

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit Committee held at the Council Offices,
Gloucester Road, Tewkesbury on Wednesday, 18 March 2015 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 and A C Tugwell

AUD.37 ANNOUNCEMENTS

- 37.1 The evacuation procedure, as noted on the Agenda, was advised to those present.
- 37.2 The Chairman welcomed David Johnson, Audit Manager for Tewkesbury Borough Council from Grant Thornton, to the meeting. At the request of the Audit Manager Item 6 – Grant Thornton Certification Report 2013/14 would be taken before Item 5 – Grant Thornton Progress Report.

AUD.38 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

- 38.1 Apologies for absence were received from Councillor D J Waters. There were no substitutions for the meeting.

AUD.39 DECLARATIONS OF INTEREST

- 39.1 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.
- 39.2 There were no declarations made on this occasion.

AUD.40 MINUTES

- 40.1 The Minutes of the meeting held on 10 December 2014, copies of which had been circulated, were approved as a correct record and signed by the Chairman.

AUD.41 GRANT THORNTON CERTIFICATION REPORT 2013/14

- 41.1 Attention was drawn to Grant Thornton's Certification Report 2013/14 which set out

the findings of the claim which had been certified during the year. Members were asked to consider the information provided.

- 41.2 The Audit Manager from Grant Thornton advised that the claim which had been certified in 2013/14 was in respect of the housing benefit subsidy relating to expenditure of £18.7million. The claim had been audited in line with Audit Commission guidance and the key messages were set out at Page No. 26 of the report. In terms of the accuracy of the claim forms submitted to the auditor, this was flagged as amber as the claim had been amended and was subject to a qualification letter. Two errors had been identified in the original testing sample and further testing had resulted in a very small amendment of £148. A Member queried what percentage this equated to and the Audit Manager indicated that he believed it was around 0.01% but he undertook to check this following the meeting and report back. He clarified that there were no tolerance values in relation to certification; it was either right or wrong. It was noted that there was a slight amendment to the fee as an additional £625 had been charged for the extra work undertaken to ensure completion of the certification work.

- 41.3 It was

RESOLVED That the Grant Thornton Certification Report 2013/14 be **NOTED**.

AUD.42 GRANT THORNTON PROGRESS REPORT

- 42.1 Attention was drawn to Grant Thornton's progress report, circulated at Pages No. 11-22, 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.

- 42.2 Members were advised that the interim accounts audit had commenced that month and the findings would be used to inform the Audit Plan which would be brought to the June meeting of the Committee. This would lead into the final accounts audit 2014/15 which would be undertaken in July and August 2015 and assurance was provided that there were ongoing conversations between Grant Thornton and the Council's Finance Team about any issues which may arise. There were a number of general items which may be of significance to the authority and had been included for information.

- 42.3 It was

RESOLVED That the Grant Thornton progress report be **NOTED**.

AUD.43 STATEMENT OF ACCOUNTING POLICIES

- 43.1 The report of the Finance and Asset Management Group Manager, circulated at Pages No. 32-51, set out the main changes in accounting policies under the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. The Committee was asked to approve the accounting policies to be used during the 2014/15 closedown.

- 43.2 Members were advised that the Council was required to produce an annual Statement of Accounts, prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. The accounting policies governed the accounting treatment used to close the final accounts which the

Committee was asked to approve each September. A full list of the accounting policies was attached at Appendix 1 to the report, with the main changes highlighted in yellow, and outlined in the report at Page No. 33, Paragraph 2.0. The changes were relatively minor for Tewkesbury Borough Council with the main impact being at County level. Members were informed that there had been a slight amendment to the policy for depreciation on vehicles, plant, furniture and equipment, set out at Page No. 47, from 3-5 years to 'percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer' which effectively meant that they could be assessed on a case by case basis, rather than being restricted to 3-5 years. An additional sentence had been added at Page No. 35 to provide clarification on the definition of cash: 'cash is represented by cash in hand deposits with financial institutions repayable without penalty on notice of not more than 24 hours'. This was simply to distinguish cash from cash equivalents. With regard to the amendment at Page No. 36 in respect of post-employment benefits, Members were advised that, until the actuary report was received, it was not possible to confirm the rate at which liabilities would be discounted. In order to make the accounts more 'user-friendly' some policies which were not relevant to Tewkesbury Borough Council had been removed e.g. foreign currency translation, borrowing and restructuring of debt plus acquisitions and discontinued operations. The Chartered Institute for Public Finance and Accountancy (CIPFA) had already indicated the changes which would come into effect under the 2015/16 Code and it was noted that the main ones which would impact upon the Council were in relation to Heritage Assets and the International Financial Reporting Standards (IFRS) Fair Value Measurement. Further explanation would be provided on those changes when the Statement of Accounts was considered by the Committee in September.

