

14 March 2017

Committee	Audit
Date	Wednesday, 22 March 2017
Time of Meeting	2:00 pm
Venue	Committee Room 1

ALL MEMBERS OF THE COMMITTEE ARE REQUESTED TO ATTEND



**for Sara J Freckleton
Borough Solicitor**

Agenda

1. ANNOUNCEMENTS

When the continuous alarm sounds you must evacuate the building by the nearest available fire exit. Members and visitors should proceed to the visitors' car park at the front of the building and await further instructions (staff should proceed to their usual assembly point). Please do not re-enter the building unless instructed to do so.

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	Item	Page(s)
2.	APOLOGIES FOR ABSENCE AND SUBSTITUTIONS	
	To receive apologies for absence and advise of any substitutions.	
3.	DECLARATIONS OF INTEREST	
	Pursuant to the adoption by the Council on 26 June 2012 of the Tewkesbury Borough Council Code of Conduct, effective from 1 July 2012, as set out in Minute No. CL.34, Members are invited to declare any interest they may have in the business set out on the Agenda to which the approved Code applies.	
4.	MINUTES	1 - 11
	To approve the Minutes of the meeting held on 14 December 2016.	
5.	AUDIT COMMITTEE WORK PROGRAMME	12 - 18
	To consider the Audit Committee Work Programme.	
6.	GRANT THORNTON CERTIFICATION LETTER MARCH 2016	19 - 21
	To consider Grant Thornton's certification year end letter March 2016.	
7.	GRANT THORNTON AUDIT PLAN 2016/17	22 - 42
	To consider the external auditor's Audit Plan 2016/17.	
8.	STATEMENT OF ACCOUNTING POLICIES	43 - 62
	To approve the accounting policies to be used during the 2016/17 closedown.	
9.	CRITICAL JUDGEMENTS AND ASSUMPTIONS MADE DURING THE PREPARATION OF THE STATEMENT OF ACCOUNTS	63 - 71
	To approve the critical accounting judgements that will be used in completing the 2016/17 annual accounts and to note the key sources of estimation uncertainty.	
10.	EARLY CLOSE DOWN CHECKLIST FOR STATEMENT OF ACCOUNTS	72 - 78
	To consider the responses to the self-assessment checklist, which is required to meet the new closure date for statement of accounts, and to note the progress made to date.	
11.	INTERNAL AUDIT PLAN MONITORING REPORT	79 - 119
	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited for the period December 2016 – February 2017.	
12.	TREE INSPECTIONS FOLLOW-UP AUDIT REPORT	120 - 122
	To consider the progress made in respect of the recommendations arising from the tree inspections audit.	

	Item	Page(s)
13.	INTERNAL AUDIT PLAN 2017/18 To approve the Internal Audit Plan 2017/18.	123 - 127
14.	INTERNAL AUDIT CHARTER To approve the Internal Audit Charter.	128 - 139
15.	MONITORING OF SIGNIFICANT GOVERNANCE ISSUES To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	140 - 146

DATE OF NEXT MEETING
WEDNESDAY, 19 JULY 2017
COUNCILLORS CONSTITUTING COMMITTEE

Councillors: K J Cromwell, A J Evans, R Furolo (Chair), Mrs P A Godwin, B C J Hesketh, Mrs S E Hillier-Richardson and Mrs H C McLain (Vice-Chair)

Substitution Arrangements

The Council has a substitution procedure and any substitutions will be announced at the beginning of the meeting.

Recording of Meetings

Please be aware that the proceedings of this meeting may be recorded and this may include recording of persons seated in the public gallery or speaking at the meeting. Please notify the Democratic Services Officer if you have any objections to this practice and the Chairman will take reasonable steps to ensure that any request not to be recorded is complied with.

Any recording must take place in such a way as to ensure that the view of Councillors, Officers, the public and press is not obstructed. The use of flash photography and/or additional lighting will not be allowed unless this has been discussed and agreed in advance of the meeting.

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit Committee held at the Council Offices,
Gloucester Road, Tewkesbury on Wednesday, 14 December 2016 commencing
at 2:00 pm**

Present:

Chair Councillor R Furolo

and Councillors:

A J Evans, Mrs P A Godwin, B C J Hesketh and Mrs S E Hillier-Richardson

AUD.27 ANNOUNCEMENTS

- 27.1 The evacuation procedure, as noted on the Agenda, was taken as read.
- 27.2 The Chair welcomed David Johnson, Grant Thornton's Audit Manager for Tewkesbury Borough Council, to the meeting.

AUD.28 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

- 28.1 Apologies for absence were received from Councillors K J Cromwell and Mrs H C McLain (Vice-Chair). There were no substitutions for the meeting.

AUD.29 DECLARATIONS OF INTEREST

- 29.1 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.
- 29.2 There were no declarations made on this occasion.

AUD.30 MINUTES

- 30.1 The Minutes of the meeting held on 21 September 2016, copies of which had been circulated, were approved as a correct record and signed by the Chair.

AUD.31 AUDIT COMMITTEE WORK PROGRAMME

- 31.1 Attention was drawn to the Audit Committee Work Programme, circulated at Pages No. 12-18, which Members were asked to consider.
- 31.2 The Head of Corporate Services advised that follow-up audits were being undertaken for tree inspections and bulky waste. A report on the tree inspection follow-up would be brought to the meeting on 22 March 2017 and the bulky waste report would go to the July meeting of the Audit Committee, the date of which would be confirmed at Council in January 2017. The Head of Finance and Asset Management indicated that the External Auditors' Audit Findings, which was currently due to be taken to the meeting in September 2017, would need to be brought forward to the July meeting as Grant Thornton had agreed to do a dry run of the early accounts closure which was required in 2018. Related to that, the Grant

Thornton Audit Manager queried whether the 'Critical Judgements and Assumptions Made During the Preparation of the Statement of Accounts' item would need to be brought forward from the July meeting and clarification was provided that this would be taken to the meeting on 22 March 2017.

31.3 It was subsequently

RESOLVED That the following updates be made to the Audit Committee Work Programme:

- Tree Inspection Follow-Up Audit to be added to 22 March 2017;
- Bulky Waste Follow-Up Audit to be added to July 2017;
- External Auditors' Audit Findings to be brought forward from September 2017 to July 2017; and
- Critical Judgements and Assumptions Made During the Preparation of the Statement of Accounts to be brought forward from July 2017 to 22 March 2017.

AUD.32 GRANT THORNTON PROGRESS REPORT

- 32.1 Attention was drawn to Grant Thornton's progress report, circulated at Pages No. 19-34, 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.
- 32.2 Members were informed that this was the first progress report of the 2016/17 cycle. Page No. 22 of the report set out the residual 2015/16 work and it was noted that the Annual Audit Letter would be presented to the Committee later in the meeting. A report outlining the work undertaken and the findings from the certification of Housing Benefits would be brought to the Audit Committee in March 2017. Members were advised that three errors had been identified during the audit which had required testing to be undertaken and had resulted in a potential reduction of £1,000 in the subsidy for the year; however, this was a reasonable outcome given that the total value was in the region of £18M.
- 32.3 The fee letter for 2016/17 had been issued in April 2016 and the fee had stayed the same as the current cycle. The Accounts Audit Plan would be presented to the Committee in March 2017 and it was hoped that an interim accounts audit would be carried out in late February/early March – as close to year end as possible taking into account the commitments of the Finance team. As mentioned under the previous Agenda item, the final accounts audit would be in July 2017, two months earlier than usual, as this would allow the Council to identify any issues ahead of the change in statutory deadline in 2018. Work on the value for money conclusion would also begin earlier in terms of research and discussion with management. The housing benefit grant claim would be brought forward to August facilitated by the early closure of the final accounts audit.
- 32.4 Page No. 25 of the report informed Members of changes to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and it was noted that the main change related to IAS 1: Presentation of Financial Statements under the International Accounting Standards Board Disclosure Initiative which required the restatement of the previous years' figures. A selection of National Audit Office reports which may be of interest were included at Pages No. 26-28 and a number of publications currently being promoted by Grant Thornton were set out at Page

No. 30 onwards. Particular attention was drawn to the article on integrated reporting which focused on how assets and resources were used – whilst this was not currently a statutory requirement, it was something being considered going forward – and the update on Brexit and its potential impact on the public sector.

32.5 With regard to the changes to the Code of Practice, a Member questioned whether there would be any issues with comparisons over time. The Audit Manager from Grant Thornton indicated that he had not been able to look into this in detail; however, he confirmed that it was a restatement for accounting purposes rather than a readjustment of the previous years' figures. Whether the Council provided further details to allow comparison over time was a decision for Officers. The Head of Finance and Asset Management explained that the Council was only required to produce the previous years' figures and the ability to provide more would be hampered by the resources available and shorter timescales which the government was implementing in terms of the closure of the accounts. Nevertheless, he provided assurance that the Council would comply with the requirements.

32.6 It was

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

AUD.33 ANNUAL AUDIT LETTER 2015/16

33.1 Attention was drawn to Grant Thornton's Annual Audit Letter 2015/16, circulated at Pages No. 35-47, which summarised the key findings from the work that had been carried out at Tewkesbury Borough Council for the year ended 31 March 2016. Members were asked to consider the Annual Audit Letter 2015/16.

33.2 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 2016 and an unqualified opinion had subsequently been issued. Grant Thornton had established a positive and constructive relationship with the Finance team and senior management which it was hoped would continue going forward. The risks which had been reviewed as part of the process were set out at Pages No. 40-41 and Page No. 42 confirmed the unqualified opinion on the accounts which had been submitted in advance of the national deadline of 30 September. It was noted that two issues, regarding receipts in advance and suspense journals, had been identified as a result of interim work in February/March 2016 and both matters had already been addressed by the Finance team. In terms of the value for money conclusion, Grant Thornton had been satisfied in all respects that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016. One key value for money risk had been identified and was referenced at Page No. 44. Members were informed that this was likely to continue to be a risk in 2016/17 given the pressure on local government finances and other local pressures. Page No. 45 of the report outlined the areas which Grant Thornton had worked on with the Council during the year and what was intended for 2016/17 – it was noted that the main focus would be the early closure of the accounts. The audit fees for the work carried out were set out at Appendix A to the report along with the dates when Grant Thornton's reports had been issued.

- 33.3 In response to a query regarding the 2% increase in Council Tax, referenced within the information regarding the value for money risk which had been identified, the Audit Manager from Grant Thornton explained that this was a suggested increase included within the Medium Term Financial Strategy proposals to help cover the shortfall in the budget. This was not set in stone but was one of the options which could be considered to alleviate financial pressure. The Member raised concern that the tense of the report was confusing as it implied Council Tax was yet to be raised for 2016/17 and confirmation was provided that the wording reflected the arrangements in place as at 2015/16.
- 33.4 A Member requested further clarification regarding the external auditors' involvement in the housing benefit certification and he was informed that Grant Thornton's role was to ensure that the subsidy claim had been properly calculated. There were various intricacies which could influence how much benefit a person received and Grant Thornton tested a sample of the Council's calculations to ensure that they had been done correctly e.g. checking single claimants etc. Grant Thornton acted as a safety net for the Department for Work and Pensions to give assurance that the processes used by local authorities to calculate vast sums of money were appropriate and accurate.
- 33.5 It was
RESOLVED That the Annual Audit Letter 2015/16 be **NOTED**.

AUD.34 APPOINTMENT OF EXTERNAL AUDITOR

- 34.1 The report of the Head of Finance and Asset Management, circulated at Pages No. 48- 53, set out a proposal for the appointment of the Council's external auditors from 2018/19. Members were asked to recommend to Council the option to opt-in to the Public Sector Audit Appointments Ltd (PSAA) as the Sector Led Body for the appointment of the Council's external auditors from 2018/19.
- 34.2 The Head of Finance and Asset Management explained that the appointment of the Council's current auditor, Grant Thornton UK LLP, had been made under a contract led by the Audit Commission which had been closed under the Local Audit and Accountability Act 2014. The transitional arrangements for local government bodies had been extended by one year to include the audit of the accounts for 2017/18 and, when those arrangements came to an end on 31 March 2018, the Council would be able to move to local appointment of the auditor. There were three broad options open to the Council: to set-up an auditor panel to oversee the process for making a stand-alone appointment; to join with other local authorities to establish a joint auditor panel and make a joint appointment; or to opt-in to a Sector Led Body which would have the ability to negotiate contracts with firms nationally. Public Sector Audit Appointments, the transitional body set up by the Local Government Association to manage the current contract, had been approved as the Sector Led Body for the independent appointment of auditors for principal authorities in England from 2018/19 and 270 Councils and local bodies had expressed their interest in a national scheme. Officers believed that this would be the most cost effective and efficient route and the Audit Committee was asked to recommend to Council that Tewkesbury Borough Council opt-in to the Sector Led Body arrangement and give formal notification before the March 2017 deadline.

- 34.3 In response to a Member query, clarification was provided that a report would be taken to the Council meeting on 24 January 2017 and, if the recommended option was approved, regular updates would be brought to the Audit Committee throughout the year. A Member questioned whether there would be implications in terms of staff workload and the Head of Finance and Asset Management confirmed that the recommended option would be the least resource intensive for staff and would secure the best value for money via economies of scale. Having considered the information provided, it was

RESOLVED That it be **RECOMMENDED TO COUNCIL** that it opt-in to the Public Sector Audit Appointments Ltd. as the Sector Led Body for the appointment of the Council's external auditors from 2018/19.

AUD.35 INTERNAL AUDIT PLAN MONITORING REPORT

- 35.1 The report of the Head of Corporate Services, circulated at Pages No. 54-81, was the second monitoring report of the financial year and summarised the work undertaken by the Internal Audit team during the period September to November 2016. 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 full details of the work undertaken in the period was attached at Appendix 1 to the report and a list of audits within the 2016/17 Audit Plan and their progress to date could be found at Appendix 2 to the report. The majority of audit opinions had been positive with the exception of the audit relating to the Ubico monitoring arrangements which had a combination of 'limited' and 'unsatisfactory' opinions. It was noted that there had been some slippage in the delivery of the Audit Plan due to sickness absence and an agreement was in place with the Finance team to use one of its Officers to undertake audits in order to help get the plan back on track for the New Year. Confirmation was provided that there had been no incidents of fraud, corruption, theft or whistleblowing during the period. The partnership arrangement with Tewkesbury Town Council was on a one year rolling programme and the Internal Audit team was happy to continue this arrangement unless the Town Council wished to terminate the agreement.
- 35.3 Attention was drawn to the audit on the Health and Safety Self-Assessment 2016/17, set out at Page No. 57 of the report. The Health and Safety Executive self-assessment checklist had been adopted by the Environmental Safety Officer and two of the statements within the checklist had been reassessed as 'partially met' so it would be necessary to establish additional procedures for reporting within the staff safety register and for lone working. Reviews in relation to both lone working and health and safety reporting arrangements were included within the action plan which was monitored by the 'Keep Safe, Stay Healthy' Group. It was noted that an annual health and safety report was brought to the Audit Committee for consideration.
- 35.4 Pages No. 58-61 set out the findings of the audit of Ubico client monitoring 2016/17. The Head of Corporate Services clarified that this was an audit of the way the Council was set-up to monitor the Ubico contract and to demonstrate that it was being delivered in line with the requirements. Whilst the overall conclusion was adverse, he emphasised that Ubico carried out in excess of three million bin collections per year on behalf of Tewkesbury Borough. In terms of the financial information received, Internal Audit did not consider this to be detailed enough for robust scrutiny and challenge. This view was shared by the Finance team which had flagged this to Ubico on numerous occasions. There was a fragmented approach to the monitoring of the contract across the organisation, for example, waste and recycling was monitored by the Joint Waste team, responsibility for

grounds maintenance lay with the Licensing team and trade waste was split across the Environmental Health and Joint Waste teams with the administration carried out by Ubico. It was noted that there was no responsible officer for vehicle and fleet maintenance. In addition, there were elements of the contract with limited performance measures in place, for instance, the Overview and Scrutiny Committee had picked up that there was no performance management information for grounds maintenance and this was currently in the process of being developed, similarly, there was no evidence that maintenance of the vehicle fleet was being monitored or reported and the information currently received in respect of street cleansing was insufficient for measuring service delivery. Whilst there were stronger governance arrangements in respect of waste and recycling, only three of the six performance indicators were currently being reported leaving gaps in respect of stock control, bring sites and emergency planning. It was therefore recommended that a review of the performance indicators within the contract be carried out and, where it was not appropriate to introduce a performance indicator, formal agenda items be included for discussion by the Client Monitoring Group to ensure those elements of the contract were being monitored.

- 35.5 A review of the housing benefit payment system had provided assurance that information was correctly recorded and payments accurately made. It was noted that this was an inherently risky system given the number of transactions taking place but the audit opinion had supported the findings of Grant Thornton's housing benefit subsidy claim. In terms of the lone working audit, Members were advised that the Environmental Safety Officer had done a lot of work around the arrangements and an action plan had been drawn up to address the gaps which had been identified in terms of out of hours monitoring; assurance was provided that high risk service areas were covered and delivery of the action plan was monitored by the 'Keep Safe, Stay Healthy' Group. In terms of the National Non-Domestic Rates (NNDR) audit, it was established that the return had been completed and submitted within the given timeframe; the overall new rates payable figure, and other supporting values, had been adequately reported on the return; and testing of individual relief awards confirmed they had been accurately calculated and supported with documentary evidence. It was acknowledged that the Discretionary Relief Policy required mini-reviews to be completed annually to consider whether the relief remained appropriate; however, there was no evidence that this had been completed since the introduction of the policy in 2014. The Head of Revenues and Benefits had indicated that the current process was too time consuming and it was therefore recommended that the Discretionary Relief Policy be reviewed.
- 35.6 Page No. 66 set out the outcomes of the complaints audit which had been given a 'limited' opinion in September 2015. A project team had subsequently been assembled and a new complaints framework agreed in April 2016. The audit had given assurance that the new framework was working well. With regard to the corporate improvement work which had been carried out, Members were advised that a template of current and expected performance indicators had been produced as part of the Ubico contract monitoring audit. In addition, consultancy advice had been provided in relation to the update of the Council's Safeguarding Policy being carried out by Environmental and Housing Services to enable to completion of the safeguarding self-assessment.
- 35.7 A Member indicated that his main concern was Ubico and he questioned when it was next due to be reviewed. The Head of Corporate Services advised that senior management were notified of any 'limited' or 'satisfactory' audit opinion so the Chief Executive was aware of the concerns. Whilst it would certainly be necessary to look at the client monitoring arrangements, Members were reminded that Ubico was a relatively new company and lessons were being learnt from how the contract was currently being monitored. The Interim Head of Community Services explained that a lot of issues were inherited in terms of how the contract had been

set-up and the agreement put in place at the time. Many of the matters highlighted by the audit were already known to Officers and being identified in the course of performance management meetings and those held with the Joint Waste team. Financial information and performance management had been covered at the last Environmental Services Partnership Board meeting and a dialogue opened up with Ubico at a contract monitoring meeting. Unfortunately this was not something which could be fixed quickly but assurance was provided that Officers were working to address the concerns.

