

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit Committee held at the Council Offices,
Gloucester Road, Tewkesbury on Wednesday, 11 December 2013 commencing
at 2:00 pm**

Present:

Chairman
Vice Chairman

Councillor A L Mackinnon
Councillor D J Waters

and Councillors:

Dr A L Carter, B C J Hesketh and M G Sztymiak

AUD.29 ANNOUNCEMENTS

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

AUD.30 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

- 30.1 Apologies for absence were received from Councillors Mrs K J Berry and A C Tugwell. There were no substitutions for the meeting.

AUD.31 DECLARATIONS OF INTEREST

- 31.1 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.
- 31.2 There were no declarations made on this occasion.

AUD.32 MINUTES

- 32.1 The Minutes of the meeting held on 25 September 2013, copies of which had been circulated, were approved as a correct record and signed by the Chairman subject to an amendment to Minute No. AUD.18.3 to confirm that the housing and council tax benefit claim and national non-domestic rates return were the most significant claims and returns to be audited in **2012/13** rather than 2011/12.

AUD.33 GRANT THORNTON PROGRESS REPORT

- 33.1 Attention was drawn to Grant Thornton's progress report, circulated at Pages No. 11-24, which set out the progress which 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.

- 33.2 With regard to the outstanding 2012/13 audit, Members were advised that the grants certification work had now been completed and a report setting out the findings in relation to the housing benefit claim would be brought to the next meeting. The claim had been submitted with a very small amendment and a qualification letter. Whilst Officers had been disappointed to receive the letter, Grant Thornton was obliged to report these findings and overall had concluded that the claim was accurate and the processing behind it was good. The detailed audit work for 2013/14 had not yet commenced, however, the planned dates were included within the report.
- 33.3 In terms of emerging issues and developments, the Audit Commission had published a report in September which provided an analysis of Councils' 2011/12 income from charging. One of the key findings was that charges were the main source of income (20%) for the majority of District Councils and the report set out what the Audit Commission saw as a way forward in terms of maintaining control over the income and charges which were levied by local authorities. In relation to the second issue, Members were reminded that the Government had introduced a business rates retention scheme in April 2013 so that local authorities as a whole would be able to keep half of the business rates income they collected rather than paying it all into the national pool. As a result the Audit Commission had published a paper based on the information gathered from local authority accounts in relation to collection rates and the cost of collecting business rates. This was a useful source for putting the performance of Tewkesbury Borough Council into context; business rates arrears varied between £200,000 and £4.5M and Tewkesbury Borough was at the lower end of this range.
- 33.4 Members recognised the importance of ensuring that the Council had an effective procurement function in place due to the need for authorities to make further savings and operate under tighter constraints. In terms of simplifying and streamlining the presentation of local authority financial statements, Members were advised that Tewkesbury Borough Council's Statement of Accounts for 2012/13 had consisted of 108 pages which was an average length when compared to other District Councils locally. This indicated that there could be some scope to reduce the content and this would be discussed with the Finance team prior to the commencement of the 2013/14 audit.
- 33.5 Another significant development related to the 2013/14 Local Authority Accounting Code of Practice which had changed the requirements for the frequency at which authorities were required to carry out valuations on property plant and equipment. Previously the Code had permitted valuations to be carried out on a rolling basis over a maximum of five years, however, the Code now required that assets were shown at a reasonable value for each year during the five year period. There had been a significant change in guidance in that, in order to comply with the Code, all assets within a particular class should be valued within the same financial year which could result in additional costs being incurred if revaluations were required. It was also noted that Grant Thornton and CIPFA had run a series of workshops over the last year in relation to the consultation on the local authority accounting code of practice for 2014/15 and issues in respect of IFRS 13 and infrastructure assets had been discussed. Another emerging issue related to the Audit Commission briefing note, published in September, in relation to the Local Audit and Accountability Bill which was currently going through Parliament. The briefing provided information on what would happen when the Audit Commission was abolished which would eventually result in local authorities being able to choose their own auditors.

- 33.6 The Audit Manager indicated that Grant Thornton had issued a report in relation to financial resilience based on the work which it carried out with local authorities. The report contained some useful examples of good practice and guidance around understanding financial resilience and comparisons with others. Two copies of the report were circulated around the table for information. The Chairman expressed the view that Tewkesbury Borough Council was performing quite well in terms of the level of financial control, particularly when compared to the National Health Service. The Engagement Lead from Grant Thornton explained that there were many more issues and concerns about financial viability within the National Health Service and some hospitals were in severe difficulty. Tewkesbury Borough Council had been awarded a 'green' status in the previous financial resilience report, however, some Councils were now finding it increasingly difficult to bring their finances under control.
- 33.7 A Member queried whether reference was made to pooling within the Audit Commission briefing paper on business rates. The Engagement Lead indicated that although a whole raft of 'Shire' authorities had sought to pool, the Gloucestershire authority pool was one of the few which had taken this through to the final stage. The Finance and Asset Management Group Manager indicated that a number of authorities were now looking to pool in the second year and were looking at the governance arrangements in the Gloucestershire pool as best practice.
- 33.8 In terms of investments, a Member sought a view from Grant Thornton as to the use of the Council's reserves for a single investment which may not make a profit. The Engagement Lead explained that the financial resilience work carried out by Grant Thornton had regard to a whole range of areas but focused on the balance sheet and reserves. Clearly the external auditors would check that the Council had demonstrated that it had sufficient reserves based on its own assessment of risks and the flow of funds in the future. He was well aware of the recent decisions in relation to the leisure centre and recognised that, whilst it was an inherently risky project, the Council was taking a staged approach to move this forward. Grant Thornton would be seeking assurance that the Council had the correct project management in place and that it was bringing in specialist skills at the appropriate points. The Finance and Asset Management Group Manager confirmed that the Council would be bringing in specialist support to deliver the project which would require significant expenditure. Both capital and revenue reserves would be considered to mitigate against any future risks.
- 33.9 Having considered the information provided it was
RESOLVED That the Grant Thornton progress report be **NOTED**.

