

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit Committee held at the Council Offices,
Gloucester Road, Tewkesbury on Wednesday, 13 December 2017 commencing
at 2:00 pm**

Present:

Chair
Vice Chair

Councillor V D Smith
Councillor H C McLain

and Councillors:

K J Cromwell and S E Hillier-Richardson

AUD.29 ANNOUNCEMENTS

- 29.1 The evacuation procedure, as noted on the Agenda, was taken as read.
- 29.2 The Chair welcomed David Johnson, Audit Manager for Tewkesbury Borough Council from Grant Thornton, and Grace Hawkins, also from Grant Thornton, to the meeting. He indicated that he had used his discretion to vary the order of the Agenda and Items 7, 8 and 9 would now be taken after Items 10 and 11 with Agenda Item 7 – Grant Thornton Progress Report being taken last.

AUD.30 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

- 30.1 Apologies for absence were received from Councillors P A Godwin and B C J Hesketh. 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 21 September, copies of which had been circulated, were approved as a correct record and signed by the Chair.

AUD.33 AUDIT COMMITTEE WORK PROGRAMME

- 33.1 Attention was drawn to the Audit Committee Work Programme, circulated at Pages No. 12-18, which Members were asked to consider.
- 33.2 The Head of Finance and Asset Management indicated that this was a standing item outlining the Agenda for the Audit Committee meetings over the next 12 months. The Work Programme was in line with the previous year with the exception of the closure of the accounts which would be carried out at the July meeting of the Committee going forward. A Member queried why there was no date for the July meeting in 2018 and was advised that the schedule of meetings for 2018/19 would be approved by the Council at its meeting in January 2018.
- 33.3 It was
- RESOLVED** That the Audit Committee Work Programme be **NOTED**.

AUD.34 COUNTER FRAUD UNIT UPDATE

- 34.1 Attention was drawn to the report of the Head of Finance and Asset Management, circulated at Pages No. 19-22, which provided assurance over the counter fraud activities of the Council. Members were asked to consider the six monthly update from the Counter Fraud Unit and make comments as necessary.
- 34.2 The Chair welcomed Emma Cathcart, Counter Fraud Manager from the Counter Fraud Unit, to the meeting. Members were reminded that the Counter Fraud Unit was working directly on behalf of all of the Gloucestershire authorities, West Oxfordshire District Council and other public sector bodies. The Counter Fraud Unit provided the Audit Committee with biannual updates – for Tewkesbury Borough Council this was at the July and December meetings. Since the start of the financial year, the Counter Fraud Unit had supported the Council in a number of areas including the introduction of a new Council Tax, Housing Benefit and Council Tax Reduction Scheme Penalty and Prosecution Policy; reviewing the Council Tax properties listed as long term empty; reviewing composite properties i.e. those which were both a business and residential accommodation; processing National Fraud Initiative referrals matching single person discount accounts against the Electoral Register; investigation of employment matters with an element of fraud; drafting of a new procedural document in relation to the internal investigation processes and Disciplinary Policy; reviewing staff expenses; and Member training to introduce the Counter Fraud Unit and provide general fraud awareness. The Counter Fraud Manager explained that the Counter Fraud Unit was trying to work better with different departments on areas of risk and adding value. A new corporate enforcement policy was being drafted which would facilitate holistic working and fraud awareness training would be provided for all staff in the New Year.
- 34.3 A Member questioned whether the Counter Fraud Unit had identified any areas of risk which needed to be tightened up. The Counter Fraud Manager explained that nothing significant had been identified; however, it was important to recognise that, once you started to investigate, fraud would inevitably be found. The Counter Fraud Unit gave consideration to general risk and controls and any areas where the Unit could add value - assistance was provided in terms of putting prosecutions together and acting impartially in internal investigations. Work was being done with different departments around best practice and ensuring that staff and members of the public understood the Council's policy on whistleblowing. There had been a recent change in serious and organised crime, with gangs moving out of the big cities and into rural areas, and that was something which the Council needed to be aware of.