- 35.8 A Member drew attention to Page No. 58 of the report which suggested that performance monitoring was taking place but not in accordance with the contract which she did not feel was good enough for customers. When Tewkesbury Borough Council had agreed to join the company, it was one of only three partners compared to seven currently and she understood that this number was likely to increase further. She questioned whether expansion was happening too rapidly and whether Ubico could be expected to fulfil the original contracts within its current structure. There had been a high customer satisfaction rate for waste and recycling and street cleansing when these services had been provided by the Borough Council and it was disappointing that these were now the areas which Councillors received the most complaints about. She also indicated that she found it difficult to keep track of the various board and group meetings and where information was being reported.
- 35.9 The Head of Corporate Services reiterated that the number of complaints regarding the services carried out by Ubico was actually quite low considering the number of transactions. It was to be borne in mind that there was a difference between formal complaints and service failures, such as missed bin collections, grass needing to be cut, dog fouling etc. which were reported via the 'Report It' system - the most effective way to get this information to the contractor; formal complaints were monitored by the Overview and Scrutiny Committee on a six monthly basis. A Member indicated that his own experience of Ubico within his Ward was generally positive and it was the responsibility of Borough and Parish Councillors to report any concerns they had within particular Parishes. Another Member expressed the view that missed bin collections may seem to be a minor issue to Officers but it was not to the people involved, particularly if it was a persistent problem.
- 35.10 In response to concerns regarding the cost of the Ubico contract, the Head of Finance and Asset Management advised that, in February 2016, the Council had decided to continue delivering the waste and recycling service in its current form following a complete Waste Service Review and options appraisal i.e. a fortnightly co-mingled recycling service, alternating with a fortnightly residual waste collection with separate weekly food waste collections. It had also been agreed that the Council would invest £3.25M from capital resources into a vehicle replacement programme which would be delivered for operation in April 2017. In terms of the report before Members today, he could only comment on the financial information provided by Ubico which was minimal and not particularly timely. He had raised this with the other Chief Finance Officers of local authorities with Ubico contracts who were experiencing similar problems. At this point he was unable to give Members, and the public, assurance of the adequacy of the budget and whether value for money was being achieved. The Borough Solicitor went on to explain that the Overview and Scrutiny Committee was looking at the service provided by Ubico and the complaints received to come up with a way forward. This audit related to governance and had highlighted that the Council did not currently have the necessary resources in place in order to adequately monitor the contract. She stressed that the service specification was set by the Council and the contract in place was that which had been agreed when it had joined Ubico. Whilst there were issues, they were not all the fault of Ubico and the new Deputy Chief Executive and Head of Service would be tasked with addressing this as a matter of

urgency. A Member questioned when the contract could be amended and the Borough Solicitor indicated that she did not have this information to hand, however, it was normal practice for a contract to include a review after three to five years - it was noted that the Council was currently in the second year of the Ubico contract.

- 35.11 A Member noted from Appendix 3 that a number of audit recommendations were outstanding and most of the expected implementation dates had passed. The Head of Corporate Services advised that, unfortunately, these recommendations had not been followed up due to sickness absence within the Internal Audit team but they would be targeted in the New Year and updates would be provided at the next meeting. In response to a query, the Head of Corporate Services advised that the dates included within the Appendix were those which Managers had agreed the recommendations would be implemented by; he clarified that the report was saying that the recommendations had not been followed up by the Audit team, not that they had not been implemented.
- 35.12 Having considered the information provided, and views expressed, it was
RESOLVED That the Internal Audit Plan Monitoring Report be **NOTED**.

AUD.36 TRADE WASTE AUDIT PROGRESS REPORT

- 36.1 The report of the Interim Head of Community Services, circulated at Pages No. 82-89, provided an update in relation to the recommendations arising from the trade waste audit. Members were asked to consider the progress that had been made.
- 36.2 The Interim Head of Community Services advised that the findings of the trade waste audit had been presented to the Audit Committee at its meeting in June 2016. The audit had identified a number of recommendations which were being used to help drive forward service improvements and Officers were working with Ubico and the Joint Waste team to deliver those changes. Appendix 1 to the report set out the progress that had been made to date.
- 36.3 In response to a query regarding recommendation 1, 'Financial: delivery of service is not commercially viable', the Head of Finance and Asset Management advised that there was currently no assurance that the trade waste service was operating to its commercial optimum and it was necessary to undertake a review to check whether the service was operating effectively and bringing in the income expected. It was noted that the review would be carried out by a consultant and a report would be presented in April 2017. A Member asked who would be receiving that report and was informed that it would go to the Head of Community Services. Clarification was provided that the review had not yet commenced and was currently going through the approval process with the partner authorities listed in the update. The project would be carried out by the Association for Public Service Excellence (APSE) and would be a continuation of the work which had already been done in respect of commercialisation. The overall cost of the work would be approximately £10,000 shared between each of the partner organisations, however, there was no budget for the work and that was something which would need to be considered going forward.
- 36.4 A Member noted that a request had been made to Ubico for detailed budgets for 2017/18 and he queried whether the Council was moving to a full commercially viable charging system. The Head of Finance and Asset Management explained that this related to his earlier point about the lack of detail in the financial information provided by Ubico. It was necessary to fully assess the cost of delivering the trade waste service to get an idea as to what price to set; there was a question mark around the definition of the service i.e. was it a commercial waste

service or a wider recycling service. There were other operators in the market so it needed to be a balanced fee rather than a straight accounting figure. The Member felt that it would be interesting to see what this would mean financially.

- 36.5 A Member questioned why Tewkesbury Borough Council, Cheltenham Borough Council and West Oxfordshire District Council were the only three authorities paying for the review. She also raised concern as to why more money was being put into the vehicle fleet when it may be that it was not commercially viable to offer a trade waste service. Members were advised that it was in the Ubico business plan to carry out a review for Tewkesbury Borough Council, as per a request made last year, and it was felt that it would be beneficial to review the other two local authorities that had joined Ubico at the same time. This would make it cheaper but did not mean that those trade waste collections would be consolidated. The Council was legally required to offer a trade waste collection but part of the review would be to establish whether Ubico could be the sole supplier. Members were informed that the vehicle being purchased would not be purely for trade waste collection; as well as building resilience into the fleet, there were likely to be other local authorities that would want to hire the vehicle so it would have other uses.

- 36.6 It was

RESOLVED That the progress made against the recommendations arising from the trade waste collection service be **NOTED**.

AUD.37 COUNTER FRAUD UNIT BUSINESS CASE

- 37.1 The report of the Head of Finance and Asset Management, circulated at Pages No. 90-129, asked Members to consider the activity undertaken by the Counter Fraud Unit to date and to recommend to Council the approval of option three of the business case, to establish a permanent Counter Fraud Unit, subject to similar approval being made at all partner authorities; should all necessary approvals not be forthcoming, option two would be the Council's default position.
- 37.2 Members were reminded that, in 2013/14, the government had announced that local responsibility for the investigation of benefit fraud was to be transferred to the Department of Work and Pensions and a Gloucestershire-wide Counter Fraud Unit had subsequently been established following a successful DCLG bid. The Counter Fraud Unit had been undertaking feasibility work on behalf of a number of Gloucestershire authorities, West Oxfordshire District Council and Cheltenham Borough Homes. The work had been undertaken as a pilot and a business case had now been drafted with a view to creating a permanent Counter Fraud Unit which would serve the partner organisations across the region. The work undertaken for all authorities within Gloucestershire, and West Oxfordshire, was summarised at Appendix A to the report. Particular attention was drawn to Page No. 95 which related specifically to Tewkesbury Borough Council where work had been carried out in respect of Council Tax, housing register applications, business rates and fly-tipping. In addition, a number of policies which had recently been approved by the Executive Committee had been prepared by Officers from the Counter Fraud Unit. The arrangements to date had been well-received and a decision was now required by all partners regarding full membership with effect from 1 April 2017. The business case for the permanent establishment of the Counter Fraud Unit was attached at Appendix B to the report and outlined three potential options: carry on as is; partial formation of a countywide unit; or full formation of a countywide unit. Given the performance to date and the potential for future counter fraud work to be undertaken, it was Officers' view that the Council should support the option to form a unit comprising all authorities. Whilst there would be an increased cost over the base budget, this would effectively be covered by the

increased ongoing income resulting from the successful work already undertaken and the business case illustrated the potential additional income that could be generated from detecting and preventing fraud through the establishment of a permanent unit.

- 37.3 A Member felt that the income and loss avoidance figures, set out at Page No. 123 of the report, suggested that this was an easy decision and he queried what was meant by income generation. The Head of Finance and Asset Management advised that this was based on the initial stages of the pilot, for instance, the single person discount review in Council Tax had led to discounts being removed retrospectively and the review of housing applications had led to the cancellation of 63 applications which had subsequently resulted in £630,000 loss avoidance on the basis that there was no need for temporary accommodation to be utilised. It was believed that additional money could be generated by taking a more corporate approach to fraud, for instance, in areas such as Human Resources and Planning, and joining the Counter Fraud Unit would provide the capacity to take a broader and more in-depth look at this. On that basis, it was subsequently

- RESOLVED**
1. That the progress made to date by the Counter Fraud Unit be **NOTED**.
 2. That it be **RECOMMENDED TO COUNCIL** that option three of the business case – to establish a permanent Counter Fraud Unit – be **APPROVED**, subject to similar approval being made at all partner authorities; should all necessary approvals not be forthcoming, option two would be the Council's default position.

AUD.38 MONITORING OF SAFEGUARDING AUDIT

- 38.1 Attention was drawn to the report of the Interim Head of Community Services, circulated at Pages No. 130-136, which set out the progress made in relation to the recommendations arising from the safeguarding audit. Members were asked to consider the report.
- 38.2 Members were advised that the Safeguarding Children Self-Assessment toolkit had been completed in November 2013 and an audit in 2014/15 had given assurance that it was a fair reflection of the Council's safeguarding arrangements. Where areas of partial or non-compliance had been identified, an action plan had been created with an implementation date of April 2014. The audit had identified that the implementation date had lapsed and all actions remained outstanding which had led to a 'limited' audit opinion. A follow-up report had been presented to the Audit Committee in March 2015 and it had been agreed that a report would be produced on an annual basis to give assurance that the correct measures, controls and arrangements were in place and the Council was meeting its safeguarding obligations – this was the first annual report. An internal self-assessment had been carried out to measure progress against the actions and this was summarised at Appendix 1 to the report. Additional details were provided for notable areas at Paragraph 2.2, Page No. 134 of the report, and included the introduction of mandatory safeguarding training for all licensed taxi drivers and the approval of the revised Safeguarding Policy by the Executive Committee in November 2016. In addition to the self-assessment, a further review would be carried out by Internal Audit in quarter four of 2016/17. It was noted that the Section 11 Audit issued by Gloucestershire County Council had not yet been received for completion for 2016 and recommendations for additional actions may follow from that.

38.3 It was noted that all issues identified within the audit had been actioned, with the exception of the Section 11 Audit, and the Chair offered his congratulations to the team on behalf of the Committee. It was

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

AUD.39 MONITORING OF SIGNIFICANT GOVERNANCE ISSUES

39.1 The report of the Borough Solicitor, circulated at Pages No. 137-141, 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 that had been made against those issues.

39.2 Members were advised that the table at Appendix 1 to the report comprised the Significant Governance Issues identified and the proposed action and timescale as well as a column to indicate the progress made as at 30 November 2016. Actions 2-5 were all on track and expected to achieve the intended timescales. Action 1 related to the review of the Council's Constitution and Members were advised that work had not progressed as intended due to other unexpected work commitments within the small Democratic Services team. Whilst the review was a long standing one, assurance was provided that the Constitution remained relevant and simply required modernisation so the delay did not put the Council in a legally compromised position. A Member questioned whether Councillors would be involved in the review and the Borough Solicitor confirmed that Members would be consulted, potentially through a workshop to enable all to participate.

39.3 It was

RESOLVED That progress against the Significant Governance Issues identified in the Council's Annual Governance Statement be **NOTED**.

The meeting closed at 3:30 pm

AUDIT COMMITTEE WORK PROGRAMME

Addition to 22 March 2017

- Critical Judgements and Assumptions Made During the Preparation of the Statement of Accounts
- Tree Inspections Follow-Up Report
- Internal Audit Charter

Deletion from 22 March 2017

- External Auditors' Progress Report
- PSIAS Independent Review Report Format
- Corporate Risk Register

Committee Date: 19 July 2017

Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
External Auditors' Progress Report	To consider the external auditors' report on progress against planned outputs.	External Auditors.	No. – Replaced by the External Auditors' Audit Findings report.
External Auditors' Audit Findings	To consider the external auditors' Audit Findings 2016/17.	External Auditors.	No - brought forward from September 2017 meeting due to early closure of accounts. Agreed at Audit Committee meeting on 14 December 2016.
Letter of Representation	To consider the S151 Officer's Letter of Representation on the closure of the accounts for the year ended 31 March 2017.	Simon Dix, Head of Finance and Asset Management	No – brought forward from September 2017 meeting due to early closure of account.
Statement of Accounts 2016/17	To approve the Statement of Accounts 2016/17.	Simon Dix, Head of Finance and Asset Management.	No – brought forward from September 2017 meeting due to early closure of account.

NB – Changes from previous work programme highlighted in bold

Committee Date: 19 July 2017			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
External Auditors' Fee Letters 2017/18	To consider the external auditors' fee letter in relation to the audit work to be undertaken during 2017/18.	External Auditors.	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Graeme Simpson, Head of Corporate Services.	No.
Internal Audit Annual Report 2016/17	To consider the Internal Audit Annual Report 2016/17 and the assurance from the work undertaken during the year on the level of internal control within the systems audited during the year.	Graeme Simpson, Head of Corporate Services.	No.
Annual Governance Statement 2016/17	To approve the Annual Governance Statement 2016/17.	Sara Freckleton, Borough Solicitor.	No.
National Fraud Initiative 2016/17	To consider the outcomes of the data matching exercise.	Richard Horton, Head of Revenues and Benefits.	No.
Annual Report on Health and Safety Activities	To consider the adequacy of the Council's health and safety arrangements.	Peter Tonge, Head of Community Services.	No.
PSIAS Independent Review Report Format	To approve the approach to the independent five year review of Internal Audit.	Graeme Simpson, Head of Corporate Services.	Yes – Five year assessment programmed for late summer.

Committee Date: 19 July 2017			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Bulky Waste Follow-Up Audit Report	To consider the progress made in respect of the recommendations arising from the bulky waste audit.	Peter Tonge, Head of Community Services.	No.
Ubico Follow-Up Audit Report	To consider the progress made in respect of the recommendations arising from the Ubico audit.	Peter Tonge, Head of Community Services.	No
Counter-Fraud Hub Annual Action Plan	To provide an overview of the work of the Counter Fraud Team.	Simon Dix, Head of Finance and Asset Management / Emma Cathcart, Counter Fraud Manager.	No.

Committee Date: 27 September 2017			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
External Auditors' Progress Report	To consider the external auditors' report on progress against planned outputs.	External Auditors.	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Graeme Simpson, Head of Corporate Services.	No.
Corporate Risk Register	To consider the risk register and the risks contained within it.	Graeme Simpson, Head of Corporate Services.	Yes – deferred pending the review of the Council's overall risk management arrangements.

Committee Date: 13 December 2017			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
External Auditors' Progress Report	To consider the external auditors' report on progress against planned outputs.	External Auditors.	No.
Annual Audit Letter 2016/17	To consider the external auditors' Audit Letter 2016/17.	External Auditors.	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Graeme Simpson, Head of Corporate Services.	No.
Monitoring of Gloucestershire Safeguarding Children Board Section 11 Audit	Annual report to give assurance as to the level of the Council's compliance with its safeguarding duty.	Peter Tonge, Head of Community Services.	No.
Monitoring of Significant Governance Issues	To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	Sara Freckleton, Borough Solicitor.	No.
Corporate Risk Register	To consider the risk register and the risks contained within it.	Graeme Simpson, Head of Corporate Services.	No.

Committee Date 28 March 2018			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
External Auditor's Certification Year End Letter March 2017	To consider the certification year-end letter March 2017.	External Auditors.	No.
External Auditors' Progress Report	To consider the external auditors' report on progress against planned outputs.	External Auditors.	No.
External Auditors' Audit Plan 2017/18	To consider the external auditors' Audit Plan 2017/18.	External Auditors.	No.
Statement of Accounting Policies	To approve the accounting policies to be used during the 2016/17 closedown.	Emma Harley, Finance Manager.	No.
Critical Judgements and Assumptions Made During the Preparation of the Statement of Accounts	To approve the critical accounting judgements that will be used in completing the 2016/17 annual accounts and to note the key sources of estimation uncertainty.	Emma Harley, Finance Manager.	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Graeme Simpson, Head of Corporate Services.	No.
Internal Audit Plan 2018/19	To approve the Internal Audit Plan 2018/19.	Graeme Simpson, Head of Corporate Services.	No.

Committee Date 28 March 2018			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Monitoring of Significant Governance Issues	To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	Sara Freckleton, Borough Solicitor.	No.
Corporate Risk Register	To consider the risk register and the risks contained within it.	Graeme Simpson, Head of Corporate Services.	No.

OTHER ITEMS			
Agenda Item	Overview of Agenda Item	Lead Officer	Comments
Anti-Fraud and Corruption Policy	To recommend the approval of the updated Anti-Fraud and Corruption Policy to the Executive Committee.	Sara Freckleton, Borough Solicitor	Three year review – last considered at Audit Committee on 21 September 2016 and approved by Executive Committee 12 October 2016. DUE TO GO TO AUDIT COMMITTEE IN SEPTEMBER 2019



Grant Thornton

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30 January 2017

Dear Simon

Certification work for Tewkesbury Borough Council for year ended 31 March 2016

We are required to certify the Housing Benefit subsidy claim submitted by Tewkesbury Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final, but important, part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2015/16 relating to expenditure of £18.7 million. Further details of the claim certified is set out in Appendix A.

There were issues arising from our certification work which we wish to highlight for your attention. We are satisfied that the Council has appropriate arrangements to compile a complete, accurate and timely claims for audit certification.

The indicative fee for 2015/16 for the Council is based on the final 2013/14 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by the Audit Commission for the Council for 2015/16 is £9,110. This is set out in more detail in Appendix B.

Yours sincerely

A handwritten signature in blue ink that reads "Alex Walling".

Alex Walling
For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2015/16

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	18,680,441	Yes	1,169	Yes	<ul style="list-style-type: none"> • Due to a small number of errors, and in line with DwP guidance, the claim has been qualified for the third year in a row. There is no materiality applied to certification claims and therefore all errors require reporting to DwP. Similar matters were highlighted this year to those in previous years. • 10 errors, from 40 cases reviewed, were identified in cell 113 where overpayments classed as LA error were confirmed as claimant error requiring extrapolation. • 7 errors, from 40 cases reviewed, were identified in cell 102 where claimant earned income had been incorrectly calculated requiring extrapolation. • Two errors were found in cell 12 through the incorrect application of the broad rental market area and therefore incorrect application of rent cap. 100% testing of the population was undertaken and the claim amended accordingly.