43.3 In response to a query regarding the markdown in respect of vehicles, plant, furniture and equipment, the Finance Manager advised that, rather than being a fixed percentage, consideration could be given to the lifetime of the asset, for example, a computer was likely to have a shorter life than grounds maintenance machinery. A Member noted that the local government pension scheme was administered by Gloucestershire County Council and overseen by a County Pension Committee and he questioned whether there was Borough Council representation on that Committee. The Finance and Asset Management Group Manager explained that Tewkesbury Borough Council was a member of the countywide pension scheme and he attended its AGM and was able to input via the Chief Finance Officer, however, there was no direct membership or oversight of the Committee.

43.4 It was

RESOLVED That the accounting policies to be used during the 2014/15 closedown be **APPROVED**.

AUD.44 INTERNAL AUDIT PLAN MONITORING REPORT

44.1 The report of the Policy and Performance Group Manager, circulated at Pages No. 52-91, summarised the work undertaken by the Internal Audit team for the period December 2014 to February 2015. Members were asked to consider the audit work completed and the assurance given on the adequacy of internal controls

operating in the systems audited.

- 44.2 Members were advised that full details of the work undertaken during the period were attached at Appendix 1 to the report and a list of audits within the 2014/15 Audit Plan and their progress to date could be found at Appendix 2 to the report. The Policy and Performance Group Manager confirmed that the team was currently on target to achieve the minimum 90% completion of the Audit Plan by the end of the financial year. It had previously been reported to the Audit Committee that the Council's Environmental Safety Officer would be seconded to the Internal Audit team to undertake health and safety audits with the findings from the audit formally reported to the Audit Committee. Unfortunately this had not happened as quickly as anticipated due to the Environmental Safety Officer being involved in a significant health and safety investigation. The first of the audits, 'risk assessments including asbestos and legionella', was now at draft report stage and would be reported to the Audit Committee in June. The Policy and Performance Group Manager was pleased to advise that no incidents of fraud, corruption, theft or whistleblowing had been reported during the period. It had been reported to the Audit Committee on 24 September 2014 that there had been a request from Tewkesbury Town Council for its internal audit work to be undertaken by the Borough Council's Internal Audit Team. This had been approved by the Corporate Leadership Team and Members were informed that a total of 12 days had been incurred on the audit; this was longer than the estimated 5-7 days as it had taken time for Officers to get to grips with the systems used. The Town Council would be recharged for the full 12 days.
- 44.3 In terms of the audits which had been completed during the period, Members were advised that an audit had been undertaken on the Repair and Renew grants. The Memorandum of Understanding between the Council and the Department for Environment, Food and Rural Affairs (Defra) required the Council's Chief Internal Auditor to give an audit opinion that invoices submitted by the Council were in compliance with the grant scheme. At the time of the audit, £205,125.22 had been awarded and a sample of applications had been checked, along with the underlying monitoring framework. The audit confirmed that expenditure had been correctly approved; a record had been maintained of each grant application, the measures applied for, the value and an individual reference number; and a number of pre and post inspections had been carried out greater than the required sample size of 5%. With regard to invoicing Defra, at the time of the audit quarterly invoices were yet to be raised. It was a requirement of the scheme for the Council to provide a schedule on the last working day of every quarter and to invoice Defra within 20 working days of the last quarter. As no expenditure had been incurred in quarter 1, and only £39,000 had been incurred during quarter 2, it had been verbally agreed with Defra that this could be carried forward to the quarter 3 invoice; however, the quarter 3 invoice was yet to be raised. Defra had confirmed that a revised submission date of 28 February 2015 was acceptable and an invoice had been received for £177,000. There would be two further submission dates of 31 March and 30 June 2015. A number of recommendations had been made in order to strengthen the arrangements in relation to the administration of the scheme: terms and conditions should be issued and signed for each grant award; the check against the Business Flood Grant Scheme needed to be evidenced; and post-inspections undertaken needed to be reported within the Defra schedule.
- 44.4 In terms of the new leisure centre audit, there had been found to be adequate project management procedures in place, a risk register had been in place throughout the project and budget monitoring was also in place. Furthermore, Officers were satisfied that the procurement process was being followed through a framework agreement with SCAPE, a local authority owned and controlled company. The Council was currently in the process of developing its information