34.4 A Member sought further information on the Corporate Enforcement Policy and was advised that One Legal had asked for the current policy to be reviewed; it was an overarching policy which set out how the Council would undertake prosecutions and would sit alongside the various departmental enforcement policies. The Member went on to question what action was taken in respect of people claiming single person discount on their Council Tax when they were not entitled to do so. The Counter Fraud Manager confirmed that the Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy had been brought to the Audit Committee meeting in July and was approved by the Executive Committee in August; this outlined all of the options available to the Revenues and Benefits team including civil penalties. The Member questioned who would consider the Corporate Enforcement Policy, and whether the public would be made aware of it, and was advised that the Overview and Scrutiny Committee had agreed to review the policy prior to consideration by the Executive Committee - both of these meetings were open to the public and the policy would be published on the Council's website. In terms of Council Tax specifically, the Counter Fraud Manager pointed out that the public were notified about the Council's expectations when they were filling in forms to apply for discounts, and on the reverse of their Council Tax bills.

34.5 It was

RESOLVED That the six monthly update from the Counter Fraud Unit be
NOTED.

AUD.35 INTERNAL AUDIT PLAN MONITORING REPORT

35.1 The report of the Head of Corporate Services, circulated at Pages No. 55-80, was the second monitoring report of the financial year and summarised the work undertaken by the Internal Audit team since the last Audit Committee meeting. 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 the Public Sector Internal Audit Standards (PSIAS) required an external assessment to be conducted at least every five years. Elizabeth Humphrey of Tilia Solutions had been appointed to undertake this assessment which had taken place during the week commencing 13 November and included a series of interviews with the Chief Executive, Borough Solicitor, Head of Finance and Asset Management, the Internal Audit team, operational managers, Chair of Audit Committee and the Leader of the Council who was responsible for corporate governance. No areas of non-compliance had been identified but a number of recommendations had been made to improve the overall audit function and these were outlined at Paragraph 4.4 of the report. Officers were currently working through the draft report which had recently been received. Once it had been finalised, it was intended to hold a workshop with the Audit Committee to consider the findings and share ideas on how to improve the effectiveness of the Committee and the internal audit function. The Chair indicated that it had been a very worthwhile experience for him, given that he was fairly new to the role, and the review had identified some really interesting ways to move forward with the Committee in future. He felt that Audit Committee and its function was often misunderstood - both by members of the public and Councillors - and he was strongly of the view that the Committee needed to be more flexible and have input into a wider range of areas, particularly governance.

- 35.3 During the discussion which ensued, a Member indicated that the Overview and Scrutiny Committee had recently introduced standard templates for reporting on actions to ensure that they could be quickly and easily interpreted and he suggested that standardisation would be beneficial across the board. He went on to seek clarification as to what was meant by 'the charter' in the first recommendation at Paragraph 4.4 of the report '*textual amendment to the charter to define more clearly parts of the IA activity*'. The Borough Solicitor advised that 'the charter' referred to the Internal Audit Charter which had been approved by the Audit Committee on 22 March 2017. Another Member expressed the view that each of the four recommendations needed further explanation and the Borough Solicitor explained that it was intended the recommendations would be discussed in more detail at the workshop. Once the workshop had taken place, a formal report would be brought to the Audit Committee; any significant changes affecting the Committee's Terms of Reference would need to be approved by the Council. A Member raised concern that it would be difficult to discuss the recommendations, and whether they should be implemented, without a fuller understanding of their meaning and he requested that this be provided in advance of the workshop. The Head of Finance and Asset Management advised that the Head of Corporate Services had been keen to bring the initial findings of the review to the Committee's attention at the earliest opportunity; however, it should be borne in mind that the final report had not yet been received and he gave assurance that Members would be provided with all of the information and detail they would need to participate in the workshop. A Member expressed the view that the Leader of the Council should be invited to attend the workshop on the basis that he was responsible for corporate governance and she felt that it would also be beneficial for other Members who may wish to sit on the Audit Committee in future to participate. Contrary to an earlier view expressed, she found the internal audit reports easy to understand, after a relatively short amount of time sitting on the Committee, and she did not feel there was a need to change the way audit recommendations were reported to comply with reports to other Committees. The Borough Solicitor indicated that this was something that could be debated at the workshop and she agreed that all Members should be invited to participate.
- 35.4 Members were informed that full details of the work undertaken in the period were attached at Appendix 1 to the report and a list of audits within 2017/18, and their progress to date, could be found at Appendix 2 to the report. Attention was drawn to the audit on cemeteries which had three control objectives: all burial records are accurate with any changes being recorded immediately; fees and charges are applied correctly and recovered in a reasonable timescale; and there is a grave digging contract in place and key elements of the contract are monitored. A 'satisfactory' or 'good' level of assurance had been found in respect of each of the objectives but a number of recommendations had been put forward for further improvement. A 'satisfactory' opinion had been issued in respect of both the property leases audit and the Members' Allowances audit. Unfortunately, the licensing audit had resulted in a 'limited' opinion. The Senior Auditor explained that, whilst the audit had found that licensing information retained on the public register was satisfactory, there was a 'limited' assurance opinion in respect of the licence application process, including inconsistencies in raising annual payments on premises licences; lack of a prime site check for street trading; the need to establish a premises user check for Temporary Event Notices; and limited implementation of safeguarding requirements for private hire and hackney carriage licences. A number of recommendations had therefore been made, set out at Appendix 3 to the report, and it was noted that there had been a very positive response from the Head of Community Services and the Environmental Health Manager in relation to setting up an action plan to address them. The Head of Community Services advised that he had discussed the outcome of the audit with