Appendix B: Fees for 2015/16 certification work

Claim or return	2013/14 fee (£)	2015/16 indicative fee (£)	2015/16 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	13,100	9,110	9,110	n/a	
Total	13,100	9,110	9,110	n/a	

The Audit Plan for Tewkesbury Borough Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

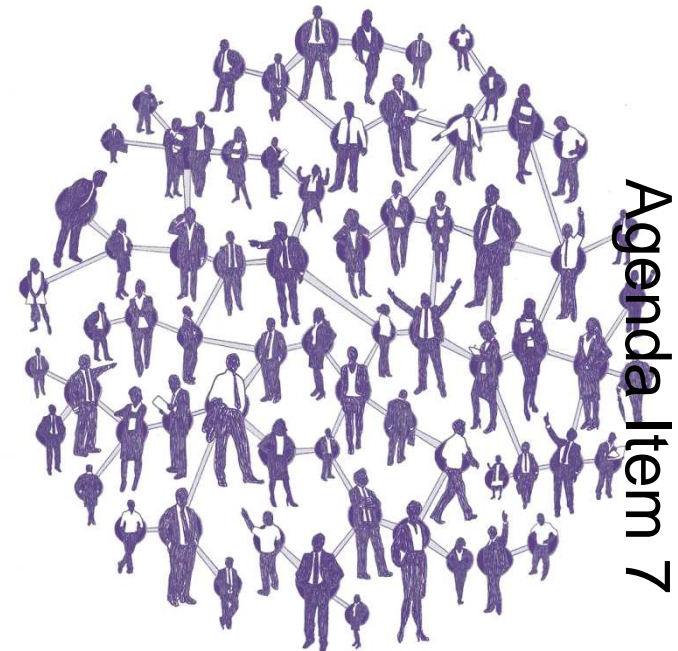
Year ended 31 March 2017

13 March 2017

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Tewkesbury Borough Council
Council Offices
Gloucester Road
Tewkesbury
GL20 5TT

7 March 2017

Dear Members of the Audit Committee

Audit Plan for Tewkesbury Borough Council for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Tewkesbury Borough Council, the Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours sincerely

Julie Masci

Associate Director

Chartered Accountants

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Appendix 1: Action plan

Understanding your business and key developments

Key challenges and developments

Delivery of Medium Term Financial Strategy (MTFS)

The Council is facing a £3 million deficit over the next 5 years, including £2 million in 2017/18, highlighted in its MTFS. The Council has strategies in place in order to achieve a balanced budget, including a 5 year council tax strategy and business transformation within services. The Council need to ensure these strategies remain fit for purpose to achieve its challenging financial targets.

2 Business Rates

The on-going appeal by the Council's largest contributor of business rates provides a challenge to the Council achieving a balanced budget.

The uncertainty provided by the ongoing challenge and changes in collection arrangements require the Council to closely monitor revenue funding to ensure it is sufficient to meet service provision requirements

Autumn Statement

The Chancellor detailed plans in the Autumn Statement to increase funding for housing and infrastructure, and further extend devolved powers to Local Authorities.

New investment in housing is welcome although doubts remain as to whether it will address the challenges in affordable housing as developers are not adequately incentivised.

Key performance indicators

KPI description	Target 2016/17	Progress 2016/17
Net budget	£9,663,342	£163,749 deficit (Q3)
Average number of sick days per full time equivalent	7	8.74
Average number of days to process new benefit claims	15	12.76

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year.

Our response

- We aim to complete all our substantive audit work of your financial statements by 19 July 2017.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code.
- We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops.
- We will review your MTFS as part of our work on your arrangements for financial resilience.
- We will discuss your plans for business rates collection and future plans to maximise retained rates income, with senior management and Those Charged With Governance, providing a view where appropriate.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £707k (being 2% of gross revenue expenditure). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £35k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements.	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5,000
Disclosures of auditors' remuneration in notes to the financial statements.	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Tewkesbury Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Tewkesbury Borough Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Tewkesbury Borough Council.</p>
Management override of controls	<p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation for months 1-9 • Documentation of controls at entity and activity levels <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation for months 10-12 • Review of unusual significant transactions

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315). In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
The expenditure cycle includes fraudulent transactions	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting, that may arise from the manipulation of expenditure recognition, needs to be considered.	<p>We have considered this risk and do not consider it to require additional audit procedures because, of your 2016/17 budgeted gross expenditure:</p> <ul style="list-style-type: none"> • 23% relates to employee remuneration, which is addressed by our procedures in response to the identified risk in this area • 75% relates to operating expenditure which is addressed by our procedures in response to the identified risk in this area, including a separate review of Housing Benefit expenditure.
Valuation of pension fund net liability 28	The Council's pension liability as reflected in its balance sheet represent significant estimates in the financial statements. The extent of judgement and estimation for these liabilities, and its supporting disclosures, represents a significant risk to the financial statement	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Identify controls put in place by management to ensure that the pension fund liability is not materially misstated <p>Work to be completed:</p> <ul style="list-style-type: none"> • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Operating expenses	Year end creditors and accruals are understated or not recorded in the correct period.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Documentation and understanding of controls • Walkthrough of controls to confirm that controls are operating as described <p>Work to be completed:</p> <ul style="list-style-type: none"> • Test for unrecorded liabilities within operating expenditure • Review of transactions before and after year end
Employee remuneration	Employee remuneration accruals are understated	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Documentation and understanding of controls operating in the payroll system • Walkthrough of controls to confirm that controls are operating as described • Payroll trend analysis for months 1-9 <p>Work to be completed:</p> <ul style="list-style-type: none"> • Complete payroll trend analysis for months 10-12 • Review of Senior Officer remuneration disclosures

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Other risks	Description of risk	Audit procedures
<p>Changes to the presentation of local authority financial statements</p> <p style="text-align: center;">30</p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>Work to be completed:</p> <ul style="list-style-type: none"> • We will document and evaluate the process for the recording the required financial reporting changes to the 2016/17 financial statements. • We will review the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. • We will review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.

Other risks identified (continued)

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Cash and cash equivalents
- Investments (long term and short term)
- Borrowings and other liabilities (long and short term)
- Provisions
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- New note disclosures
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes

Value for Money

Background

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out opposite:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of sound governance Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing and utilising assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. These are set out overleaf.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will give by 21 July 2017.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p>Medium Term Financial Strategy The ongoing challenge of meeting the savings outlined by the Chancellor as part of the Autumn Statement continue to put pressures on Local Government finances. The delivery of the Financial Strategy, and associated savings, is currently reliant on the continuation of the New Homes Bonus, ongoing transformational change and increased income from its investment property portfolio through significant capital expenditure. The continued appeal by the Council's largest contribution of business rates further enforces the need to identify alternative methods of achieving its financial position for the future.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making</p>	<p>We will review the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring these financial risks.</p> <p>We will review the robustness of the Council's financial plans and the extent to which the Council is seeking to identify further income generation opportunities and alternative solutions to mitigate the risk of future cuts in resources and government funding.</p>
<p>UBICO Contract Monitoring The UBICO contract represents a significant source of expenditure for the Council and current contract monitoring arrangements are considered inadequate. A recent internal audit review has highlighted that, with the exception of the financial review undertaken by Financial Services, quarterly budget monitoring is not undertaken for significant part of the contract service and key performance indicators are neither monitored or enforced. There is a risk that the Council will fail to identify increasing costs or potentially fraudulent transactions and that the contract requirements are not being enforced.</p>	<p>This links to the Council's arrangements for working with third parties effectively to deliver strategic priorities and ensure that commissioning and procuring of supplies and services are done to achieve the Council's overall vision.</p>	<p>We review the contract monitoring processes in place to determine how the Council has established that all costs are appropriate and that services are being provided in line with the requirements of the contract.</p> <p>We will review communication with UBICO to ensure that the Council is working with the service provider to ensure all information is provided and that issues are being appropriately addressed in a timely manner.</p>

Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
 - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State

35 We certify completion of our audit.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

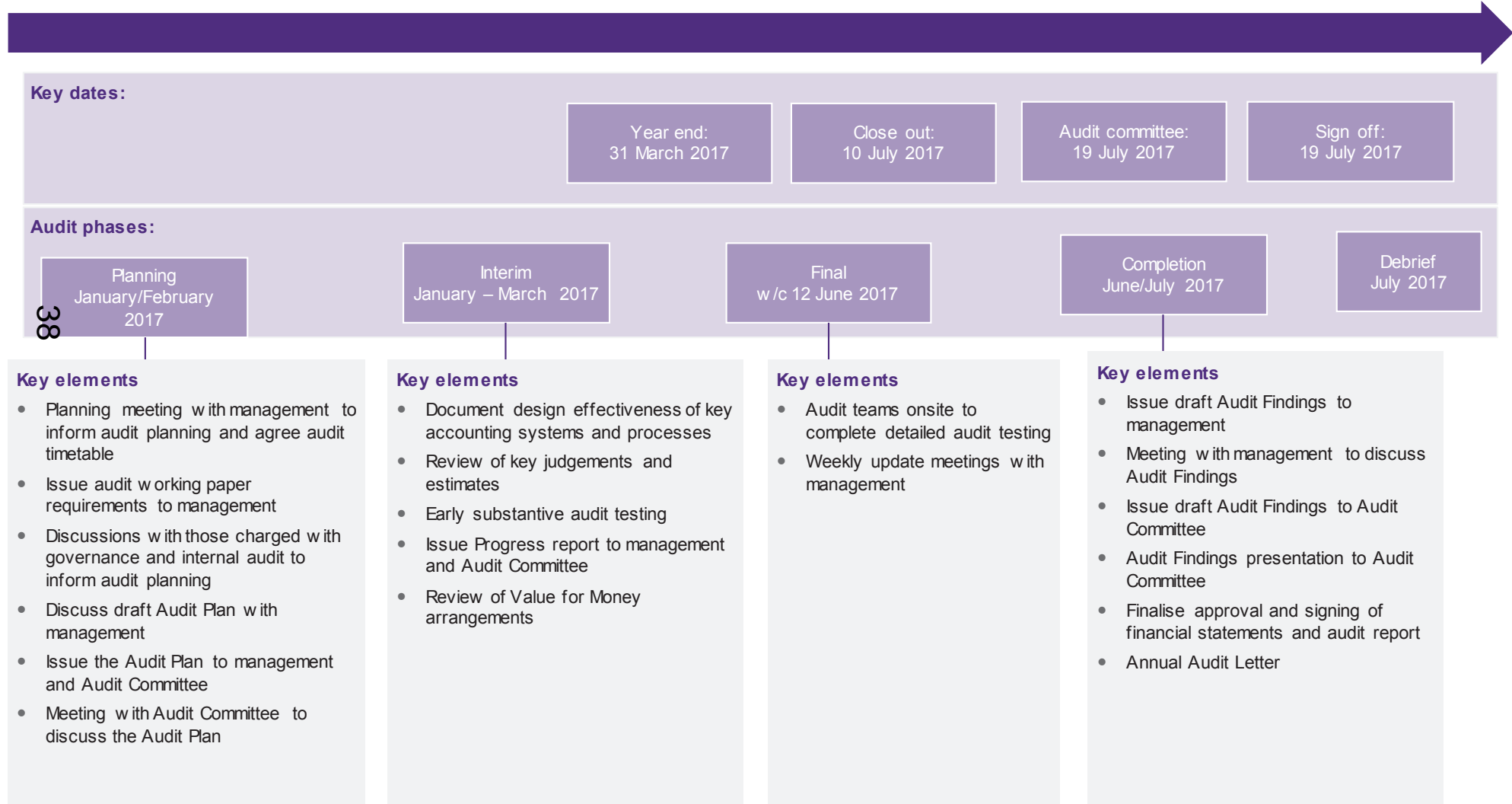
	Work performed	Conclusion
36	<p>Internal audit</p> <p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p> <p>A review undertaken by the Council's internal auditors on the contract monitoring arrangements for UBICO has identified that it currently receives limited financial information</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment</p> <p>Our review of internal audit work has identified a weakness in the monitoring of contract information with UBICO. A quarterly report is received which provides a high level budget overview which allows identification of overspends and underspends against budget for waste services, street cleansing and grounds maintenance. Limited management and monitoring of financial performance exists, particularly in relation to grounds maintenance. Quarterly reconciliations, invoices and credit notes are not being submitted although an annual reconciliation is in place. Therefore it is not possible to ascertain accurately the value of any potential overspends. Further work will be required to understand the process and evaluate any potential impact on the Council's financial position</p> <p>Our review of internal audit work has not identified any further weaknesses which impact on our audit approach.</p>
	<p>Entity level controls</p> <p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>A review of the assurance framework and risk registers identified that these are not reviewed on a regular basis and do not provide sufficient detail to allow proper review by the Council.</p> <p>Our work has not identified any other material weaknesses which are likely to adversely impact on the Council's financial statements</p>

Results of interim audit work (continued)

	Work performed	Conclusion
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	Our work has not identified any weaknesses which impact on our audit approach.
Early substantive testing	<p>We have completed some early substantive testing in the following areas:</p> <ul style="list-style-type: none"> • Operating expenses – transactional testing for months 1-9 • Employee remuneration – substantive testing of individual payroll records and trend analysis for months 1-9 	Our work has not identified any weaknesses which impact on our audit approach.

The audit cycle

The audit timeline



Audit Fees

Fees

	£
Council audit	44,921
Grant Certification	9,110
Total audit fees (excluding VAT)	54,031

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Ad-hoc telephone calls and queries
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Regular Audit Committee Progress Reports

Independence and ethics

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence. We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendix 1: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1 4 1	The Council should ensure that a robust process exists for management and monitoring of contracts with third parties and, that all financial information is provided on a timely basis to allow identification of potential overspends.	Medium	The extent and timeliness of financial management information was discussed at a meeting between the Council's Chief Financial Officer and the Managing Director of Ubico in early January. Agreement was reached as to the detail required and the timescales for the quarterly provision of information and this will be implemented for the first quarter reporting of 2017/18. Financial Services will continue to support client officers in understanding and challenging the information and variance analysis provided.	July 2017 – Head of Community Services / Head of Finance & Asset Management
2	The Council should ensure that the Corporate Risk Register is reviewed on a regular and timely basis to ensure that all risks identified are relevant and appropriate to the Council.	Medium	A review of the council's overall risk management arrangements will be undertaken to ensure the Corporate risk register reflects current risks to the Council. Following this, quarterly reviews of the register will be undertaken by the Corporate Governance Group, Management Team and Audit Committee. This is a programmed action within the Corporate Services 2017/18 service plan.	September 2017 – Head of Corporate Services



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TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	22 March 2017
Subject:	Statement of Accounting Policies
Report of:	Simon Dix , Head of Finance and Asset Management
Corporate Lead:	Robert Weaver, Deputy Chief Executive
Lead Member:	Councillor D J Waters, Lead Member for Finance and Asset Management
Number of Appendices:	1

Executive Summary:

This report sets out the main changes in accounting policies under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. These policies outline the specific principles, bases, conventions, rules and practices applied when preparing and presenting the financial statements.

Recommendation:

To APPROVE the accounting policies to be used during the 2016/17 closedown.

Reasons for Recommendation:

The accounting policies govern the accounting treatment used to close the final accounts which this Committee are asked to approve in July after the audit has been completed.

Resource Implications:

There are no direct financial implications arising from the approval of accounting policies.

Legal Implications:

There are no direct legal implications arising from the approval of accounting policies, however Section 21 of the Local Government Act 2003 enables the Secretary of State to make regulations requiring accounting practices including the Statement of Accounts to be undertaken in accordance with proper accounting practices (i.e. the current Code of Practice).

Risk Management Implications:

There is a risk of the accounts being qualified if the proper accounting practices are not followed or if they deviate substantially from the Code of Practice on Local Authority Accounting.

Performance Management Follow-up:

Grant Thornton will audit this as part of the year-end audit and will issue an opinion in July 2017.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 The Council is required to produce an annual statement of accounts prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. In order to do this the Council has to review all its accounting policies to ensure it complies with the Code as the policies outline the principles applied when preparing the accounts.

2.0 MAIN CHANGES IN ACCOUNTING POLICIES

2.1 The full list of accounting policies can be found as Appendix A. The proposed accounting policies are largely unchanged from the ones used in the 2015/16 accounts, bar a few minor amendments to existing policies. However, this year we do have:

2.1.1 Overheads and Support Services (1.14)

Due to the new formats required for the Comprehensive Income and Expenditure Statement and the introduction of the new Expenditure and Funding Analysis, the Council no longer has to show the costs of overheads and support services within the service segments as we do not include them in our quarterly management reports. This policy has been amended to outline this change.

2.1.2 Property Plant and Equipment (1.16)

Under 'Measurement' the policy has been changed to reflect that we have all our assets revalued annually to ensure they are carrying value at year end reflects their current value.

2.1.3 Council Tax and Non-Domestic rates (1.23)

The policy has been amended to explain the relationship between ourselves and other preceptors along with a brief overview of the implications of the Collection Fund on the parties.

2.1.4 The policy also includes the items that are included within the Balance Sheet at the year-end (as they differ from collection fund accounting).

3.0 OTHER OPTIONS CONSIDERED

3.1 None

4.0 CONSULTATION

4.1 None

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 None

6.0 RELEVANT GOVERNMENT POLICIES

6.1 Local Government Act 2003 and Accounts and Audit Regulations 2015.

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 None

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 None

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 None

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None

Background Papers: None

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Appendices: Appendix A – Statement of Accounting Policies

1. Accounting Policies and Accounting Standards Issued, Not Adopted

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/2017 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Finance Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Council prepares its accounts on the basis that it remains a going concern; that assumes that the functions of the Council will continue in operational existence.

1.2 Accruals of Expenditure and Income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are highly liquid investments that can be 'called' within 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme administered by Gloucestershire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of X% (set by the actuary) - to be confirmed in year end report
- The assets of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet at their bid value as required by IAS 19.

The change in the net pensions liability is analysed into several components:

- Service cost comprising

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Gloucestershire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. However, the Council has a policy not to allow this.

1.5 Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.6 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid or ten years (whichever is the lesser). The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale-assets - assets that have quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Only investments which are not 'callable' within 30 days (and would incur penalties for early withdrawal) and are due within 12 months would be classified as short-term investments. All others are classified as cash equivalents (see policy 1.3).