AUD.34 ANNUAL AUDIT LETTER 2012/13

- 34.1 Attention was drawn to the annual audit letter, attached at Pages No. 25-38, which summarised the key messages arising from the 2012/13 audit and key issues facing the Council in future. Members were asked to consider the letter.
- 34.2 Grant Thornton had issued an unqualified opinion on the Council's 2012/13 accounts and an unqualified value for money conclusion. In respect of the certification of grant claims and returns, although the housing benefit claim had been qualified and a small amendment made, overall the completion and production of the claims was strong, with limited issues arising, and the conclusions were very positive. The fee for the audit was set out at Page No. 37 of the report and was consistent with that which had been suggested at the planning stage. The Council was encouraged to make the annual audit letter available to members of the public both in hard copy format and via the Council's website. The Chairman felt that this was a positive document which should be publicised as a good news story.

34.3 A Member queried whether Grant Thornton ever approached the Audit Committee to warn of possible problems which might occur in the future based on trends and knowledge from central Government. The Engagement Lead explained that the Audit Committee must satisfy itself that the appropriate controls were in place to manage risk within the authority. Grant Thornton could help to inform this discussion through its regular dialogue with Officers. The Member suggested that the annual audit letter would benefit from a covering statement to acknowledge that, despite best intentions to maintain the current high level of performance, problems would inevitably arise as a result of the continued reduction in income from central Government. The Borough Solicitor indicated that the Council fully intended to meet these challenges and this might be called into question if a statement of that nature was included. The Engagement Lead clarified that this had been referenced in the annual audit letter Executive Summary, set out at Page No. 29, which stated that '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 which the Council faces and to bridge any funding gaps identified'. Members agreed that this adequately captured the observation which had been made and that it would be unnecessary to add anything future to the letter which was intended to act as a self-contained document.

34.4 It was subsequently

RESOLVED That the annual audit letter 2012/13 be **NOTED**.

AUD.35 INTERNAL AUDIT PLAN MONITORING REPORT

35.1 The report of the Policy and Performance Group Manager, circulated at Pages No. 39-54, summarised the work undertaken by the Internal Audit team for the period September-November 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.

35.2 Members were advised that good progress was being made towards the completion of the annual audit plan and the 90% target completion of the plan would be achieved. The work undertaken during the period September-November 2013 was detailed at Appendix 1 to the report which provided a summary of the activity audited, the control objectives for each activity and the audit opinion for each control objective. The outcome of any follow-up audits undertaken during the period was also included. The Finance and Asset Management Group Manager indicated that a good level of assurance had been found in both the debtor and cash and bank audits. Council tax was one of the most significant systems operated by the Council and it was encouraging that a good level of assurance had also been found in relation to this audit. There had been good assurance on all aspects of the audit of the main accounting system and the structure of the system had been updated to reflect the changes arising from the organisational restructure, in accordance with control objective two. A good level of assurance had also been found in relation to the work on the payroll audit. The Finance and Asset Management Group Manager went on to explain that trade waste had been called in a number of times by the Committee and had been the subject of repeated follow-up audits. It was pleasing to note that many of the outstanding recommendations from the last follow-up audit had now been completed including up-to-date transfer lists being held for commercial waste customers; crew lists being issued on a regular basis, which had led to further efficiencies; and recovery action being taken in accordance with the Recovery Policy.

35.3 With regard to the Council tax audit, a Member noted that the password for the Northgate system should be comprised of a minimum of seven characters and he sought clarification as to why this was the case when eight characters was the minimum amount for the majority of other systems he had used. Members were advised that the Council's IT team considered a seven character minimum to be best practice and for the password to contain a combination of alpha, numeric and special characters, nevertheless, the Finance and Asset Management Group Manager indicated that he would discuss this further with the IT team following the meeting. A Member sought clarification as to what constituted a 'regular' basis in terms of changing the password and was informed that the password was changed every 30 days i.e. on a monthly basis. When a member of staff left the authority their access to the system would be removed.

35.4 Having considered the information provided it was

RESOLVED That the Internal Audit Plan Monitoring Report be **NOTED**.

AUD.36 MONITORING OF SIGNIFICANT GOVERNANCE ISSUES

36.1 The report of the Borough Solicitor, circulated at Pages No. 55-61, set out the progress that had been made in relation to the Significant Governance Issues identified in the Council's Annual Governance Statement which had been approved in September. Members were asked to consider the information provided and to review progress against the actions.

36.2 Members were advised that the table at Appendix 1 to the report set out the Significant Governance Issues identified, the proposed action and timescale and the progress which had been made as at 30 November 2013. Progress had been made against all of the identified issues and the actions proposed were currently on target to be completed within the prescribed timescales. In response to a general concern, the Borough Solicitor explained that the Council was compliant with the Code of Connection (CoCo) that defined the minimum standards and processes that a local authority must comply with in order to connect to Government Connect Secure Extranet (GCSX). GCSX was a secure, private wide area network which enabled secure interactions between local authorities and other organisations. It was to be borne in mind that this was a moving feast and the Council would need to take care to ensure that it continued to comply with the Code.

36.3 It was

RESOLVED That the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement be **NOTED**.

The meeting closed at 2:50 pm