the Chair of Licensing Committee and they had worked together on the action plan. The majority of recommendations were things which Officers were aware of, for example, the need to review the private hire and hackney carriage policy which was already programmed for 2018. One area of concern was in relation to the approach to enforcement and the inspection of licenced premises; whilst Officers did react to any complaints, there were no programmed inspections. In order to address this, it was intended to visit all licenced premises within the borough over the course of the year to carry out a risk assessment and to put in place an annual programme of inspections from 2019 over a three to four year period, depending on risk. Although it had not been a positive audit, the Head of Community Services reiterated that an action plan was in place, the majority of which would be completed by April 2018.

- 35.5 A Member questioned what the impact would be on the Licensing Committee, particularly in terms of any additional work arising from the programmed visits to licenced premises. The Head of Community Services gave assurance that the action plan would be taken to the Licensing Committee for consideration and that it would monitor progress going forward. He explained that the majority of licenced premises were already visited by Environmental Health in respect of food hygiene so Officers were made aware of any risks; however, a formal process would now be introduced where Officers would consider whether the premises complied with the licensing objectives. He accepted this could potentially impact upon the Licensing Committee if the visits resulted in more reviews being called but this would be addressed as and when it happened. The Member went on to question why the display of food hygiene ratings was not compulsory and was advised that this was a separate issue outside of the audit but the Food Standards Agency was looking into making it compulsory in England, bringing it in line with Scotland and Wales. A Member queried whether programmed visits had not been undertaken previously due to staffing issues and, if so, whether it would be possible to bring in temporary staff, potentially from another local authority, in order to carry out the initial visits. The Head of Community Services explained that the Senior Licensing Officer had left the authority some months ago and staff had been brought in from another authority on a temporary basis, but it was also due to a lack of good processes and procedures within the licensing department; whilst there were a number of knowledgeable Officers within the team, there were some issues around entering information into the IT systems. He reiterated that this was something which would be rectified by the end of the financial year. A Member sought more detail regarding the limited implementation of safeguarding requirements for private hire and hackney carriage licences. In response, the Head of Community Services explained that, when the Licensing Policy had last been reviewed, it had been agreed that all licenced drivers should be required to undertake safeguarding training; however, this had not been actioned. The Member questioned whether this would be addressed by April 2018 and the Head of Community Services indicated that he hoped that would be the case.
- 35.6 The Head of Finance and Asset Management indicated that the final part of the report related to the outstanding recommendations that had been followed-up in the period. Of the 19 recommendations followed-up, 12 had been implemented, four partially implemented and three were yet to be implemented. The full list of these recommendations and their status could be found at Appendix 4 to the report. A Member raised concern that there were still three recommendations which had not been implemented. Taking each of those recommendations in turn, the Head of Finance and Asset Management advised that fraud awareness training had been held for Members in September and staff training was being arranged for the end of January so this recommendation would be implemented by the revised date of March 2018 and would be followed-up during the first quarter of 2018/19; the published information in respect of land ownership, required as part of the local transparency agenda, had not been updated due to staff resource issues but an

additional resource would be available during April and May 2018 so this had been given a revised implementation date of June 2018; and, the Head of Corporate Services was in the process of sourcing a provider for the risk management refresher training for staff and Members and it was intended to deliver this by the end of March 2018.