Available-for-sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.7 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

The policy of this Council is to recognise all grants straight away in the Comprehensive Income and Expenditure Account unless there are conditions attached to the grant that require repayment and the Council believes this is more than likely to occur based on previous experience.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.8 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.9 Interests in Companies and Other Entities

The Council does not have any material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and would require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

1.10 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO (first in, first out) costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.11 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Comprehensive Income and Expenditure Account and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.12 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. [When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease or a rent free period). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.13 Non-Current Assets Held for Sale and Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

To be classed as 'held for sale' the following criteria must be met:

- The asset is available for immediate sale in the present condition subject to terms that are usual and customary for such assets;
- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- The asset must be actively marketed for a sale at a price that is reasonable in relation to the current value;
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.14 Overheads and Support Services

The costs of overheads and support services are not shown within the service segments in the Comprehensive Income and Expenditure Account as we do not report this in our management reports throughout the year. Therefore the full cost principles detailed in the CIPFA *Service Reporting Code of Practice 2016/2017* (Se RCOP) are no longer used within the Statement of Accounts.

1.15 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.16 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides are for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition at its current location for its intended use, including the purchase price and any dismantling and removal costs.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

Current Value (Existing Use)	<ul style="list-style-type: none"> • Where there is no market-based evidence of fair value because of the specialist nature of an asset, it is an estimate of the amount that would be paid for the asset in its existing use; • Includes assets held such as car parks, properties and offices.
Depreciated Replacement Cost	<ul style="list-style-type: none"> • Represents the current cost of replacing an asset with its modern equivalent less deductions for physical deterioration and all relevant forms of obsolescence • Includes assets held such as cemetery and theatre.
Market Value	<ul style="list-style-type: none"> • Items which are not held primarily for delivery of council services and which are valued at the price that would be received to sell an asset in on the open market; • Includes investment properties.
Depreciated historic cost	<ul style="list-style-type: none"> • Represents the cost of bringing the asset into operational use less an adjustment for depreciation. Used where a reliable estimate of its current fair value can not be made; • Infrastructure, community assets and assets under construction.

Where the Council recognises non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end. The council has a policy to revalue all its assets at year end to ensure their current value is reflected in the accounts. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The Council operates a de minimis for capital purposes of £10,000 except where a specific government grant has been received or it is an enhancement of an existing asset.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on a straight line basis over the following time periods:

- Dwellings and other buildings
 - the useful economic life (UEL) of the property as estimated by the valuer;
 - Car parks have an estimated UEL of 21 years.
 - Other assets have an estimated UEL of between 40 - 50 years
- Vehicles, plant, furniture and equipment
 - 5 to 7 years, which is deemed a reasonable estimation of the UEL of these types of assets;
- Infrastructure
 - over the UEL of the individual assets as estimated by the valuer or Project Officer.
 - These assets have an estimated UEL of between 30 - 60 years
- Specialist equipment
 - depreciated over the useful economic life (UEL) of the asset as estimated by a suitably qualified person.
 - solar panels are being depreciated over 25 years

Revaluation gains are also depreciated. An amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

The Council has taken the view that 'significant' means:

- The cost of the component is more than 25% of the cost of the asset as a whole; and
- The cost of the component is more than £500,000.

However, if depreciating the single asset as opposed to the separate components will not result in a material misstatement of either depreciation charges or the carrying amount of the asset then componentisation will not be required.

1.17 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.18 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. They are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.19 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets such as, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

1.20 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.21 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.22 Heritage Assets

Heritage assets are held by the Council for the objective of contributing to knowledge and culture. The museum exhibits and historical sites are to provide historical understanding and appreciation of the local area and the civic regalia is held for historical and cultural appreciation of the Borough.

Where Heritage Assets have been recognised in the Balance Sheet, the measurement basis (including the treatment of revaluation gains and losses) is in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets, and are accounted for as follows.

The Council does not, normally, purchase heritage assets

Where heritage assets have been donated they are initially carried at cost. Where there is not readily identifiable evidence of cost, the Council will ask an expert (in that field) to provide an estimate of the value of those assets. Where a reliable estimate of value cannot be made (due to unique nature of heritage assets) the Council's policy is to not to disclose a value in the Balance Sheet but to disclose a note in the financial statements to explain the assets held.

Subsequently to initial disclosure, the Council uses insurance valuations of the assets as an estimation of the carrying value of these assets. Our Insurance schedule is updated annually and the officer responsible for the assets held assesses whether this valuation is adequate.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

The Council does not, normally, dispose of heritage assets but if the event occurred the proceeds would be accounted for in line with the general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

1.23 Council tax and Non-Domestic rates (NDR)

Billing authorities like Tewkesbury Borough Council act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be more or less than predicted.

The council tax and business rates (NNDR) income recognised in the Comprehensive Income and Expenditure Account is the Council's share of accrued council tax and business rates recognised in the Collection Fund.

The transactions contained within the Collection Fund are prescribed by legislation and we (as a billing authority) have no discretion to deviate from this at all.

This means:

- the transactions included within the Collection Fund are limited to cash flows (as statute dictates) whereas the income is recognised on a full accruals basis in the Comprehensive income and Expenditure statement (including our share of the year's surplus or deficit on the Collection Fund whereas in reality this is distributed in the following year).
- the year end surplus/deficit on the Collection Fund is based on estimates made in January.

The difference between the Collection Fund figures and those required in the accounts are taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

1.24 Accounting Standards that have been issued but not yet adopted

This information will be included at a later date.

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	22 March 2017
Subject:	Critical Judgements and Assumptions Made During the Preparation of the Statement of Accounts
Report of:	Simon Dix, Head of Finance and Asset Management
Corporate Lead:	Robert Weaver, Deputy Chief Executive
Lead Member:	Dave Waters, Lead Member for Finance and Asset Management
Number of Appendices:	Two

Executive Summary:

The purpose of this report is to explain to the Audit Committee the critical accounting judgements and key sources of estimation uncertainty that will be used in preparing the 2016/17 accounts.

Recommendation:

To APPROVE the critical accounting judgements that will be used in completing the 2016/17 annual accounts and to note the key sources of estimation uncertainty.

Reasons for Recommendation:

The Code of Practice on Local Authority Accounting in the United Kingdom requires disclosure of the judgements that management have made in the process of applying the authority's accounting policies that have the most significant effect on the amounts recognised in the financial statements. Also it requires disclosure about major sources of estimation uncertainty at the end of the reporting period.

Resource Implications:

There are no direct financial implications arising from the approval of the critical judgements although should members not approve them it may impact on the final outturn.

Legal Implications:

There are no direct legal implications arising from the approval of the critical judgements. However, Section 21 of the Local Government Act 2003 enables the Secretary of State to make regulations concerning the accounting practices to be followed by local authorities. The relevant regulations in this case are the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 which provides that the accounting practices contained in the Code of Practice of Local Authority Accounting in the United Kingdom are proper practices. Any requirements of the Code should therefore be followed.

Risk Management Implications:

There is a risk of the accounts being qualified if the proper accounting practices are not followed or if they deviate substantially from the Code of Practice on Local Authority Accounting.

Performance Management Follow-up:

Grant Thornton will audit this as part of the year-end audit and will issue an opinion in July 2017.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 The Council is required to produce an annual statement of accounts prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. In order to do this the Council has to apply its accounting policies to produce them.

2.0 CRITICAL ACCOUNTING JUDGEMENTS

2.1 In applying the Authority's accounting policies the Council has to make certain judgements about complex transaction or those involving uncertainty about future events. The relevant judgements are those that have the most significant effect on amounts recognised in the financial statements. Judgements made in arriving at estimates are excluded.

2.2 The disclosure of critical judgements should enable users of the financial statements to better understand how the accounting policies are applied and to use these in making comparisons between authorities regarding the basis on which management make these judgements.

2.3 We have entered in a few leases this year which we have had to look at in detail to identify whether they should be classed as an operating or finance lease. These can be seen in Appendix A.

2.4 The accounting code says that we have to recognise the cost of redundancies when it is communicated to relevant staff and there is an expectation that future redundancies will take place. A confidential report was approved by Council on 21 February 2017 regarding an internal restructure and all staff affected have been notified and consulted so an estimation of the potential cost of this had been provided for within the accounts.

2.5 With a new leisure centre built, Challenge House purchased and the land where Cascades stood freed up, the decision as to what class of property they are is an area of judgement. The decisions are detailed in Appendix A.

3.0 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

3.0 In preparing the annual accounts there are areas where estimates are made. These include useful lives and valuations of properties which are estimated by qualified valuers, the amount of arrears that will not be collected (which is estimated based on past experience of collection of different types of debt) and the liability for future pension payments, which is estimated by qualified actuaries. Details of these are shown in Appendix B although the exact figures won't be known until the accounts are completed.

4.0 OTHER OPTIONS CONSIDERED

4.1 None.

5.0 CONSULTATION

5.1 None.

6.0 RELEVANT COUNCIL POLICIES/STRATEGIES

6.1 None.

7.0 RELEVANT GOVERNMENT POLICIES

7.1 Local Government Act 2003 and Accounts and Audit Regulations 2015.

8.0 RESOURCE IMPLICATIONS (Human/Property)

8.1 None.

9.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

9.1 None.

10.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

10.1 None.

11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

11.1 None.

Background Papers: Statement of Accounting Policies – 2015/16 – Audit Committee
23 March 2016.

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Appendices: Appendix A – Critical Judgements in Applying Accounting Policy
Appendix B – Assumptions Made About the Future and Other
Major Sources of Estimation Uncertainty

3. Critical Judgements in Applying Accounting Policy

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision and we believe we will remain a going concern into the future.

- The Council has the right to appoint the majority of delegates on the board of the Swimming Bath Trust and as management agents has control over the financial and operating policies of the pool. Also, the Council deficit funds the operations of the pool, which was £210k in the period 01/04/15-31/08/16. It has been determined that the Council has control of the Trust and should be treated as a subsidiary. However, due to the value of the leisure centre being revalued to nil in 2014/2015 the Council have decided not to prepare group accounts on the basis of immateriality. The Trust has submitted its final accounts to the Charity Commission and is in the process of being wound up so this will be the last year it is included within our accounts.

- The Council's former insurers Municipal Mutual Insurance Limited ceased trading in 1992 and the Council became a party to the scheme of administration for liabilities outstanding at that time. Previously the administrators advised that the assets would at least match the liabilities and a solvent run off of the scheme could be expected. However the directors of MMI 'triggered' MMI's Scheme of Arrangement under section 425 of the Companies Act 1985 on 13 November 2012 and Ernst and Young LLP became responsible for the management of the MMI's business, affairs and assets in accordance with the terms of the Scheme. The claw back scheme to which Tewkesbury is subject provides for a maximum liability of £169,775. Ernst and Young suggested an initial levy rate of 15% to achieve a solvent run off and this was increased to 25% on 1 April 2016. We have provided for an additional 10% in long term provisions as we have not had any confirmation that this would be the final payment.

- The level of provision for business rate appeals under the business rate retention scheme has been calculated using historic appeals information. Those on the list at 31 March 2017 with a code of grounds where we have statistical information relating to the success and outcome of past appeals have been calculated using the average success rate and rateable value lost. The appeals relating to Virgin Media are treated separately as these are unique cases that were heard as part of a special programme and we will use a variety of sources to determine a suitable appeals provision, e.g. 1 April 2017 rating list figures.

- The Council is required to consider whether there are unlogged appeals in respect of Business Rate payments which could have a material impact on the Statement of Accounts. The current scheme, set up in 2013/2014, uses a baseline assessment of expected income from Business Rates. This has been used by DCLG to then set the risk that the council is exposed to from changes in income collected. This baseline was set for 5 years. From 1st April 2017 a new rating list is in force and so appeals relating to the 2010 list can only be made: within six months of a notice or where the proposal is following a Valuation Tribunal or higher court decision (within six months of compilations, i.e. 30th September 2017) so the risk of unlogged appeals is minimal. Also the government has set a safety net which is 97.5% of the baseline figure so the maximum loss to the council will be 2.5% of the baseline plus any allowed growth (£388,098 based on 2016-17 figures). This maximum is not material and we are already in a safety net position this year so have suffered this loss already. Therefore no allowance for unlogged appeals is necessary.

- IAS 19 disclosures include information on the assets that make up the Local Government Pension Scheme for the Council as required under 6.4.3.42 (8) of the Code of Practice. We have taken the decision to disclose, in summary, the categories that the Pension Fund have invested in. The Council does not directly influence the activities of the Fund and as the fund assets do not impact on the revenue account it is our decision that the disclosure is sufficient in line with section 6.4.3.42 (2) of the Code of Practice. Should further information be required on the categories of pension assets and the decision making on the strategy for investment then we would direct the query to the Pension Fund administrators.

- The Council joined a Local Authority owned company, Ubico, on the 1 April 2015. This company provides a range of environmental services for the Council. During the year Gloucestershire County Council joined, which has taken the number of owners up to a total of 7. Each Council has one share interest in Ubico.

We are required to consider whether the Council has an interest in this company and whether the Council should produce Group Accounts.

Our conclusion is that Ubico represents a separate vehicle. However when considering joint arrangements, under IFRS12, our assessment is that on the test of whether there is Joint Control per section 9.1.2.10 of the code, there is no evidence to support this.

We have then considered whether under IAS28, that we have significant influence, per 9.1.2.22 of the Code. This is due to their being 7 equal shareholders, which means our interest in Ubico is below the 20% threshold which is an indication of holding significant influence. Other factors which we have considered include representation on the board, participation in policy making, material transactions and management influence. Our judgement is that there is no persuasive evidence that the Council has a significant level of control over the strategic direction and operation of Ubico. Therefore Group Accounts do not need to be produced.

The Council has accounted for the cost incurred in operating a service contract with Ubico and also the interest the Council has as a Shareholder, however the Council's statements do not reflect any interest in assets and liabilities that we have in the company.

Ubico's Statement of Accounts are available from Companies House.

- A provision for future redundancies has been made in respect of a service restructure. The proposed restructure has been formally agreed by Council and the plan has been communicated to all affected employees. As it is unlikely that significant changes will be made to the plan, an expected completion date is communicated and the number of employees affected along with their job classifications are identified then a provision can be reliably estimated.

- The council has to make judgements whether a lease is an operating lease or a finance lease and has assessed the following:

- the council has bought a new refuse fleet which it leases to Ubico Ltd to use for Tewkesbury Borough refuse and recycling only. The lease is for 5 years and all costs associated with the fleet are recharged to the council. This along with other factors show that all the material costs and risks belong to Tewkesbury and so it is shown as an operating lease within our accounts.

- an investment property was recently purchased for £15m which included a tenant with a lease term remaining of 12 years. The authority has decided that, on the balance of the risk and rewards, this should be classified as an operating lease.

- the council built a new leisure centre and leases it to Places for People Ltd to run (for an initial lease term of 15 years). This is also considered to be an operating lease in the council's accounts due to factors such as lease term, peppercorn rent and residual value and demonstrates that the majority of risks and rewards are attributable to us.

- A decision has been made to classify the following Plant, Property and Equipment as investment properties:

- Challenge House was purchased for £15m purely for the in situ tenant and novation of the current lease to obtain rental income over the next 12 years. There is no service related provisions in the contract and it is held purely for the capital appreciation and revenue return.

- Former land on which Cascades stood (Spring Gardens) - this is not being used as car parking and is being held purely to obtain either a capital receipt or rental income.

The new leisure centre is not classified as an investment property and is instead an operational property. The leisure centre was built purely for the provision of leisure facilities and, although a slight return is made, it is incidental to the service provision for the borough.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year (due to assumptions/judgements) are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. With in year depreciation of £xk and depreciation adjustment of £xk (due to in year revaluations) a large change in valuation or useful life could increase or decrease the depreciation charge quite substantially.
Fair Value measurement	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes X and X below.</p>	<p>The Council uses market rental and sales values, along with other inputs to measure the fair value of some of its investment properties</p> <p>The significant unobservable inputs used in the fair value measurement include comparative information based on limited rental evidence based on rental value and yields.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.</p>

Business Rates	<p>Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2016/2017 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2017. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2017.</p>	<p>The appeals provision has been calculated using historic data for appeal success per category of appeal (as provided by the Valuation Office - VOA). Using this data we have extrapolated an appeals figure assuming this success rate is representative of what will happen in future. There is a likelihood that some appeals will be settled differently to anticipated which could cause a large refund of previous years' rates. The provision this year is £xm (our share only) which is a large decrease/increase from last year. The Council has set aside a reserve of £x (if any available money at year end) at the year end to ensure that if appeals exceed expectation the Council has sufficient funds available to meet the shortfall in 2017/2018 until the Government safety net becomes operable.</p>
Income from Garden Waste Payments	<p>The calculation of Receipts in Advance in relation to garden waste is an estimation technique based on information available from the financial ledger showing income received in each period, rather than the renewal date that the payment relates to. The information held in the ledger is not sufficient to identify the renewal date.</p> <p>To fully allocate payments to the renewal date would require a significant investment of resources to investigate approximately 15,000 annual payments. This would ensure income is allocated to the correct period, and that at the year end Receipts in Advance calculation to transfer into the next financial year is correct. However it is our view that as it would impact on all periods and the year-end figure would therefore not be significantly different from the Receipt in Advance figure in the financial statements.</p>	<p>In the 2016/2017 financial statements the total income from garden waste was approximately £xk and the receipts in advance identified was £xk. Neither figure is material to the statements.</p> <p>The council is satisfied that the estimation technique used is sufficient to produce materially accurate financial statements, whilst making best use of resources available.</p>
Arrears	<p>At 31 March 2017, the Council had a balance on doubtful debts of £x of which £x related to a general provision. Housing benefit general provision is 80% (to be confirmed) due to the level of debts increasing, increased pressure on those on benefits and the future introduction of Universal Credit.</p>	<p>If collection rates deteriorate then our revenue reserves would be impacted but we feel that the increased provision helps mitigate this potential risk.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The actuaries, Hymans Robertson, are engaged to provide the Council with expert advice about the assumptions to be applied. Changes in assumptions can have a significant effect on the value of the retirement benefit obligation.</p>	<p>The effects on the scheme liabilities of changes in individual assumptions can be measured and the sensitivities regarding the principal assumptions are set out below:</p>

Change in assumptions at year ended 31 Mar 2017	Approx. % increase to Employer Liability	Approx. monetary amount (£'000)
0.5% decrease in Real Discount Rate	To be completed when IAS19 report is received.	
1 year increase in member life expectancy		
0.5% increase in the Salary Increase Rate		
0.5% increase in the Pension Increase Rate		

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	22 March 2017
Subject:	Early Closedown Checklist for Statement of Accounts
Report of:	Simon Dix, Head of Finance & Asset Management
Corporate Lead:	Robert Weaver, Deputy Chief Executive
Lead Member:	Dave Waters, Lead Member for Finance and Asset Management
Number of Appendices:	One

Executive Summary:

The revised Audit and Accounts regulations require authorities to produce a draft statement of accounts by 31 May with effect from the 2017/18 financial year. To ensure the Council is prepared for this, a 'dry-run' is being followed for the closure of accounts for 2016/17. This will enable the Council to test its readiness for the following year and refine its practices to ensure compliance with the deadlines.

