assurance given on the adequacy of the internal controls operating in the systems audited, be **NOTED**.

AUD.39 INTERNAL AUDIT PLAN 2013/14

- 39.1 The report of the Performance and Audit Manager, circulated at Pages No. 75-79, set out, at Appendix 1, the Internal Audit Plan 2013/14. Members were asked to approve the Plan.
- 39.2 With effect from 1 April 2013, the CIPFA Code had been replaced by a new set of standards, the Public Sector Internal Audit Standards, but the requirement to produce an annual Internal Audit Plan remained the same. The Public Sector Internal Audit Standards ref 2010 (Planning) required that the Chief Audit Executive was responsible for developing a risk based Plan; and Ref 2030 (Resource Management) required that the Chief Audit Executive must ensure that Internal Audit resources were appropriate, sufficient and effectively deployed to achieve the Plan. Members were advised that the report before the Committee demonstrated how the Internal Audit Plan had been compiled and a copy of the 2012/13 Plan was circulated around the table for comparative purposes.
- 39.3 Members were informed that the Plan provided a total of 403 productive days and was based upon 2 Officers delivering it. The Plan was divided into key areas including Corporate Governance (data quality, risk management, procurement, health and safety – tree inspections and the national fraud initiative); Corporate Improvement; Work on Fundamental Systems (main accounting system, payroll, creditors, Council Tax, business rates, housing benefit, debtors and cash & bank); Service Areas (ICT, human resources, car parks – client monitoring, recycling, land charges, flood alleviation grants, property services – office refurbishment, Planning fees and Licensing); and Other Areas (including consultancy and advice). Referring to 'Corporate Improvement' a Member indicated that he would like to see a review of the services that had been subject to systems thinking reviews, as well as the organisational review, when they had bedded in later this year. In response he was advised that Officers would be able to build in the systems thinking reviews which had been high risk areas.

39.4 Accordingly it was

RESOLVED That the Internal Audit Plan 2013/14, as detailed at Appendix 1 to the report, be **APPROVED**.

AUD.40 INTERNAL AUDIT CHARTER AND PUBLIC SECTOR INTERNAL AUDIT STANDARDS

40.1 The report of the Performance and Audit Manager, circulated at Pages No. 80-125, attached a copy of the Public Sector Internal Audit Standards and a copy of the proposed Internal Audit Charter. Members were asked to consider the Public Sector Internal Audit Standards and approve the Internal Audit Charter.

40.2 Members were advised that the introduction of the Public Sector Internal Audit Standards, with effect from 1 April 2013, represented a major change to Internal Audit although there would be no change in the way routine audit work was delivered. There were a number of succinct changes and those were summarised at Paragraph 2.1 of the report. Whilst the standards came into force on 1 April 2013, progress towards compliance could take place during the course of the year. A checklist for self-assessment of compliance would be issued by the end of March 2013 and this would make it easier to understand the Council's compliance, or not, with the Standards. The Public Sector Internal Audit Standards (Ref 1000) required that the purpose, authority and responsibility of the Internal Audit activity must be formally defined in an Internal Audit Charter. The Charter should be periodically reviewed and presented to senior management and the Board for approval. The Charter established the position of Internal Audit activity within the organisation, including the nature of the Chief Audit Executive functional reporting relationship with the Board; authorised access to records, personnel and physical properties relevant to the performance of engagements; and defined the scope of Internal Audit activities.

40.3 Referring to the Internal Audit Charter, attached to the report at Appendix 2, Members were advised that for this purpose the Chief Audit Executive was the Performance and Audit Manager and the Board was the Audit Committee. A big change in the process was that external assessments would be conducted at least every 5 years by a qualified, independent assessor or assessment team from outside of the organisation. It was anticipated that this would help ensure independence from the Council. For this assessment, the Council could use a different arm of Grant Thornton, someone such as the ex-head of Internal Audit or a different external audit team. In respect of Grant Thornton, Members were advised that their own standards meant that their current appointed auditor would only be in that role for Tewkesbury Borough Council for up to 7 years. This restriction was in place to ensure the relationships between an auditor and a Council did not become too familiar.

40.4 In relation to a query regarding the reason for the implementation of the new Standards, Members were advised that it was anticipated that the new Standards would ensure consistency across the public sector and would make comparisons between Local Authorities and other public bodies much easier.

40.5 In terms of the roles contained within the Charter, Members were advised that the Scheme of Delegation would be amended to reflect what was required. However Members were reassured that there was nothing contained within the Charter that was not already within the remit of the Audit Committee. In respect of a possible reduction in objectivity as a result of changes to the structure of the organisation following the organisational review, Members were advised that the Performance and Audit Manager would become responsible for risk management but any draft report would be submitted to the Corporate Governance Group rather than being audited by him. The same would be true for equalities which would be audited by

the Equalities Forum. It was anticipated that this approach would ensure independence. The Charter would be reviewed on an annual basis and any changes would be brought to the Audit Committee as required.

40.6 Accordingly it was

- RESOLVED**
1. That the new Public Sector Internal Audit Standards be **NOTED**.
 2. That the Internal Audit Charter be **APPROVED**.

AUD.41 ANTI-FRAUD, CORRUPTION AND BRIBERY POLICY

41.1 The report of the Borough Solicitor, circulated at Pages No. 126-141, presented Members with a revised version of the Anti-Fraud, Corruption and Bribery Policy for consideration. Members were asked to recommend the revised Policy to the Executive Committee for approval.

41.2 Members were advised that the current Policy had been approved in 2007 and was now due for renewal. The main amendments and objectives of the revised Policy were set out at Paragraph 2.1 of the report and included: to provide a clear statement of the Council's position on fraud, corruption and bribery in line with the Bribery Act 2010; to minimise the risk to the Council's reputation and loss of its assets; to promote a culture of integrity and accountability; to enhance existing procedures aimed at preventing, discouraging and detecting fraud, corruption and bribery; and to raise awareness of the risk of fraud, corruption and bribery being perpetrated against the Council. In undertaking the Policy review, the Bribery Act 2010 had been taken into account due to there being a number of implications for Local Authorities, most notably the introduction of a corporate offence of 'failing to prevent bribery'. This could result in unlimited fines against the Council in the event that systems and procedures were not deemed adequate to prevent bribery taking place. The revised Policy had therefore been updated to align itself with existing Codes of Conduct, Policies and Guidance on the prevention and detection of corruption, fraud and bribery to ensure that it provided clear and unambiguous guidance to employees, Members and all those that the Council did business with.

41.3 Members felt that the document was comprehensive and clear and were pleased that best practice had been considered and incorporated in the revised Policy. Accordingly it was

- RESOLVED** That the revised Anti-Fraud, Corruption and Bribery Policy be **RECOMMENDED TO THE EXECUTIVE COMMITTEE** for approval.

The meeting closed at 3:00 pm