- 35.7 Having considered the information provided, and views expressed, 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. 81-90, set out the Significant Governance Issues and the action to be taken to address them as identified in the Council's Annual Governance Statement. Members were asked to consider the progress made against those issues.
- 36.2 Members were advised that the table set out at Appendix 1 to the report comprised the Significant Governance Issues and the proposed actions and timescales for completion, with a further column indicating the progress as at 30 November 2017 - not 2016 as incorrectly stated in the Appendix. The Borough Solicitor explained that the majority of issues had longer timescales and would not be completed until later in 2018; nevertheless, she was pleased to report that action had been taken against all of the issues. Two had been due to complete in September 2017 and she advised that the Workforce Development Strategy had been consulted upon, with additional work undertaken as a result, but it had not yet been adopted; and, regular contract monitoring meetings were now taking place in relation to the issue around Ubico client monitoring. In response to a query regarding the Ubico client monitoring, the Borough Solicitor clarified that this was not about the Ubico contract itself, or whether it was good or bad, rather it was about how the Council monitored the contract. A Member questioned who the contract was monitored by and attention was drawn to Pages No. 88-89 of the report which set out the various meetings that took place in relation to the contract and who attended. It was noted that performance information was reported quarterly to the Overview and Scrutiny Committee. The Internal Auditor explained that the Ubico client monitoring audit had been completed in March 2017 and it had been identified as a Significant Governance Issue as a result; any significant risk would be reviewed more regularly so another audit was due to be carried out in quarter 4, with a report back to the Audit Committee in July 2018. The Borough Solicitor undertook to ask the Head of Community Services to provide Members with a position statement to give the Committee greater assurance as to when this Significant Governance Issue could be signed off.
- 36.3 It was
RESOLVED That progress against the Significant Governance Issues identified in the Council's Annual Governance Statement be **NOTED**.

AUD.37 ANNUAL AUDIT LETTER 2016/17

- 37.1 Attention was drawn to Grant Thornton's Annual Audit Letter 2016/17, circulated at Pages No. 38-49, which summarised the key findings from the work that had been carried out at Tewkesbury Borough Council for the year ended 31 March 2017. Members were asked to consider the Annual Audit Letter 2016/17.

37.2 The Audit Manager from Grant Thornton explained that the findings arising from the audit of the Council's financial statements had been reported to the Audit Committee meeting on 21 September 2017 and an unqualified opinion had subsequently been issued. Page No. 43 of the report set out the identified risks specific to Tewkesbury Borough Council and Pages No. 46-47 outlined the value for money risks. It was noted that Ubico continued to be an issue for the Council as the contract monitoring arrangements were inadequate and there was a question around whether the Key Performance Indicators (KPI) being used to measure performance were the right ones. Given that this was a continuing issue, it was anticipated that the Ubico contract monitoring would be included in the work programme for the following year. A Member raised concern that this was duplicating the work of the Overview and Scrutiny Committee and the Borough Solicitor reiterated that the Audit Committee's role was to look at governance and contract monitoring; whilst the Audit Committee could help to identify the KPIs, the Overview and Scrutiny Committee would then monitor performance against those KPIs going forward. A Member questioned who had set the KPIs that were being used currently. The Head of Finance and Asset Management advised that there were approximately 12 KPIs currently and he believed they may have been delegated to Officers to set; regardless of what had happened in the past, it was agreed that the current arrangements for monitoring were inadequate and the KPIs needed to be reviewed. He undertook to speak to the Head of Community Services to establish the timeline for the review and provided assurance that the responsibilities of each Committee would be made clear.

37.3 It was

RESOLVED That the Annual Audit Letter 2016/17 be **NOTED**.

AUD.38 EXTERNAL AUDITOR'S CERTIFICATION YEAR END LETTER MARCH 2017

38.1 Attention was drawn to Grant Thornton's Certification Year End Letter 2017, circulated at Pages No. 50-54, which set out the findings of the housing benefit subsidy claim which had been certified during the year. Members were asked to consider the information provided.