As part of its preparations for 2016/17, the Council has completed a self-assessment utilising Grant Thornton's good practice checklist. The checklist highlights the good progress already made in a number of areas and the actions required throughout the closure to deliver the accounts on time.

Recommendation:

To CONSIDER the responses to the self-assessment checklist, which is required to meet the new closure date for statement of accounts, and note the progress made to date.

Reasons for Recommendation:

The deadline for completion of the accounts has been brought forward one month from 2017/18 to the 31 May 2018. The Council is using the 2016/17 statement of accounts cycle as a 'dry run' year to test its processes and timetable ready for when the new deadline becomes statutory.

Resource Implications:

There are no direct financial implications arising from the report.

Legal Implications:

There are no direct legal implications arising from the earlier closedown. However, the Audit and Accounts Regulations 2015 brought in the requirement to approve and publish the accounts by 31 May and 31 July respectively (currently 30 June and 30 September) from the 2017/18 accounts.

Risk Management Implications:

There is reputational risk if we do not meet the deadline. The planning of the new closedown timetable and the dry run taking place during 2017 will mitigate the risk of missing the statutory deadline.

Performance Management Follow-up:

Grant Thornton is being asked to bring forward its timetable in line with the new requirements. The date on which it will receive the draft accounts will be set out in Grant Thornton's audit findings report.

As with every closure of accounts, the Finance team will de-brief at the end of the project and reflect on what went well and what could be improved in the future.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1** Timely publication of the statement of accounts aligns with the government's wish to improve local government transparency and accountability. It is the government's view that a more timely closedown process increases public interest in local government accounts, especially when coupled with proposed moves to simplify the accounting statements and the requirements for the same public inspection period across all local government organisations. In addition, earlier closure should encourage more rigorous in-year monitoring of finances and reduce the uncertainty on the final financial position of an organisation in the initial months of the following financial year.
- 1.2** In February 2015 the revised Accounts and Audit regulations 2015 were laid before Parliament confirming the Department for Communities and Local Government (DCLG) intention to bring forward the date by which accounts must be published. The regulations amended the deadlines for the approval and publishing of the accounts to 31 May and 31 July respectively (currently 30 June and 30 September).
- 1.3** With one month less to complete the statement of accounts, and a small Finance team, detailed planning has been undertaken to identify tasks that can be completed before the year end and improvements to processes to speed up work in the closedown period. In addition, a 'dry-run' will be undertaken for the 2016/17 closure to test the preparation of the Council.

2.0 ADVANCING CLOSURE CHECKLIST

- 2.1** To support the Council's preparations for the early closure, Grant Thornton's good practice checklist has been utilised as an effective tool for planning the closure. In completing the checklist, which is attached at Appendix A, it was clear that the Council has made good progress in many of the areas and those that have yet to be completed are planned for a future date.
- 2.2** A detailed closedown timetable is always produced and has been updated to allow the quicker closedown. This involves earlier deadlines for some work and using the wider finance team to help out where possible.

2.3 The main risks identified in the checklist are the reliance on third parties for information (e.g. valuers and actuaries) and the need for full Council buy-in and co-operation in order to meet the deadlines.

3.0 OTHER OPTIONS CONSIDERED

3.1 None

4.0 CONSULTATION

4.1 None

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 None

6.0 RELEVANT GOVERNMENT POLICIES

6.1 Local Government Act 2003 and Accounts and Audit Regulations 2015.

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 There are significant staff implications in concluding an early closure of accounts. The timetable and workload will utilise, in full, the capacity of the Finance team to produce the accounts and support the audit.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 None

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 None

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None

Background Papers: None

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Appendices: Appendix A – Grant Thornton Advancing Closure checklist

Grant Thornton

Advancing closure - transforming the financial reporting of local authority accounts

Good practice checklist

Yes/No/ N/A

Comments

Leadership and planning

Has the authority clearly defined roles and responsibilities across the organisation in relation to its financial reporting?

Yes

Small central finance team lead on all aspects of financial reporting. Clear distribution of roles within the team, as well as support working across the team.

Has the authority clearly communicated the statutory timetable and its commitment to faster closing, both to officers and members?

No

This is being done when year end emails to staff are sent out.

Has senior management signed up to the plans and taking an active role to promote its importance and the benefits that will result?

Yes

s151 taking a lead role in communicating with the wider management team.

Are members and senior management routinely updated on the progress made in delivering the authority's closedown plans?

No

S151 to ensure progress is communicated with senior management and lead members

Has the authority ensured that audit committee and council meetings are brought forward to reflect the earlier timetable?

Yes

Audit Committee has been set on 19th July 2017 to meet faster closedown

Project planning

Has the authority appointed a project manager, of sufficient seniority within the finance team, to oversee the delivery of the project?

Yes

Financial Services Manager leads the closure of accounts process

Have the necessary staff resources been identified to support the delivery of the project and the impact this will have on their other responsibilities?

Yes

Sufficient resources within Finance team to complete this project. Senior management need to be reminded of Finance teams commitment to this project and reduced capacity for other projects during this time.

Are all individuals aware of their responsibilities for preparing each section/note of the accounts?

Yes

Flexible approach between the team, but a clear system in place to identify what has been completed and what still needs to be done. Corporate Services are also aware their involvement with the Narrative Statement.

Has a realistic project plan been developed, setting out detailed timelines for completion of tasks, who will complete these and contingency for unforeseen issues?

Yes

Budget timetable is completed and communicated within the Finance team. We have reviewed some of the issues from the 2016 closedown and currently don't have any particular concerns.

Appendix A

Has the authority identified the potential blockages and barriers in the delivery of its plans and identified actions to address these?	Yes	Reliance on external bodies (Ubico, Pensions, Asset Valuations) - Pensions and Asset valuations have been received in 2016 in plenty of time (Mid April). Estimates from Ubico are materially correct by end of April which is sufficient to close creditors on. No longer part of a Business Rates pool which was another potential blocking point.
Is this project plan supported by clear financial procedures and closedown instructions to ensure clear communications to officers of requirements?	Yes	Timetable updated each year for closedown. Instructions for officers on completing debtors/creditors/reserve requests
Has the authority identified opportunities to rotate or upskill a wider group of individuals within the organisation to provide resilience for unforeseen loss of key staff and develop skills across the finance team?	No	Specialist nature of the accountancy work and size of the organisation makes this difficult. Would have to rely on agency staff and fact that working papers are easy to follow to cover any loss of staff.
Has the authority established a committee or group to routinely monitor the progress against plans and ensure these stay on track?	No	Not seen as effective. Timescales are short and a lot of elements come together at same time. Feedback on progress will be fed back to Lead Member for Finance and Asset Management through regular portfolio briefings as usual.
Systems and processes		
Has the authority reviewed the outcomes of the previous year's accounts preparation processes and identified where changes or improvements can be made?	Yes	Attended workshops and also produced notes as a result of the findings from the workshop. Agreed how we could do things earlier and easier.
Has the authority reviewed all manual procedures and financial processes and considered where there is scope to automate and/or standardise these across the organisation?	Yes	The Purchasing system will eventually be used to automate the carry over processes and all procedures have been looked at to see whether we can improve on them.
Has the authority reviewed its financial procedures and tasks to identify scope for streamlining, modification and improvement?	Yes	See above, spread of work amongst the team, bringing work forward and look if we can do some of the work automatically
Have all routine financial tasks been performed on a timely basis throughout the year to avoid additional procedures required at year end?	Yes	We balance all systems on a monthly basis.
Has the authority reviewed its monthly management reporting processes to identify opportunities to align these more closely to the year end processes?	Yes	Looking at doing more with Operational managers on budgets in Feb and March to ensure debtors and creditors are identified - also better information on earmarked reserve requests.
Has the authority undertaken an in year interim hard close of its accounts to identify any possible issues early?	No	Not considered to be required this year and as a small team we do not have the capacity to do this.
Is the authority up to date on expected accounting changes in the financial reporting framework and considering the impact of these as early as possible?	Yes	Already restated the accounts for the changes to 16/17 for prior year comparators, liaised with Auditors over new accounting issues.

Systems and processes (continued)

Has the authority reviewed its accounting policies to reflect any changes and ensure that these are tailored and appropriate for its circumstances? Have these policies been shared and discussed with the audit committee?

Yes To be presented to audit committee on 22nd March

Has the timetable and procedures built in sufficient time for quality assurance checks of the accounts and supporting working papers?

Yes Tight timescales but should be sufficient

Has the authority identified those areas where significant judgements and use of estimates are required and identified the basis on which these will be prepared and the data needed to support them?

Yes To be presented to audit committee on 22nd March

Managing relationships with others

Has the authority identified those areas where information is required from other parties and ensured that this is incorporated into the project plan?

- Valuers
- Actuaries
- Legal specialists
- Specialist accounting advice e.g. PFI

Has the authority conducted an assessment of its likely group relationships and other external entities and agreed with its subsidiaries/associates/joint arrangements when group consolidation information or disclosures will be provided

Yes Valuers contract is for information to be provided by the 15th April. This is the same as in the last 2 financial years and the valuers have meet this. Actuaries provided information earlier last year and are aiming for 13th April this year. Agreed an additional payment to provide the restated information due to tupe of cascades staff. Out of the Pool for business rates which means not reliant on this information being provided Agreed with the auditors in 2015/16. No new arrangements identified in 16/17 which would lead to a change in group status or new organisations being identified as having a group requirement

Has the authority spoken to its suppliers and contractors to ensure that arrangements for year-end processing and payment of invoicing is managed effectively?

No Not considered necessary. No significant suppliers that would be managed in this way. Going to work with budget holders to discuss creditors and debtors in Feb and March.

Has the authority discussed information requirements and timetables with other partner public bodies relating to any shared services and partnership working arrangements?

Yes Agreements in place with One legal, Building control and Ubico to get materially accurate estimates of outturn within a reasonable timescale.

Working effectively with auditors

Has the authority shared its closedown project plans with its auditors and agreed key dates and milestones?

Yes Will be reviewed during auditors visit in March

Has the authority discussed and agreed respective responsibilities and set clear expectations on the accounts preparation and audit processes?	Yes	3 week audit visit agreed
Does the authority communicate with its auditors on a regular basis to discuss emerging accounting issues and progress against plans?	Yes	TBC raises issues early with auditors
Has the authority conducted a thorough review of its accounts and identified and discussed with its auditors those areas where there is scope to declutter and remove unnecessary notes and disclosures?	Yes	Working from audit reports from prior year and attending auditor lead closedown events.
Has the authority discussed and agreed its working paper requirements to support the completion of the audit?	Yes	We receive positive reports from the auditors about the quality of our working papers and follow their working paper requirements document.
Has the authority and auditor shared their staff availability and holiday commitments so that these can be reflected in the work timetables?	Yes	Agreed audit visit to maximise number of people available.
Has the authority discussed with its auditor where audit procedures can be commenced early and financial records that can be tested at the interim audit?	Yes	Interim audit to AP9 has been completed already, along with opening balances testing.
Has the authority provided an early copy of the skeleton accounts and disclosures to allow opportunity for review of updated disclosures and prior year information in advance of the year end?	Yes	We have restated 2015-16 accounts in order to put the figures into the new format and this has been sent to Grant Thornton for review.
Has the authority met with its auditor to reflect on the previous year's audit process and identify areas that can be changed or improved?	Yes	Informal discussions held with the auditors

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	22 March 2017
Subject:	Internal Audit Plan Monitoring Report
Report of:	Graeme Simpson, Head of Corporate Services
Corporate Lead:	Mike Dawson, Chief Executive
Lead Member:	Councillor R J E Vines, Leader of the Council
Number of Appendices:	3

<p>Executive Summary:</p> <p>The monitoring report summarises the work undertaken by and the assurance opinions given by Internal Audit for the period December 2016 – February 2017.</p>
<p>Recommendation:</p> <p>To CONSIDER the audit work completed and the assurance given on the adequacy of internal controls operating in the systems audited.</p>
<p>Reasons for Recommendation:</p> <p>The work of Internal Audit complies with the Public Sector Internal Audit Standards (PSIAS). These standards state that the Chief Audit Executive (CAE) must report functionally to the board. This includes reporting on Internal Audit’s activity relative to its plan.</p>

<p>Resource Implications:</p> <p>None arising directly from this report other than to note that the Internal Audit service to the Tewkesbury Town Council was terminated in accordance with the agreement dated 12 December 2014.</p>
<p>Legal Implications:</p> <p>None arising directly from this report other than to note that the Internal Audit service to the Tewkesbury Town Council was terminated in accordance with the agreement dated 12 December 2014.</p>
<p>Risk Management Implications:</p> <p>If the CAE does not report functionally to the board then this does not comply with PSIAS.</p> <p>If there are delays in response to the acceptance/implementation of essential audit recommendations then this potentially increases the risk of fraud, error, inefficiency or areas of non-compliance remaining within the systems audited.</p>

Performance Management Follow-up:

All recommendations made by Internal Audit are followed up within appropriate timescales to give assurance they have been implemented. All recommendations made by Internal Audit are reported to the Audit Committee and these can be found in Appendix 3.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 The 2016/17 Internal Audit Plan was approved at Audit Committee on 23 March 2016. This monitoring report summarises the work undertaken, and the assurance opinions given, by Internal Audit for the period December 2016 to February 2017. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that the Chief Audit Executive (Head of Corporate Services) reports formally to the 'board' (Audit Committee).

2.0 INTERNAL AUDIT WORK FOR THE PERIOD

2.1 The work undertaken in the period is detailed in Appendix 1. This provides commentary on the activity audited, the control objectives for each activity and the audit opinion for each control objective.

2.2 A list of the audits within the 2016/17 Audit Plan and their progress to date can be found in Appendix 2.

2.3 When reporting, a 'split' opinion can be given. This means an individual opinion can be given for different parts of the system being audited. This approach enables Internal Audit to identify to management specific areas of control that are operating or not. Assurance opinions are categorised as 'good', 'satisfactory', 'limited' and 'unsatisfactory'. With regards to the opinions issued, all have a positive audit opinion except for the audit relating to insurances. The limited opinion relates to the cascading of insurance conditions to relevant staff.

2.4 All audit recommendations have been included within this monitoring report. This provides the Committee with an overview of the breadth of work undertaken and allows the Committee to monitor the implementation of the audit recommendations. The list of recommendations and their status can be found in Appendix 3.

Note: Recommendations that have been previously reported to the Audit Committee as implemented have been removed from the template.

2.5 As reported at the previous meeting, the Audit Plan had seen a degree of slippage due to sickness absence. The Internal Audit team is small in size (2 full time equivalents) so any significant absence can affect the resilience of the team. To help the plan to get back on track, the Finance team provided a manpower resource to the Internal Audit team and completed two audits.

2.6 One member of team has recently departed on maternity leave. A secondment arrangement is in place for this to be covered and a period of training and development will be required in the interim.

- 2.7** Additional work carried out by the Internal Audit team included corporate improvement in connection with the new vehicles agreement between UBICO and the Council. The team also took part in presenting an overview of the role of internal audit to Councillors on 7 February 2017.
- 3.0 FRAUD/CORRUPTION/THEFT/WHISTLEBLOWING**
- 3.1** No incidents have been reported during the period.
- 4.0 PARTNERSHIP ARRANGEMENT WITH TEWKESBURY TOWN COUNCIL**
- 4.1** The Council has received notification from the Tewkesbury Town Council Clerk of the decision to terminate the contract for the provision of the Borough Council's internal audit function. This was a decision made at the Tewkesbury Town Council Finance and Staffing Committee held on 13 February 2017. A total of 20 days are allocated for this provision.
- 5.0 OTHER OPTIONS CONSIDERED**
- 5.1** None.
- 6.0 CONSULTATION**
- 6.1** All managers are consulted prior to the commencement of the audit to agree the scope and each manager has the opportunity to complete a client survey at the end of the audit.
- 7.0 RELEVANT COUNCIL POLICIES/STRATEGIES**
- 7.1** Internal Audit Charter
Internal Audit Annual Plan.
- 8.0 RELEVANT GOVERNMENT POLICIES**
- 8.1** None.
- 9.0 RESOURCE IMPLICATIONS (Human/Property)**
- 9.1** None.
- 10.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**
- 10.1** None.
- 11.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**
- 11.1** Internal Audit contributes to value for money through its improvement work.

12.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

12 .1 None.