governance framework. It was acknowledged that the overarching policy was at an early draft stage but an audit had established that the key policies and procedures which supported the framework were in place and they had been reviewed during the audit to ensure that they were robust, up-to-date and relevant. Recommendations had been made in relation to reviewing and updating policies which were now due for review, developing document retention/destruction policies for service areas where they did not currently exist and developing an information governance training programme for staff and Members. In accordance with the Freedom of Information Act, the Council had developed a Publication Scheme; this needed to be updated and published in accordance with the Information Commissioner's model scheme. With regard to the S106 grants follow-up audit, the process for handling S106 Agreements had been reviewed and updated in line with the previous audit recommendation. The S106 monitoring module was found to record obligations accurately, however, the data retained did not provide assurance that regular monitoring was being undertaken in respect of identifying the number of properties being built, including those obligations associated with affordable properties. To assist with this, consideration was now being given to receiving valuation updates from the revenues inspection process.

- 44.5 Appendix 3 to the report contained a statement of internal audit recommendations. In terms of particular areas of interest, the Policy and Performance Group Manager indicated that it had been reported at the last Committee that the Council had failed the 2014/15 Public Sector Network (PSN) Code of Compliance as five PSN users had not undergone the Baseline Personnel Security Standard (BPSS) check. These users had now been checked and the Council was PSN compliant; an item was included later on the Agenda to discuss this further. In terms of budgetary control, the Finance Team had reviewed the budget scheme of delegation and produced a new handbook for managers which would support the budget control framework for the new financial year. It was also noted that, based on feedback from local businesses, a proposal had been put forward to the Department of Business, Innovation and Skills (BIS) to use the remaining flooded business support grant money in other ways in order to build resilience in the flood impacted areas of the Borough. Approval had been obtained in January which would allow the remaining £225,000 to be spent more flexibly. In respect of flood alleviation grants, there had previously been a limited internal audit opinion in relation to Government grants under £220,000 as there were no formal arrangements in place. An agreement between Gloucestershire County Council and Tewkesbury Borough Council had been drafted and other District Councils were now looking to put a formal agreement in place. The tree inspections audit had recommended that a database of inspections should be established and maintained and Members were informed that days had been allocated within the 2015/16 Internal Audit Plan to follow-up the implementation of the database and to give assurance that inspections were being undertaken in accordance with the tree management policy. It was noted that the recommendations in relation to the food control audit were outstanding as a result of the Environmental Health review and would be addressed once the new staff structure was in place. Finally, a number of recommendations had been made in relation to the garden waste database. This would transfer from Environmental and Housing Services to Customer Services as part of the Ubico transfer and would be looked at as part of the current Customer Services review. A number of days had been allocated in the 2015/16 Internal Audit Plan to follow-up this audit.
- 44.6 With regard to S106 Agreements, a Member sought clarification as to when the money was payable and was advised that this would be dependent on the particular Agreement as they all had different trigger points ranging from the first spade going into the ground to the last house being built. In response to a query regarding the garden waste service moving to Customer Services, the Environmental and Housing Services Group Manager clarified that one full-time

post would remain within Tewkesbury Borough Council to deal with garden waste administration; all other staff within the department would transfer to Ubico. 75% of the garden waste role would be within Customer Services, the remaining 25% related to invoicing. With regard to the information governance audit and the Freedom of Information Act, a Member went on to question whether there was potential for using the Firmstep Platform. The Policy and Performance Group Manager advised that Firmstep was a piece of software for local authorities; currently all Freedom of Information requests were logged and monitored manually whereas the software may be able to automate the process.