38.2 Members were advised there was a requirement with the housing benefit subsidy claim for any issues found during previous years to be automatically tested during the current year. Testing in 2015/16 had identified three issues that required further testing during 2016/17: local housing authority (LHA) rates being misapplied; claimants' earnings being incorrectly calculated; and rent allowance overpayments being misclassified. The testing of claims relating to 2016/17 had identified that local housing authority rates had been misapplied, as previously reported; fuel allowance rates had not been updated and had been incorrectly applied; and non-house rent allowance (HRA) overpayments had been misclassified for subsidy purposes. Appendix A to the report provided further details on the findings of the claim. Members were informed that the claim had been amended by £1,421 as a result of the issues identified. The Audit Manager from Grant Thornton wished to draw particular attention to the information on fuel allowance, set out at Page No. 52. The initial sample had identified nine errors where the incorrect fuel allowance rate had been applied in relation to bed and breakfast accommodation. The national rate for fuel allowance was £17.23 in 2016/17 but testing had identified that assessors were using the 2015/16 rate of £16.48 – he clarified that the figure was not automatically updated and required input from the assessor. Errors had been found in 48 of the 71 cases tested where the incorrect rate had been applied; in the remainder, the fuel rate was not applicable so it had not been inputted. This had been discussed with the Revenues and Benefits Manager who would be taking it up with the software provider, Northgate, to see whether it would be possible to introduce an automated process for the following year. The indicative fee for the 2016/17 certification work

was £9,110 and this was outlined at Page No. 54, Appendix B to the report. The actual fee was calculated based on the work undertaken two years previously, in 2014/15, and a comparison exercise would need to be carried out before the final fee was confirmed; an update would be brought to the next Committee.

- 38.3 In response to a query as to how Universal Credit would affect the housing benefit claim work, the Audit Manager from Grant Thornton advised that the impact on Tewkesbury Borough Council was uncertain; however, other clients had seen a 10-15% reduction in cases. It was anticipated that the process would stay the same for at least the next year, albeit with a reduction in the number of claims. A Member questioned how the cost would be estimated going forward, given this uncertainty, and was informed that it was based on time taken - theoretically, if there were less cases then the fee should reduce but this was not something he could be sure of. He explained that initial testing was based on 100 cases, however, for every error identified, further testing needed to be carried out on 40 cases; if the population was below 40, 100% testing would be undertaken. This could all have an impact on the fee but the Head of Finance and Asset Management clarified that no reduction had been factored in for budgetary purposes, particularly as Universal Credit would initially only apply to those of working age.

- 38.4 It was

RESOLVED That the Grant Thornton Certification Year End Letter March 2017 be **NOTED**.

AUD.39 GRANT THORNTON PROGRESS REPORT

- 39.1 Attention was drawn to Grant Thornton's progress report, circulated at Pages No. 23-37, which set out the progress that had been made in relation to the audit plan, together with any emerging national issues and developments that might be relevant to the Borough Council. Members were asked to consider the report.
- 39.2 The Audit Manager from Grant Thornton explained that Grant Thornton regularly reviewed its team in order to give people new opportunities in different roles. As a result of the most recent review, he would no longer be responsible for Tewkesbury Borough Council and he introduced his colleague, Grace Hawkins, who would be taking over the role as of 1 January 2018. She explained that planning for the 2017/18 financial statements audit had begun and the interim audit was due to commence in January 2018. This would provide an opportunity to gain an understanding of the control environment and to carry out early testing. As Members would be aware, the statutory deadline for the issue of the 2017/18 opinion had been brought forward by two months to the end of July 2018. Grant Thornton had been discussing the plan and timetable with officers and the final accounts audit was due to begin in May/June 2018. Value for money work would be carried out alongside the accounts audit. The three sub-criteria for assessment were: informed decision-making; sustainable resource deployment; and working with partners and other third parties. The initial risk assessment was currently being undertaken and the value for money conclusion would be reported with the financial statement opinion. The housing benefit subsidy claim certification would be concluded by 30 November 2018. Page No. 27 set out the reports that were due to be brought to the Committee during 2017/18 and it was noted that the accounts audit plan would be brought to the next meeting in March 2018. The remainder of the report comprised sector updates and relevant publications for information.

39.3

It was

RESOLVED That Grant Thornton's Progress Report be **NOTED**.

The meeting closed at 3:35 pm