Background Papers: None

Contact Officer: Graeme Simpson, Head of Corporate Services
01684 272002 Graeme.simpson@teWKesbury.gov.uk

Appendices: Appendix 1 – Audit work undertaken December 2016-November 2017
Appendix 2 – Audit Plan progress
Appendix 3 – Summary of recommendations

List of Audits Completed as Part of the 2016/17 Audit Plan

Audit	Audit Objective & Opinion											
Insurances 2016/17	<p>Control Objectives (CO):</p> <ol style="list-style-type: none"> 1. The information reported within the insurance renewal forms for 2016 is accurate. 2. Warranties and conditions stated within the policy documents are being met. 3. Incidents giving rise to an insurance claim are promptly and properly reported, processed and monitored <p>Audit opinion</p> <table border="1" data-bbox="406 719 1444 2074"> <thead> <tr> <th data-bbox="406 719 480 819">CO</th> <th data-bbox="480 719 743 819">Assurance Level</th> <th data-bbox="743 719 1444 819">Opinion</th> </tr> </thead> <tbody> <tr> <td data-bbox="406 819 480 1093">1</td> <td data-bbox="480 819 743 1093">Good</td> <td data-bbox="743 819 1444 1093">In respect of the Council's insurers for 2016 (ACE European, Arthur J Gallagher and Zurich Municipal), the insurance cover renewal requests by the authority were found to have been supported by adequate financial information that had also been accurately reflected within the renewal statements.</td> </tr> <tr> <td data-bbox="406 1093 480 2074">2</td> <td data-bbox="480 1093 743 2074">Limited</td> <td data-bbox="743 1093 1444 2074"> <p>It was confirmed with the insurance officer that currently insurance conditions/endorsements in relation to insurance policies are not disseminated to appropriate Council officers such as the Asset Manager and IT Manager. For example the property module lists endorsements, one of which is the requirement to retain detailed record keeping in relation to automated fire alarm systems, the Asset Manager confirmed that he was not aware of the specific conditions although information on fire alarm testing was maintained for properties directly managed by the Council. It was acknowledged that this information will need to be reviewed to ensure it meets insurance requirements. In addition, insurance conditions associated with property insurance policies should be disseminated to the Council's leased properties and, in connection with this, assurance should be obtained that fire risk assessments have been performed and detailed automated fire alarm record keeping is maintained where appropriate.</p> <p>The risk of not disseminating insurance conditions to Council officers could potentially affect the Council's ability to defend a claim where conditions have been attached to a policy; however, this risk is considered minimal based on the limited number of claims received that have resulted in a claim being settled in favour of the claimant.</p> </td> </tr> </tbody> </table>			CO	Assurance Level	Opinion	1	Good	In respect of the Council's insurers for 2016 (ACE European, Arthur J Gallagher and Zurich Municipal), the insurance cover renewal requests by the authority were found to have been supported by adequate financial information that had also been accurately reflected within the renewal statements.	2	Limited	<p>It was confirmed with the insurance officer that currently insurance conditions/endorsements in relation to insurance policies are not disseminated to appropriate Council officers such as the Asset Manager and IT Manager. For example the property module lists endorsements, one of which is the requirement to retain detailed record keeping in relation to automated fire alarm systems, the Asset Manager confirmed that he was not aware of the specific conditions although information on fire alarm testing was maintained for properties directly managed by the Council. It was acknowledged that this information will need to be reviewed to ensure it meets insurance requirements. In addition, insurance conditions associated with property insurance policies should be disseminated to the Council's leased properties and, in connection with this, assurance should be obtained that fire risk assessments have been performed and detailed automated fire alarm record keeping is maintained where appropriate.</p> <p>The risk of not disseminating insurance conditions to Council officers could potentially affect the Council's ability to defend a claim where conditions have been attached to a policy; however, this risk is considered minimal based on the limited number of claims received that have resulted in a claim being settled in favour of the claimant.</p>
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	3	Good	Claims are notified in a prompt manner to the insurer and there is evidence through the outstanding claims spreadsheet and the insurance folder that claims are monitored.									
Council Tax 2016/17	<p>Control Objectives (CO):</p> <ol style="list-style-type: none"> 1. Council Tax bills have been raised accurately and in accordance with the agreed charges. 2. A regular band reconciliation is undertaken between the Valuation Office and Tewkesbury Borough Council. 3. Procedures are in place to identify new properties at the earliest opportunity and that liability is raised accurately (discounts/ exemptions) <p>Audit opinion</p> <table border="1"> <thead> <tr> <th>CO</th> <th>Assurance Level</th> <th>Opinion</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Good</td> <td> <p>2016/17 Council Tax bills have been raised accurately and in accordance with the agreed charges. Council Tax precepts were appropriately agreed by Council on 18 February 2016 and parameters correctly applied to the Northgate system.</p> <p>The manual recalculation of the gross liability for two Parishes confirmed that this had been calculated correctly, based on the agreed banding values, and that the number of properties in respect of Council Tax 2016/17 on Northgate reconciled to the Valuation Office schedules. In addition, evidence provided reasonable assurance that a random sample of Council Tax bills were checked for accuracy prior to issuing the bills on 11 March 2016.</p> </td> </tr> <tr> <td>2</td> <td>Good</td> <td> <p>Band reconciliations are undertaken between the Valuation Office schedules and the Northgate system. Any amendments were found to have been accurately updated within the Northgate system.</p> </td> </tr> </tbody> </table>			CO	Assurance Level	Opinion	1	Good	<p>2016/17 Council Tax bills have been raised accurately and in accordance with the agreed charges. Council Tax precepts were appropriately agreed by Council on 18 February 2016 and parameters correctly applied to the Northgate system.</p> <p>The manual recalculation of the gross liability for two Parishes confirmed that this had been calculated correctly, based on the agreed banding values, and that the number of properties in respect of Council Tax 2016/17 on Northgate reconciled to the Valuation Office schedules. In addition, evidence provided reasonable assurance that a random sample of Council Tax bills were checked for accuracy prior to issuing the bills on 11 March 2016.</p>	2	Good	<p>Band reconciliations are undertaken between the Valuation Office schedules and the Northgate system. Any amendments were found to have been accurately updated within the Northgate system.</p>
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2	Good	<p>Band reconciliations are undertaken between the Valuation Office schedules and the Northgate system. Any amendments were found to have been accurately updated within the Northgate system.</p>										

	3	Good	<p>Procedures are in place to identify new homes within the borough, via identification of properties applying for Street Naming and Numbering for newly built properties. The progress of these developments is monitored via the inspection process. The current procedure for the recording of these inspections is completed in spreadsheets maintained by the Inspecting Officer. Provisional bandings are also provided to new properties at the time completion notices are issued or upon notification to the Council of occupation of the property. This ensures that income can potentially be gathered before the official banding by the Valuation Office is completed. Whilst it is not a legal requirement for customers to pay at this time, testing identified that of the net liability raised on provisional banding, 70% had been paid.</p> <p>With regard to Council Tax liability, parameters concerning discounts and exemptions were found to have been correctly noted on Northgate. Furthermore, a review of accounts provided assurance that discounts and exemptions had been applied accurately to all sampled accounts and were supported by adequate evidence in 19 of the 20 accounts sampled.</p>
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Tourist
Information
Centres
2016/17

Control Objectives (CO):

1. Income is collected, reconciled, and allocated promptly and correctly to the General Ledger.
2. Expenditure is authorised appropriately, goods/services received, and in respect of goods received, these have been entered into the stock system.

Audit opinion

CO	Assurance Level	Opinion
1	Satisfactory	<p>There is a satisfactory level of assurance that income collected at both the Heritage and Visitor Centre (THVC) and the Winchcombe Information Centre was reconciled, promptly banked and allocated correctly to the general ledger in respect of both income codes and VAT. It was found, however, that method for recording sales in respect of event tickets gave limited assurance that reconciliations of event tickets was completed and that associated commission was being raised correctly in regards to the Winchcombe Festival of Music and Arts.</p> <p>The financial procedure rules require that stock is maintained as reasonable levels and that a regular stock check is undertaken. Although stock at the information centres was found to be maintained in low volumes, stock is kept in ununlockable cupboards and there are infrequent stock checks.</p> <p>Whilst completing the audit two unrelated control issues were identified as follows:-</p> <ul style="list-style-type: none"> - large amounts of data, including personal information from ticket sales, is retained at the THVC office although physical controls in regards to access to this data is in place. However, it is recommended that a data retention policy be established and excess data be removed and destroyed in line with the Data Protection Act. - The information centre at Winchcombe is operated from rented premises owned by Winchcombe Town Trust. The agreement was not made available at the time of audit and it is recommended that this located and updated to outline the conditions and rental fee for the lease.

	2	Satisfactory	Using a sample of invoices, evidence was obtained that demonstrated a good level of assurance that orders were raised appropriately, invoices paid in a timely manner for the correct value, and were allocated correctly to the General Ledger. In addition there was evidence that upon receipt of the goods, these were entered into the stock system. As mentioned above, regular stock checks are not maintained and this has been addressed in a recommendation above.						
Recycling 2016/17	<p>Control Objectives (CO):</p> <ol style="list-style-type: none"> 1. A contract exists for the disposal of recycling waste and key performance data is provided in accordance with the terms of the contract, and expenditure in relation to disposal costs is accurate. 2. Kerbside recycling processes are in place to ensure that recycling credit tonnage is accurate and invoices to the county are raised for the correct amount <p>Audit opinion</p> <table border="1" data-bbox="405 875 1447 2042"> <thead> <tr> <th data-bbox="405 875 480 972">CO</th> <th data-bbox="485 875 724 972">Assurance Level</th> <th data-bbox="729 875 1447 972">Opinion</th> </tr> </thead> <tbody> <tr> <td data-bbox="405 978 480 2042">1</td> <td data-bbox="485 978 724 2042">Satisfactory</td> <td data-bbox="729 978 1447 2042"> <p>There is evidence that a contract exists for the sorting and disposal of recycling waste and that data regarding the key reporting terms as stated in the Invitation to Tender are provided in the form of Monthly Summary Reports. It is the responsibility of the Joint Waste Team to monitor the recycling element, and whilst the key reporting terms offer this function, further explanation of the expected Joint Waste Team's monitoring functions and activities should be provided in the form of a recycling protocol, including sampling spot check procedures and waste carrier permits.</p> <p>Testing of two monthly invoices confirmed that recycling data recorded on the creditor invoices were accurate to the actual operation of the service and that fees are paid correctly. Whilst testing confirmed that the Grundon invoices for May and October 2016 were accurately stated, on discussion with the Interim Head of Community Services (IHCS) and the Joint Waste Team Officer it was established that currently no verification of the Grundon invoice is completed prior to payment being made. Considering the value of the invoices it is recommended that verification of the invoice be completed prior to payment.</p> </td> </tr> </tbody> </table>			CO	Assurance Level	Opinion	1	Satisfactory	<p>There is evidence that a contract exists for the sorting and disposal of recycling waste and that data regarding the key reporting terms as stated in the Invitation to Tender are provided in the form of Monthly Summary Reports. It is the responsibility of the Joint Waste Team to monitor the recycling element, and whilst the key reporting terms offer this function, further explanation of the expected Joint Waste Team's monitoring functions and activities should be provided in the form of a recycling protocol, including sampling spot check procedures and waste carrier permits.</p> <p>Testing of two monthly invoices confirmed that recycling data recorded on the creditor invoices were accurate to the actual operation of the service and that fees are paid correctly. Whilst testing confirmed that the Grundon invoices for May and October 2016 were accurately stated, on discussion with the Interim Head of Community Services (IHCS) and the Joint Waste Team Officer it was established that currently no verification of the Grundon invoice is completed prior to payment being made. Considering the value of the invoices it is recommended that verification of the invoice be completed prior to payment.</p>
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	2	Satisfactory	Materials Recycling Facility (MRF) recycled waste is proportioned through sampling testing into various waste stream tonnages and it is these tonnages that monetary credits can be reclaimed from Gloucestershire County Council. Assurance was obtained that waste being collected from households was disseminated to reputable recycling plants. In addition, the appropriate sampling tonnages were being taken in order to identify the waste stream proportion. However, invoices raised in connection with the recycling credits were based on the waste recycling schedule provided by Gloucestershire County Council without any independent verification of the tonnage and sampling values being undertaken by Tewkesbury Borough Council.									
Main Accounting 2016/17	<p>Control Objectives (CO):</p> <ol style="list-style-type: none"> All journals over £10,000 are reviewed by an appropriate member of the finance team to ensure that all transactions are appropriately processed and recorded. Suspense and unidentified remitters accounts are reviewed and cleared on a regular basis. Feeder systems are balanced to the main accounting system on a monthly basis. <p>Audit Opinion:</p>											
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	3	Good	The feeder systems to the main accounting system were identified during the audit and a review of the balancing statement file confirmed that these are balanced on a monthly basis and balancing statements are subject to supervisory review by the Finance Manager. A review of the reconciliation statements of two feeder systems was carried out during the audit and these were found to be accurate.						
Creditors 2016/17	<p>Control Objectives (CO):</p> <p>1. Key controls in respect of the creditor's system are in place.</p> <p>Audit opinion:</p> <table border="1" data-bbox="422 622 1444 2074"> <thead> <tr> <th data-bbox="422 622 496 734">CO</th> <th data-bbox="496 622 721 734">Assurance Level</th> <th data-bbox="721 622 1444 734">Opinion</th> </tr> </thead> <tbody> <tr> <td data-bbox="422 734 496 2074">1</td> <td data-bbox="496 734 721 2074">Satisfactory</td> <td data-bbox="721 734 1444 2074"> <p>In compliance with the Council's Financial Procedure Rules, an authorised signatory list is in place This is reviewed on a regular basis and any new signatories appropriately authorised by the S151 Officer.</p> <p>Through reviewing a sample of paid invoices, assurance was obtained that all had been appropriately authorised (within officers' authorisation limits), and the expenditure and any associated VAT amount had been correctly allocated within the general ledger.</p> <p>Tewkesbury Borough Council became a deemed contractor under the Construction Industry Scheme (CIS) with effect from 6 April 2016. Therefore, from this date, all payments made by the council for construction operations falling under the scheme should be subject to CIS rules. Out of a total of £54,862,636.59 of creditor payments processed to date within the current financial year, £1,192,446 of this total relates to CIS payments, with the majority of this amount relating to the build of the new leisure centre.</p> <p>Audit testing of a monthly CIS return, relating to payments made to a total of 7 sub-contractors, concluded that:</p> <ul style="list-style-type: none"> • 4 had been processed correctly and CIS had been applied accurately. • 1 had been incorrectly processed through CIS. • 2 related to mixed contracts whereby not all payments due to the sub-contractor had been processed through CIS and in these cases the council will need to demonstrate that each piece of work, that was either included or excluded, had been separately agreed and commissioned </td> </tr> </tbody> </table>			CO	Assurance Level	Opinion	1	Satisfactory	<p>In compliance with the Council's Financial Procedure Rules, an authorised signatory list is in place This is reviewed on a regular basis and any new signatories appropriately authorised by the S151 Officer.</p> <p>Through reviewing a sample of paid invoices, assurance was obtained that all had been appropriately authorised (within officers' authorisation limits), and the expenditure and any associated VAT amount had been correctly allocated within the general ledger.</p> <p>Tewkesbury Borough Council became a deemed contractor under the Construction Industry Scheme (CIS) with effect from 6 April 2016. Therefore, from this date, all payments made by the council for construction operations falling under the scheme should be subject to CIS rules. Out of a total of £54,862,636.59 of creditor payments processed to date within the current financial year, £1,192,446 of this total relates to CIS payments, with the majority of this amount relating to the build of the new leisure centre.</p> <p>Audit testing of a monthly CIS return, relating to payments made to a total of 7 sub-contractors, concluded that:</p> <ul style="list-style-type: none"> • 4 had been processed correctly and CIS had been applied accurately. • 1 had been incorrectly processed through CIS. • 2 related to mixed contracts whereby not all payments due to the sub-contractor had been processed through CIS and in these cases the council will need to demonstrate that each piece of work, that was either included or excluded, had been separately agreed and commissioned
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			<ul style="list-style-type: none"> • Accurate deduction statements have been issued to sub-contractors based on the actual deductions made. <p>Given the audit findings, it is recommended that a review of the CIS monthly returns processed to date is carried out in order to ensure that the scheme has been correctly applied. The review should also take into consideration the following aspects of the scheme:</p> <ul style="list-style-type: none"> • Mixed contracts. • Exemption re: expenditure relating to property used by the council itself. <p>Further guidance should be sought from HMRC where required and the appropriate action taken as a result.</p>						
<p>Environmental Health Flood Grants 2016/17</p>	<p>Control Objectives (CO):</p> <ol style="list-style-type: none"> 1. External funding receipted in relation to flood schemes is appropriately spent and monies due in relation to these schemes have been received promptly and for the correct amount. <p>Audit opinion:</p> <table border="1" data-bbox="405 981 1442 2040"> <thead> <tr> <th data-bbox="405 981 480 1128">CO</th> <th data-bbox="480 981 724 1128">Assurance Level</th> <th data-bbox="724 981 1442 1128">Opinion</th> </tr> </thead> <tbody> <tr> <td data-bbox="405 1128 480 2040">1.</td> <td data-bbox="480 1128 724 2040">Satisfactory</td> <td data-bbox="724 1128 1442 2040"> <p>The testing of creditor invoices confirmed that expenditure in relation to flood schemes allocated within the earmarked reserves had been appropriately spent in accordance with the stated scheme. There was a minor non-compliance to the procurement rules in relation to not obtaining a fresh waiver for replacement contractors. In relation to the Gloucestershire County Council flood funding, monies were found to have been received and there was evidence to demonstrate that creditor payments for works had been authorised correctly and paid in a timely manner. Monitoring of flood schemes in progress was undertaken through an inspection regime and progress on these schemes were notified to the Flood Risk Management Group. However, it was noted that the agreement between the Borough Council and the County Council with regards grant payments to undertake flood alleviation schemes still needs to be finalised.</p> </td> </tr> </tbody> </table>			CO	Assurance Level	Opinion	1.	Satisfactory	<p>The testing of creditor invoices confirmed that expenditure in relation to flood schemes allocated within the earmarked reserves had been appropriately spent in accordance with the stated scheme. There was a minor non-compliance to the procurement rules in relation to not obtaining a fresh waiver for replacement contractors. In relation to the Gloucestershire County Council flood funding, monies were found to have been received and there was evidence to demonstrate that creditor payments for works had been authorised correctly and paid in a timely manner. Monitoring of flood schemes in progress was undertaken through an inspection regime and progress on these schemes were notified to the Flood Risk Management Group. However, it was noted that the agreement between the Borough Council and the County Council with regards grant payments to undertake flood alleviation schemes still needs to be finalised.</p>
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1.	Satisfactory	<p>The testing of creditor invoices confirmed that expenditure in relation to flood schemes allocated within the earmarked reserves had been appropriately spent in accordance with the stated scheme. There was a minor non-compliance to the procurement rules in relation to not obtaining a fresh waiver for replacement contractors. In relation to the Gloucestershire County Council flood funding, monies were found to have been received and there was evidence to demonstrate that creditor payments for works had been authorised correctly and paid in a timely manner. Monitoring of flood schemes in progress was undertaken through an inspection regime and progress on these schemes were notified to the Flood Risk Management Group. However, it was noted that the agreement between the Borough Council and the County Council with regards grant payments to undertake flood alleviation schemes still needs to be finalised.</p>							

			<p>The Borough Council is acting as an accountable body for the Isbourne Catchment Flood Group and currently holds funds for this Group. However, there is no formal agreement in place and as such the liabilities of the Council are not fully known. The funds that have been received in relation to this Group have been monitored, and work carried out to ensure that the Council has an understanding of any VAT implications in the event of spending these funds. It is also understood that work is also under way to ensure the 'best way forward' for the Group to operate in the future.</p>
Corporate Improvement Work	<p>Management of TBC New Vehicles by UBICO</p> <p>An agreement was in the process of being established with UBICO in relation to the new vehicle fleet that the Council has purchased. The Council needs to have assurance that those vehicles are being appropriately maintained and in this connection a series of suggested controls in relation to insurance, service/maintenance, repairs, tyres and general vehicle condition were provided to the interim Head of Community Services for inclusion within the agreement.</p>		

The level of internal control operating within systems will be classified in accordance with the following definitions:-

LEVEL OF CONTROL	DEFINITION
Good	Robust framework of controls – provides substantial assurance.
Satisfactory	Sufficient framework of controls – provides satisfactory assurance – minimal risk. Probably no more than one or two 'Necessary' (Rank 2) recommendations.
Limited	Some lapses in framework of controls – provides limited assurance. A number of areas identified for improvement. A number of 'Necessary' (Rank 2) recommendations, and one or two 'Essential' (Rank 1) recommendations.
Unsatisfactory	Significant breakdown in framework of controls – provides unsatisfactory assurance. Unacceptable risks identified – fundamental changes required. A number of 'Essential' (Rank 1) recommendations.

Recommendations/Assurance Statement

CATEGORY		DEFINITION
1	Essential	Essential due to statutory obligation, legal requirement, Council policy or major risk of loss or damage to Council assets, information or reputation. Where possible it should be addressed as a matter of urgency.
2	Necessary	Could cause limited loss of assets or information or adverse publicity or embarrassment. Necessary for sound internal control and confidence in the system to exist and should be pursued in the short term, ideally within 6 months.