44.7 A Member was surprised that only half of the Repair and Renew grant funding had been spent and the Environmental and Housing Services Group Manager explained that only £205,125 had been awarded at the time of the audit, however, over £400,000 had now been claimed. Officers from Tewkesbury Borough Council and Gloucestershire Rural Community Council (GRCC) had done a huge amount of work with residents to ensure that they claimed as much as possible.

44.8 Having considered the information provided, it was

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

AUD.45 INTERNAL AUDIT PLAN 2015/16

45.1 The report of the Policy and Performance Group Manager, circulated at Pages No. 92-96, set out, at Appendix 1, the Internal Audit Plan 2015/16. Members were asked to approve the Plan.

45.2 Members were advised that the Internal Audit Plan 2015/16 was divided into five main areas: corporate governance; corporate improvement; fundamental financial systems; service areas; and other areas. The Plan had been informed by recommendations from Group Managers and had been endorsed by the Corporate Leadership Team. Members were informed that it had come to light that there were inconsistencies in how annual leave, flexi leave and time off in lieu (TOIL) were dealt with across the authority and this had been included in the Internal Audit Plan as a result. In addition, under corporate governance, the team would be looking at the Local Government Transparency Code to ensure ongoing compliance; complaints framework; national fraud initiative; and tree inspections. The work on fundamental financial systems would help to inform Grant Thornton's year end work on the accounts. In terms of the service areas included in the Plan, audits would be carried out in relation to grants within economic development; garden waste; ICT; new leisure centre; Ubico; Repair and Renew grants; Cascades; elections; car parks; and Disabled Facilities Grants (DFGs). Consultancy and advice had been allocated 30 days within the Plan which accounted for representation on corporate groups e.g. Health and Safety Group, Business Continuity Group etc. and a further 30 days had been set aside for follow-up audits.

45.3 A Member queried why 15 days had been allocated to Tewkesbury Town Council when the recommendation had originally been for 5-7 days. The Policy and Performance Group Manager explained that the initial audit carried out during 2014/15 had been estimated to take 5-7 days but had actually taken 12 days. It was considered that it would be appropriate to allocate 15 days within the 2015/16 Plan as it would also be necessary to carry out an end of year audit during May/June 2015. With regards to tree inspections, a Member queried whether the

Council was able to recover costs when it took action on trees which were within private ownership. The Environmental and Housing Services Group Manager advised that the tree inspection programme was primarily for trees on Tewkesbury Borough Council-owned land. Inspections had been carried out on all high risk trees with inspections on medium risk trees currently underway and inspections on low risk trees planned for November 2015. The Council could help to clear fallen trees on private property but the relevant parties would be invoiced for that work.

45.4 It was

RESOLVED That the Internal Audit Plan 2015/16 be **APPROVED**, as detailed at Appendix 1.

AUD.46 SAFEGUARDING AUDIT

46.1 Attention was drawn to the report of the Environmental and Housing Services Group Manager, circulated at Pages No. 97-107, which set out the progress which had been made in relation to the recommendations arising from the safeguarding audit. Members were asked to consider the report.

46.2 Members were advised that a review of the Safeguarding Children's Self-Assessment had been carried out in 2014. All issues identified within the audit had either been actioned, or were ongoing. Councillor Mrs Claire Wright had been identified as the Lead Member for Safeguarding, and now received regular updates at her Portfolio Briefings, and Paula Baker had been appointed as the Housing Services Manager with part of her role being to act as Deputy Safeguarding Officer. In addition, Members were informed that new posters had been displayed around the staff areas of the Council Offices giving relevant contact information and safeguarding would be included in the induction for new staff. In respect of training, some Officers had already received training and others were booked on to courses throughout the year. Safeguarding champions had been appointed in each of the teams across the organisation and could help to identify staff who required training. The Section 11 Audit would be reviewed and updated by the Environmental and Housing Services Group Manager on a quarterly basis and it was intended to bring it to the Audit Committee on an annual basis.

46.3 Accordingly, it was

RESOLVED That the progress which had been made in relation to the recommendations arising from the safeguarding audit be **NOTED**.