Progress of Audit Plan 2016-17

Audit	Status
Tree Inspections	Final – reported to Audit Committee 21 September 2016.
Playground Inspections	Final - reported to Audit Committee 21 September 2016.
Tell Us Once	Final - reported to Audit Committee 21 September 2016.
Health & Safety	Final – reported to Audit Committee 14 December 2016
ICT – PSN Compliance	Final - reported to Audit Committee 21 September 2016.
Bulky Waste	Final - reported to Audit Committee 21 September 2016.
ICT – Environmental Controls	Final - reported to Audit Committee 21 September 2016.
Community Support Grants	Final - reported to Audit Committee 21 September 2016.
Ubico – client monitoring	Final – reported to Audit Committee 14 December 2016.
Housing Benefits	Final – reported to Audit Committee 14 December 2016
Lone Working	Final – reported to Audit Committee 14 December 2016
NNDR	Final – reported to Audit Committee 14 December 2016
Complaints	Final - reported to Audit Committee 14 December 2016
Insurances	Final – reported to Audit Committee 22 March 2017
Main accounting system	Final – reported to Audit Committee 22 March 2017

Audit	Status
Council Tax	Final – reported to Audit Committee 22 March 2017
Flood Grants	Final – reported to Audit Committee 22 March 2017.
Tourist Information Centres	Final – reported to Audit Committee 22 March 2017
Recycling	Final – reported to Audit Committee 22 March 2017
Creditors	Final – reported to Audit Committee 22 March 2017
ICT	Quarter 4.
Safeguarding	In progress.
ICT – change controls	Quarter 4.
Debtors	Quarter 4.
Information Governance	In progress.
Business Continuity	Draft.
New Leisure Centre Monitoring	In progress.
Treasury Management	Quarter 4.

Outstanding Audit Recommendations

	Recommendation reviewed and found not implemented
	Recommendation reviewed and found to be partially implemented
	Recommendation reviewed and found to be implemented

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Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Homeless 2014-15	To demonstrate best value a procurement exercise in relation to storage should be undertaken	Apr-16	Feb-17	Follow Up Undertaken - not implemented	Revised implementation date: December 17	16-17 q1
Homeless 2014-15	Call off contracts for B&B properties should be established and assurance of the continuing suitability of the accommodation being provided should be obtained	Jun-16	Feb-17	Follow Up Undertaken - not implemented	Revised implementation date: December 17	16-17 q1

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Local Transparency Agenda Follow-Up 2015/16	The following action should be undertaken in order to comply with the publication requirements of the Local Transparency Code 2015. 1. A review of the data published in respect of local authority land should be carried out to ensure the information is clear and compliant to the code	Mar-16	Feb-17	Follow Up Undertaken - not implemented	The published data on land areas remains has not altered. Issues with this data includes duplicate entries, incomplete data fields and poor formatting. A new implementation date has been established as <u>end september 2017</u>	16-17 q2
Local Transparency Agenda Follow-Up 2015/16	Overall responsibility for the council's contract register should be defined.	Mar-16	Feb-17	Mitigated by other processes	The Asset Management team in conjunction with the Procurement Group are currently carrying out an exercise to incorporate the contract registers into the gloucester procurement hub. The hub automatic	16-17 q2

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
					processes will inform service managers of review dates etc. Responsibility of contract registers will rest with service managers.	
NDR 2014-15	The Council's discretionary policy should give consideration to the changes introduced by the Localism Act 2011 in which discretionary relief can be given to any ratepayer.	Mar-16	Nov 16; Feb 17;	Follow Up Undertaken - not implemented	The Economic Development Manager has verbally confirmed that further consideration is to be given to discretionary relief for businesses under the localism act and it will form part of the action plan of the new economic development strategy. An update of this will be brought to the June 17 audit committee.	16-17 q2

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
					<u>Revised implementation date: June 17</u>	
Property Audit – TBC building tenant leases 2014-15	The disposal of commercial waste by TBC on behalf of tenants should be incorporated within the lease and the appropriate debt raised against the tenants	Dec-15		Follow up Undertaken - implemented	Final action point implemented as transfer waste notices obtained in relation to council office tenants.	16-17 q2
Council Tax 2014-15	Inspection process needs to be enhanced to ensure that council tax is raised at the earliest opportunity	Feb-16	Feb-17	Follow up Undertaken - implemented	The introduction of a provisional banding has enabled Council Tax to be raised when the completion notice is issued.	16-17 q3
Creditors 2015-16	Undertake a periodic stocktake of cheques	Mar-16	Feb-17	Follow up Undertaken - implemented	Stock checks are carried out on a six-monthly basis and evidence held within the balancing statement file.	16-17 q3

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Creditors 2015-16	Pre-signed cheques should be stored in a strong room or safe with appropriate access controls	Mar-17	Feb-17	Follow up Undertaken - implemented	Cheques are stored in a secure cabinet and these arrangements have been confirmed as adequate by the council's insurers.	16-17 q3
ICT helpdesk 2015-16	Supporting procedures should be documented for the helpdesk.	Aug-16	Jan-17	Follow Up Undertaken - partially implemented	On discussion with the ICT Operations Manager (ICTOM) it was identified tha the processes are now documented in the form of a flow chart, although this is rudimentary in that it does not document prioritisation parameters or framework for resolutions time frames. In addition the SLA is yet to be established but it was agreed that	16-17 q3

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
					this may no longer be appropriate and instead a service standard protocols will be established. <u>Revised implementation date: August 2017.</u>	
ICT helpdesk 2015-16	A periodic check of open tickets should be carried out to ensure they are being closed off promptly.	Aug-16	Jan-17	Follow up Undertaken - implemented	The ICTOM confirmed that the system has now been amended to provide automatic prompts to review tickets that have been open for a week, and prompts to both helpdesk staff and the ICTOM to review tickets that have been open for a month.	16-17 q3

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
ICT helpdesk 2015-16	Further promotion of the self-service portal should be carried out.	Aug-16	Jan-17	Follow up Undertaken - implemented	There is evidence that promotion of the self service portal has been carried out through various methods and staff are directed to the central knowledge base via a banner at the top of the self-service homepage. This encourages staff to access self-help 'solutions page' before logging a ticket.	16-17 q3

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
ICT helpdesk 2015-16	Feedback on the new system should be sought from users.	Aug-16	Jan-17	Follow Up Undertaken - partially implemented	The ICT Operations Manager confirmed that this has been done informally through discussions with other services operation managers, although no formal survey has been issued. Therefore this recommendation is considered partially implemented. <u>Revised implementation date: August 2017.</u>	16-17 q3

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
PPD 2015-16	The PPD process should be enhanced to ensure that PPD's are updated on a regular basis and that staff involved in the PPD process are appropriately trained.	Sep-15	Feb-17	Follow Up Undertaken - partially implemented	This recommendation has been partially implemented in that HR processes are in place in relation to HR retaining PPD completed forms and using this information to inform the training plan. There is, however, limited assurance that PPDs for all staff are being completed and this is supported by the comments on PPDs recorded in the recent staff survey. A target outcome of 100% completion of PPDs is expected by senior management, and the mechanism which	16-17 q3

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
					is adopted by the managerial team to achieve this will be reviewed on the next audit follow up. <u>Review date Sept 17</u>	
Risk Management 2015-16	Refresher training should be provided for staff and members who have an involvement with the risk management framework.	Sep-16	Feb-17	Follow Up Undertaken - not implemented	New implementation date agreed with Head of Corporate Services <u>as June 2017</u>	16-17 q3

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
S106 2014-15	The monitoring process should give consideration to actively identifying completion of properties with the S106 module	Dec-15	Feb-17	Follow up Undertaken - implemented	Consideration has been given to the S106 monitoring processes, however, given current resources and the limited functionality of the uniform S106 module the reactionary approach of obtaining housing completions information from council tax will continue.	16-17 q3

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Budgetary Control (15/16)	The budget scheme of delegation should be updated on an annual basis.	Apr-16	Feb-17	Follow up Undertaken - implemented	Signatory evidence was obtained of individual managers acceptance of their controllable budgets in relation to 16-17 budget.	16-17 q4
Budgetary Control (15/16)	The council's Financial Procedure Rules should be updated.	Jun-16	Feb-17	Follow up Undertaken - implemented	New implementation date agreed at May '15 follow-up. Financial procedure rules have been updated but need to be approved by council, this will be done as part of the amendments to the constitution. Feb 17 - In light of amendments to the constitution currently being delayed, this recommendation is considered	16-17 q4

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
					updated as the actions required by financial services have been completed, with the exception of the approval.	
Corporate improvement - fighting fraud checklist for governance 2015-16	Ensure all staff, members and agency workers are aware of the risks of fraud and how it can be reported.	Oct-16	Feb-17	Follow Up Undertaken - not implemented	The use of the counter fraud hub in delivering fraud initiatives is currently being considered and this will impact on the actions taken in relation to the recommendation. This recommendation will therefore be reviewed again once service deliverables through the hub have been established. <u>Expected implementation date September 2017.</u>	16-17 q4

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Playground Inspections 2016/17	The Playground Inspection Plan (PIP) should be updated to reflect current work practices, such as giving consideration to manufacturer specifications within the inspection regime, training/competency and the use of mobile devices. Further reviews of both the risk assessment and the PIP documents should be undertaken on an annual basis	Dec-16	Feb-17	Follow up Undertaken - implemented	Evidence of updated PIP and Risk Assessment received as evidence of implementation of recommendation.	16-17 q4
Playground Inspections 2016/17	Training is provided to the inspecting officers on the approach to risk scoring of findings this will assist in ensuring a consistent approach to scoring is adopted and eliminate the additional check of the scores by property services.	Nov-16	Feb-17	Follow up Undertaken - implemented	The Asset Manager verbally confirmed that training had been provided for officers. This has reduced the number of occasions that inconsistent scoring occurred, however, it has not eliminated all occasions and therefore the additional check was still taking place.	16-17 q4

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Treasury Management 2015-16	Where a need to borrow has been identified. Supporting documentation should be retained for approval purposes that identify the various options considered and support the decision made.	Mar-17	Feb-17	Follow up Undertaken - implemented	The recommendation action of developing a checklist for borrowing has been established and used.	16-17 q4
Garden Waste 2015-16	The retention and cleansing of garden waste data should be reviewed for data protection and service delivery purposes and include data checks and cleansing together with a reconciliation between TBC and UBICO data.	Dec-16				17-18 q1
Garden Waste 2015-16	A review of the garden waste subscriptions processes should be undertaken in respect of non-renewal accounts, demonstrating customer agreement to the council's terms of reference, establishing a stock management system and authorising renewal extensions	Dec-16				17-18 q1

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
ICT PSN Submission 2016-17	The following policies and procedures should be reviewed and updated: 1. Acceptable Use of Council ICT Resources (ICT Policy) 2. Use of ICT resources by Elected Members Code of Practice 3. Information Security Incident Management Operational Policy and Procedure (to be updated and tested as part of the ICT business continuity review) 4. Change Management Policy (to be reviewed against ITIL best practice and enhanced to include specific application periods as required by the PSN	Nov-16				17-18 q1
ICT PSN Submission 2016-17	The responsibilities of the SIRO role should be defined and approval for the Deputy Chief Executive to undertake this role be formally agreed by CLT.	Nov-16				17-18 q1
Payroll 2015-16	To review the processes in relation to employee rights to holiday leave/pay particularly in light of recent employment tribunal case law	Dec-16				17-18 q1

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Tell Us Once 2016/17	The End User Tracker (EUT) should be updated and submitted to DWP to ensure that it is an accurate reflection of the sponsors and agents who process the notifications. Moving forward the EUT should be subject to an annual check by the Sponsor.	Oct-16				17-18 q1
Tell Us Once 2016/17	Consideration should be given to Housing Services, the volunteer litter picking scheme administrator and Area Revenues Officer (Sundry Debts) receiveing Tell Us Once notifications, provided that it is acceptable to share this information under Data Protection.	Jan-17				17-18 q1
Tell Us Once 2016/17	PSN accounts should be requested for the Group Manager Corporate Services and the Communications and Policy Manager, in order to satisfy the requirements of their role as business sponsors for Tell Us Once.	Oct-16				17-18 q1

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Tell Us Once 2016/17	<p>In order to ensure that the council is protecting any personal information that it receives and that this is retained appropriately; a review of data management should be carried out to include:</p> <p>1) Appropriate retention periods-supported by a retention policy 2) The level of information held 3) Identification of appropriate user training and delivery 4) Development of a Privacy Policy</p> <p>The review should take into account any requirements stated within terms of reference with the council's data suppliers.</p>	Mar-17				17-18 q1
Tree Inspections 2016/17	<p>Unadopted land should be reviewed in respect of council ownership and the continued ongoing maintenance of these areas by the council. The outcomes of this review together with any tree safety management policy updates required concerning the new inspection process should be reported to members</p>	Mar-17				17-18 q1
Tree Inspections 2016/17	<p>Tree reporting notifications from members of the public and associated actions carried out should be recorded into the PSS Live system.</p>	Mar-17				17-18 q1

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Tree Inspections 2016/17	Controls need to be put in place to ensure that data on the cloud based PSS Live system is secure and complete. In addition, a data extraction procedure should be established to ensure that access to tree data will be available notwithstanding changes to the service provider.	Mar-17				17-18 q1
Tree Inspections 2016/17	Additional training should be provided to the Inspection Officer and the Grounds Maintenance Manager on the use of the handheld device, particularly in relation to the risk scoring and the inspection module	Mar-17				17-18 q1
ICT Environmental Controls 2016/17	Appropriate council policies should be developed/ updated in order to ensure that all physical and environmental information security risks have been recognised; which in addition to ICT security should include building security, non-electronic information, computer equipment storage etc.	Jan-17				17-18 q1

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
ICT Environmental Controls 2016/17	There should be organisational awareness of the open access arrangements within the Public Services Centre between the hours of 9am to 5pm; in order to manage the associated security and data protection risks.	Mar-17				17-18 q1
ICT Environmental Controls 2016/17	An up to date establishment list should be obtained from all organisations within the building and checked against the G4S system in order to remove any staff no longer requiring access to the building.	Dec-16				17-18 q1
ICT Environmental Controls 2016/17	In compliance with DCLG guidance an annual Display Energy Certificate (DEC) should be obtained for the council's air conditioning system and a list of preferred suppliers for repairs and maintenance be established.	Dec-16				17-18 q1
Community Grants 2016-17	A reconciliation between the financials and the Community Funding Officers monitoring spreadsheet should be completed on a regular basis and documentary evidence recorded of this process	Apr-17				17-18 q2

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Trade Waste Audit 2015-16	The review of commercial waste services should give consideration to commercial viability, the regularity of reviewing charges, website enhancements, the adequacy of financial data being provided between UBICO and Financial Services	Mar-17			update provided to December 16 audit committee by R Kirk and J Davies	17-18 q1
Trade Waste Audit 2015-16	Arrangements need to be established by Environment and Housing to regularly review commercial waste debt and to take appropriate recovery action such as recovery of bins and the timely escalation of debt recovery.	Mar-17			update provided to December 16 audit committee by R Kirk and J Davies	17-18 q1
Trade Waste Audit 2015-16	A stock management review process should be established to ensure that stock retained by UBICO is maintained at an appropriate level for delivery of the service and to enable procurement activities to be undertaken in a timely manner	Mar-17			update provided to December 16 audit committee by R Kirk and J Davies	17-18 q1
Trade Waste Audit 2015-16	Data should be collected in respect of the Ubico contractual performance indicators ID4 and ID6 and reported through quarterly performance reports.	Mar-17			update provided to December 16 audit committee by R Kirk and J Davies	17-18 q1

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Bulky Waste Audit 2016-17	A review of the bulky waste service including charges should be conducted to ensure that the delivery of the service is undertaken in a timely cost-effective manner	Apr-18				18-19 q1
Bulky Waste Audit 2016-17	It is recommended that a Data Retention Policy be developed for the service	Apr-17				17-18 q2
Bulky Waste Audit 2016-17	The Customer Records Database should be reviewed in terms of its functionality for delivering the service, including:- Generating a calendar of available time slots and flexibility in the allocating of slots; Ability to develop reports to support Performance Indicators; Opportunity to enter details regarding more irregular collections	Apr-17				17-18 q2
Bulky Waste Audit 2016-17	Terms of reference for using this service should be established and published for the public to view	Apr-17				17-18 q2
Bulky Waste Audit 2016-17	The authorised signatory list should be amended to reflect those who have been authorised to supply refunds	Apr-17				17-18 q2
HB Audit 2016-17	It is recommended that a review be completed in respect of the procedure with the intention to enhance the process by prioritising specific claims to aid in the progressing of these reviews.	May-17				17-18 q3

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
NDR3 Audit 2016-17	It is recommended that the process for completing mini reviews be streamlined to enable reviews to be completed promptly.	May-17				17-18 q3
Ubico Client Monitoring 2016-17	As part of the annual review, the Key Performance Indicators within the Ubico contract should be reviewed to ensure they are fit for purpose, robust and that all elements of the service provided by Ubico are monitored where appropriate.	Apr-17				17-18 q2
Ubico Client Monitoring 2016-17	A KPI should be established to measure non completion of works in relation to the maintenance of Tewkesbury and Bishops Cleeve cemeteries.	Apr-17				17-18 q2
Ubico Client Monitoring 2016-17	Responsibilities across the organisation in respect of the performance and budget monitoring of the contract should be clearly defined in order to ensure that an effective approach is taken and that all elements of the service are adequately monitored.	Apr-17				17-18 q2
Ubico Client Monitoring 2016-17	Performance monitoring arrangements should be reviewed.	Apr-17				17-18 q2

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Ubico Client Monitoring 2016-17	The council should establish its requirements for robust stock control procedures with Ubico in order to ensure that adequate stock levels are maintained, new bin orders are made promptly and customers receive an acceptable level of service in respect of bin deliveries.	Apr-17				17-18 q2
Ubico Client Monitoring 2016-17	In accordance with the terms of the contract, it should be requested that Ubico submit quarterly reconciliation invoices/ credit notes within 14 days of the respective quarter to reflect the actual cost of the services incurred in the preceding quarter.	Apr-17				17-18 q2
Ubico Client Monitoring 2016-17	A Data Sharing Agreement should be established between Tewkesbury Borough Council and Ubico	Apr-17				17-18 q2
Ubico Client Monitoring 2016-17	The Communications Protocol should be reviewed to ensure consistency with the contract and be amended to refer to Tewkesbury Borough Council.	Apr-17				17-18 q2
Insurances 2016-17	Insurance conditions/endorsements should be disseminated to the appropriate council officers and relevant third parties	Sep-17				17-18 q3

Audit	Recommendation Details	Expected implementation date	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
TIC 2016-17	In cases where TBC act as an agent for the sale of event tickets, an appropriate stock check system should be developed and documented to ensure that actual number and values of tickets sold are accurate.	Aug-17				17-18 q4
TIC 2016-17	The agreement between TBC and Winchcombe Town Trust should be located and updated to outline the conditions and rental fee for the lease of the room used for Winchcombe TIC.	Aug-17				17-18 q4
TIC 2016-17	A data retention policy should be developed and excess data removed and destroyed appropriately, in line with the Data Protection Act.	May-17				17-18 q4
Creditors 2016-17	A review of the CIS monthly returns processed to date should be carried out in order to ensure that the scheme has been correctly applied. Further guidance should be sought from HMRC where required and the appropriate action taken as a result.	Jul-17				17-18 q3

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	22 March 2017
Subject:	Tree Inspections Follow-Up Audit Report
Report of:	Andy Noble, Asset Manager
Corporate Lead:	Rob Weaver, Deputy Chief Executive
Lead Member:	Councillor Dave Waters, Lead Member for Finance and Asset Management
Number of Appendices:	None

<p>Executive Summary:</p> <p>Following an audit of the tree inspections in August 2016, limited assurance was given that trees were being inspected that were not in the ownership of the authority, with 672 trees being inspected of which 191 were not on land owned by the authority.</p> <p>At the time of the audit it was agreed that the Property team would produce comprehensive maps for the contractor to complete the inspections along with utilising the Public Services Software system to instruct the inspectors of areas to be inspected in line with the annual inspection programme. This report details those works that have been completed to assure Members that the only Council-owned trees are being inspected.</p>
<p>Recommendation:</p> <p>To CONSIDER the progress made in respect of the recommendations arising from the tree inspections audit.</p>
<p>Reasons for Recommendation:</p> <p>As a limited assurance opinion to the adequacy of the inspection regime has previously been issued by Internal Audit, this report highlights the changes and progress made.</p>

<p>Resource Implications:</p> <p>None directly associated with the report.</p>
<p>Legal Implications:</p> <p>The Council has a 'Duty of Care' under the Health and Safety at Work Act 1974 and the occupiers' liability legislation to ensure a risk management plan is in place to ensure reasonable steps are taken to minimise risk.</p>
<p>Risk Management Implications:</p> <p>None directly associated with the report</p>

Performance Management Follow-up:

Internal Audit will be following up the August audit at the end of the first quarter 2017/18 to ensure all measures within this report have been implemented and are at a satisfactory level of control.