AUD.47 PUBLIC SERVICE NETWORK COMPLIANCE

47.1 The report of the Business Transformation Group Manager, circulated at Pages No. 108-111, provided Members with an update on the Council's submission to remain accredited to the Public Sector Network (PSN). Members were asked to consider the report.

47.2 The Business Transformation Group Manager explained that local authorities,

Government departments, the NHS and agencies such as the Driver and Vehicle Licensing Agency (DVLA) and Police had their own computer networks which were connected together using the PSN. The Council currently used PSN to send and receive data electronically with other PSN connected authorities, the main users being Revenues and Benefits, for electronic transfer of data, and Customer Services, for 'Tell Us Once' notifications. To remain accredited to the PSN, the Council was required to complete an annual assessment process which included an annual check of the ICT infrastructure; failure to meet the required standards could result in the Council's connection being withdrawn. In September 2014, a report had been brought to the Audit Committee to provide more information on PSN, although the Council had not made its submission at that time. She was pleased to report that the Council had now been successful and had received approval to continue to use PSN until January 2016. Paragraph 2.2 of the report set out the steps which had been taken to strengthen compliance, following an internal audit review of the self-assessment.

47.3 A Member noted that one of the recommendations was that all requests for the use of removable media devices should be supported with a business case, suitably documented and approved, and she asked for further explanation as to what this involved. The Business Transformation Group Manager advised that using removable devices such as USB sticks was a security risk to the Council and the requirement to put forward a business case meant that IT could work with individuals around their particular needs and ensure that they were connected only when necessary. The Member queried how many Councillors had removable devices and was advised that none had been provided by the IT department. Members did not tend to connect their laptops to the Council's infrastructure so, if they did use their own personal devices, the risk to Council security would be minimal. The Member went on to seek clarification as to what 'Patch Management' involved and was informed that the IT team frequently had to add patches and extra coding and it was good practice to have a process to ensure that they were applied in a controlled way; patch management software was available to help to do this.

47.4 It was

RESOLVED That the report on Public Sector Network Compliance be
NOTED.

AUD.48 CORPORATE RISK REGISTER

48.1 The report of the Policy and Performance Group Manager, circulated at Pages No. 112-120, attached the corporate risk register which had been reintroduced in 2014. Members were asked to consider the corporate risk register and the risks contained within it.

48.2 Members were advised that the corporate risk register was reported through the performance management framework which was reviewed by the Overview and Scrutiny Committee. The reporting of the register had been discussed by the Corporate Governance Group where it was agreed that the Audit Committee was the most appropriate Committee to review the register given that its Terms of Reference included the responsibility to monitor the effective development and operation of risk management.

- 48.3 The register had first been reported to the Audit Committee at its meeting on 9 September 2015 and, therefore, this was the second update. The register was attached at Appendix 1 to the report and had been amended to include changes in risk over time, as requested by the Committee. For example, Page No. 119 referred to the new leisure centre; the risk had previously been around planning approval being obtained, however, since planning permission had been granted, the risk now related to unforeseen works.
- 48.4 In response to a query regarding individual electoral registration (IER), the Borough Solicitor explained that IER was a process which people were required to comply with and, whilst the Council could provide information to the public about the new registration system, it was their individual responsibility to ensure that they were registered correctly. A Member questioned what was being done in terms of leadership capability which had been included as a risk and affected both managers and Members. The Policy and Performance Group Manager explained that this was something which had been mentioned in the Corporate Peer Review; Officers were currently undergoing training and this would be included in the Member Development Programme for the new Council which would come forward later in the year. A Member suggested that it would be beneficial to carry out an audit of Member skills as she felt that there may be resources going to waste, for instance, she had attended various safeguarding training sessions over the years but had not been asked to input into the Borough's safeguarding. A Member noted that the majority of actions within the register were due for implementation in March 2016 and she questioned whether that was achievable. The Policy and Performance Group Manager advised that some would be ongoing beyond that date, for example, the delivery of the Transform Programme, but work would be progressed throughout the course of the year. He hoped that some of the work would be achieved prior to that date.
- 48.5 It was
- RESOLVED** That the information within the Corporate Risk Register be
NOTED.

The meeting closed at 3:05 pm