Environmental Implications:

None directly associated with the report.

1.0 INTRODUCTION/BACKGROUND

- 1.1** In September 2015 the responsibility of the management of trees on Tewkesbury Borough Council-owned land transferred to the Asset Management team. Ubico are appointed as the contractor to carry out annual inspections during the winter months from November until February and complete any remedial works found during these inspections.
- 1.2** In November 2015, the Asset Management team introduced new software and GPS hardware system to manage the trees as the previous system was very inefficient and difficult to access for follow up work.
- 1.3** Ubico used the system through the winter of 2015 inspecting the trees that had previously been identified as high risk using the knowledge within the Ubico team for these inspections.
- 1.4** In February 2016 it was established that Ubico were inspecting trees that were not in the ownership of Tewkesbury Borough Council and therefore the Asset Management team reviewed the process for future inspections.

2.0 SYSTEMS REVIEW AND OUTCOMES

- 2.1** Following the findings that trees on land not owned by Tewkesbury Borough Council were being inspected, and trees considered low risk were also inspected before high risk trees, the Asset Management team undertook a review of how Ubico is instructed and how trees were risk categorised.
- 2.2** During the summer of 2016 the Asset Management team undertook a review of all trees on Council-owned land and risk categorised them from 1 to 5 requiring from 1 to 5 yearly inspections. The team also utilised the grass cutting mapping system which identifies all land owned by the Council and is currently issued to Ubico for grass cutting to identify all trees to be inspected.
- 2.3** In November 2016 Members agreed an updated Tree Policy which incorporated the new risk categories and inspection regime.
- 2.4** In November 2016 Ubico received additional training on the software system and new risk categorisation system along with issuing them with the mapping system with all the Council-owned land.
- 2.5** In February 2017 it was noted that Ubico had completed 70% of inspections on Tewkesbury Borough Council-owned land with trees (117 of 170 sites). The new system has enabled the Ubico team to complete a high percentage of the inspections on Council-owned land and officers are confident all annual inspections are able to be completed in line with the new policy.

- 2.6 Officers have also identified that, during the inspection of 2016/17, only one tree has been wrongly inspected that was not in the ownership of the Council. Of the 222 findings reported we are currently awaiting an update from Ubico as to which of these works have been completed.
- 3.0 **OTHER OPTIONS CONSIDERED**
- 3.1 None
- 4.0 **CONSULTATION**
- 4.1 None
- 5.0 **RELEVANT COUNCIL POLICIES/STRATEGIES**
- 5.1 Tree Safety Management Policy
- 6.0 **RELEVANT GOVERNMENT POLICIES**
- 6.1 None
- 7.0 **RESOURCE IMPLICATIONS (Human/Property)**
- 7.1 None
- 8.0 **SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**
- 8.1 None
- 9.0 **IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**
- 9.1 None
- 10.0 **RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**
- 10.1 Tree Safety Management Policy – Executive Committee 23 November 2016

Background Papers: Internal Audit Report September 2016

Contact Officer: Andy Noble Asset Management
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Appendices: None

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	22 March 2017
Subject:	Internal Audit Annual Plan 2017/18
Report of:	Graeme Simpson, Head of Corporate Services
Corporate Lead:	Mike Dawson, Chief Executive
Lead Member:	Councillor R J E Vines, Leader of the Council
Number of Appendices:	1

<p>Executive Summary:</p> <p>The Public Sector Internal Audit Standards (PSIAS) Ref 2010 (Planning) requires that the Chief Audit Executive (CAE) is responsible for developing a risk based plan. Ref 2030 (Resource Management) requires that the CAE must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the plan.</p>
<p>Recommendation:</p> <p>To APPROVE the Internal Audit Plan 2017/18, as detailed in Appendix 1.</p>
<p>Reasons for Recommendation:</p> <p>The Terms of Reference of the Audit Committee require Members to consider a summary of proposed internal audit activity.</p> <p>The PSIAS requires that the CAE reports functionally to the Board, an example of functional reporting is approving the risk based Internal Audit plan.</p>

<p>Resource Implications:</p> <p>None.</p>
<p>Legal Implications:</p> <p>None.</p>
<p>Risk Management Implications:</p> <p>If an annual Internal Audit Plan is not developed and approved then there will be no steer as to where audit resources should be deployed.</p> <p>If the plan does not give adequate coverage of the internal control environment then resources will not be deployed effectively to the higher risk areas.</p>

Performance Management Follow-up:

The Audit Committee will receive on a quarterly basis, a monitoring report on achievement against the plan, and an audit opinion for each individual audit. Any audit within the plan where recommendations have been made to improve control are subject to a follow up audit. All recommendations are reported to and implementation monitored by the Audit Committee.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1** Internal Audit sits within Corporate Services and has direct reporting to the Chief Executive. This arrangement demonstrates compliance with PSIAS ref 1110 – organisational independence, as it allows the Head of Corporate Services (delegated as CAE within the Audit Charter) to report to a level within the organisation that allows the Internal Audit activity to fulfil its responsibilities.
- 1.2** PSIAS ref 2010 – planning, requires that the CAE is responsible for developing a risk based plan to take into account the requirement to produce an annual Internal Audit opinion. The input of senior management and the Board (Audit Committee) must be considered in the process. The plan has been endorsed by the Corporate Management Team.

2.0 PUTTING TOGETHER THE PLAN

- 2.1** The plan provides a total of 400 productive days and is delivered by two full-time equivalents. This resource is appropriate, sufficient and will be effectively deployed to achieve the plan. Appropriate refers to the mix of knowledge, skills and other competencies need to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.
- 2.2** The number of days is the net total following allowance for non-working days such as weekends and bank holidays, annual leave, sickness, training etc. This number of days is deemed adequate to ensure there is adequate coverage of the Council's control environment. The plan is divided into key areas as follows: -

2.2.1 Governance Related Activity

The Council has an assurance framework that helps contributes towards the effectiveness of its overall governance arrangements. On an annual basis and in compliance the Council must produce an Annual Governance Statement (AGS). The purpose of the statement is to demonstrate the effectiveness of the governance arrangements and, if necessary, identify and take action on any significant governance issues that arise. Internal Audit work therefore supports the completion and integrity of the AGS.

2.2.2 Corporate Improvement

This work supports the traditional assurance work undertaken and aids corporate improvement by identifying key activities that need to be progressed. The Corporate Management Team is aware of this pot of days and is encouraged to put forward suggestions where the team may help. Good examples of where the team has helped previously; procurement including 'Selling to the Council guide', planning performance statistical information, revenues and benefits improvement programme, tree inspections and playground inspections.

2.2.3 Fundamental Financial Systems

This is the audit review of the key financial systems which inform the year end Statement of Accounts. Although Internal Audit sits within the Chief Executive Unit, it still recognises its responsibility to support the Head of Finance and Asset Management to discharge his duties as the Council's Section 151 Officer, one of which is to maintain sound financial control. As has been reported previously to Audit Committee, both by Internal Audit and External Audit, the Council has good financial control. On this basis, the financial systems are not always audited on an annual basis but will be reviewed at least every two years.

2.2.4 Service Areas

These are service-related activities that have been risk assessed based upon factors such as size of budget, inherent risk, previous audit history and the period since last audit.

2.2.5 Other Areas

2.2.5.1 There is an allocation of days under 'consultancy and advice'. This covers representation on corporate groups such as the Procurement Group, 'Keep Safe, Stay Healthy' Group and project groups as individual projects arise. The days also cover general advice given on an ad hoc basis.

2.2.5.2 An estimated number of days are allocated for follow-up reviews. This is an important element of audit work to provide assurance as to whether audit recommendations have been successfully implemented.

2.2.5.3 There is an allocation of days to cover 2016/17 work which is ongoing at 31 March 2016.

3.0 OTHER OPTIONS CONSIDERED

3.1 None

4.0 CONSULTATION

4.1 Consultation has taken place with the Corporate Management Team.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 Internal Audit Charter.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 None.

- 7.0 RESOURCE IMPLICATIONS (Human/Property)**
- 7.1 None.
- 8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**
- 8.1 None.
- 9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**
- 9.1 Internal Audit contributes to value for money through its routine audit work and corporate improvement work.
- 10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**
- 10.1 None.

Background Papers: None

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Appendices: Appendix 1 – 2017/18 Internal Audit Plan

INTERNAL AUDIT PLAN 2017/18

	Est No of days	Total
Corporate Governance		
Absence management	10	
National Fraud Initiative	5	
Health and Safety	10	
Freedom of Information monitoring	5	
Data Protection	10	40
Corporate Improvement	80	80
Fundamental financial systems		
Main Accounting System	5	
Business Rates	10	
Housing Benefits	25	
Creditors - new e-ordering system	15	
Budgetary Control	5	
Council Tax	15	
Cash & Bank	10	
Payroll (IR35)	5	90
Service Areas		
Leisure centre - client monitoring	5	
Ubico - client monitoring	15	
Disabled Facility Grants	10	
Vehicle Contract	10	
Project management - Public Service Centre refurbishment	10	
Property leases (incl commercial property investment)	10	
ICT	15	
Members Allowances	5	
Land Charges	10	
Licensing	10	
Cemeteries	10	110
Consultancy & Advice (incl corporate group representation)	30	30
Follow up reviews	30	30
Audit work brought forward	20	20
Total		400

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	22 March 2017
Subject:	Internal Audit Charter
Report of:	Graeme Simpson, Head of Corporate Services
Corporate Lead:	Mike Dawson, Chief Executive
Lead Member:	Councillor R J E Vines, Leader of the Council
Number of Appendices:	1

Executive Summary:

Public Sector Internal Audit Standards (PSIAS) require the purpose, authority and responsibility of internal audit activity to be formally defined in an Internal Audit Charter. The charter must be periodically reviewed by the Chief Audit Executive and presented to senior management and the board for approval. For the purpose of Tewkesbury Borough Council, the charter defines the 'board' as the Audit Committee and the 'Chief Audit Executive' as the Head of Corporate Services.

Recommendation:

To APPROVE the Internal Audit Charter.

Reasons for Recommendation:

To ensure compliance with PSIAS it is a requirement that the 'board' i.e. Audit Committee approve the Internal Audit Charter.

Resource Implications:

None directly arising from this report.

Legal Implications:

None directly arising from this report.

Risk Management Implications:

If a formal Internal Audit Charter is not approved then compliance with PSIAS cannot be demonstrated and Internal Audit's role within the organisation may not be clearly defined.

Performance Management Follow-up:

The charter will be periodically reviewed by the Head of Corporate Services with any significant changes reported to Audit Committee. The charter will be presented at Audit Committee every three years.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 Standard 1000 of the Public Sector Internal Audit Standards requires the purpose, authority and responsibility of the internal audit activity to be formally defined in an Internal Audit Charter. The charter must be periodically reviewed by the Chief Audit Executive and presented to senior management and the board for approval. For the purpose of Tewkesbury Borough Council, the charter defines the 'board' as the Audit Committee and the 'Chief Audit Executive' as the Head of Corporate Services.

2.0 INTERNAL AUDIT CHARTER

2.1 The Internal Audit Charter is a formal document that defines the internal audit purpose, authority and responsibility. The Internal Audit Charter establishes the internal audit position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the board, authorises access to records and defines the scope of Internal Audit activities. Final approval of the Internal Audit Charter resides with the board (Audit Committee).

2.2 The Internal Audit Charter must also define the terms 'board' and 'senior management' for the purposes of internal audit activity; cover the arrangements for appropriate resourcing; define the role of Internal Audit in any fraud-related work; and include arrangements for avoiding conflicts of interest if Internal Audit undertakes non-audit activities.

2.3 The charter was last approved at Audit Committee on 23 March 2016. Amendments have been made to the charter, though these are not deemed to be significant, to:

- reflect the new Head of Service job titles;
- specify the ethical nature of the work (para 3.1.);
- clearly highlight the operational responsibilities of the Head of Corporate Services (para 4.2.2.); and
- define assurance and consultancy work (para 6.3.).

2.4 The charter has been endorsed by the Management Team and can be found at Appendix 1.

3.0 OTHER OPTIONS CONSIDERED

3.1 None.

4.0 CONSULTATION

4.1 Management Team

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 None.

- 6.0 RELEVANT GOVERNMENT POLICIES**
- 6.1 Public Sector Internal Audit Standards.
- 7.0 RESOURCE IMPLICATIONS (Human/Property)**
- 7.1 None directly linked to the Internal Audit Charter. Resources are aligned to the annual Internal Audit Plan.
- 8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**
- 8.1 None.
- 9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**
- 9.1 None directly linked to the charter.
- 10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**
- 10.1 Audit Committee - 23 March 2016.

Background Papers: None

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Appendices: Appendix 1 – Internal Audit Charter

Internal audit charter



March 2017

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1. Introduction

- 1.1 Public Sector Internal Audit Standards (PSIAS) ref 1000 require that the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter. The Chief Audit Executive (CAE) must periodically review the charter and present it to senior management and the board for approval.
- 1.2. PSIAS requires that the charter should define the terms ‘board’ and ‘senior management’ for the purposes of the internal audit activity. With regard to this council the Audit Committee will act as the ‘board’ and in relation to ‘senior management’ this will be Corporate Leadership Management Team. The ~~Group Manager~~ **Head of Corporate Services** undertakes the role of CAE.
- 1.3 The charter establishes internal audit’s position within the council, including the nature of the CAE functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the charter resides with the board.
- 1.4 The charter must also:
- Cover the arrangements for appropriate resourcing
 - Define the role of internal audit in any fraud-related work; and
 - Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities

- **Define the nature of assurance services and consulting services provided by internal audit**

2. Definition of internal auditing

- 2.1 PSIAS (section 3) defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. This definition is recognised in all relevant audit documentation.
- 2.2 In layman’s terms, internal audit is an arm of effective management. Management is responsible for internal control and establishing policies, procedures and processes to help the council achieve its objectives. Internal audit provide assurance as to the effectiveness of internal control. It is the objective of the internal audit service at Tewkesbury to add value to the audit process. This is achieved through the mix of audit work undertaken. In addition to the traditional assurance role, internal audit also undertake corporate improvement work. The section is also accessible and suitably placed within the council to provide consultancy and advice on corporate or operational issues. The ethos of internal audit is to help management achieve their objectives.

“A key determinant of the **effectiveness of internal audit** is that it is seen to remain free from interference in all regards.”

3. Code of ethics

- 3.1 The overall integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement. **When undertaking their work, internal auditors will demonstrate integrity, objectivity, confidentiality and competency.** Internal Audit officers will have due regard to the Committee on Standards of Public Life’s ‘Seven Principles of Public Life’ and must comply to the code of ethics of any professional body where they are members.

4. Independence and objectivity

- 4.1. **Organisational independence**
- 4.1.1. The internal audit team is part of the Chief Executive’s Unit. This allows effective communication with and free and unfettered access to the Chief Executive. This fulfils the PSIAS requirement that the CAE must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. If the need arises, the CAE will also have unfettered access to the Chair of the Audit Committee. To develop effective communication with the chair, regular meetings are held to provide an update on internal audit activities.
- 4.1.2. Organisational independence will also be effectively achieved through functional reporting to the Audit Committee. Examples of functional

reporting include the approval of this charter, approval of the annual internal audit plan, receiving regular monitoring reports on internal audit activity and the presentation of an annual report. The annual report will be timed to support the council’s Annual Governance Statement. Confirmation of internal audit’s organisational independence will be included in the annual report of the CAE.

- 4.1.3. A key determinant of the effectiveness of internal audit is that it is seen to remain free from interference in all regards. This shall include, but not limited to matters of audit selection, scope, procedure, frequency, timing or report content. To ensure this, internal audit will operate within a framework that allows unrestricted access to senior management and members, reporting in its own name and segregation **of team members** from line operations.

4.2. Individual objectivity

- 4.2.1. Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest. On an annual basis an internal audit code of conduct form will be signed by each internal auditor to make them aware of their responsibilities such as impartiality, objectivity and any potential conflicts. Any potential conflict of interests will be identified when setting the scope for individual audit assignments. The CAE will consider the materiality of the conflict and if necessary take remedial action. For example, assigning the audit

to another team member or contracting the audit work externally.

- 4.2.2. **It is not uncommon, given the financial challenges facing local government, that a CAE will have operational responsibility for other service areas. At Tewkesbury Borough Council, the CAE has responsibility for services including ICT, Customer Services and Human Resources, together with responsibility for corporate frameworks such as risk management and project management. In cases where an audit is being undertaken in any of these areas, then the CAE will ensure that any managerial responsibilities for these services and corporate functions are exercised objectively and with integrity so that all audit opinions are reported accurately, openly and transparently.** ~~Responsibility for these operational areas is defined in the job description of the CAE. Assurance engagements for functions over which the CAE has responsibility must be overseen by a party outside the internal audit activity. For example, the Corporate Governance Group could oversee an audit of the council's risk management arrangements.~~

4.3. **Responsibility of the board**

- 4.3.1. As per this charter the 'board' is defined as the Audit Committee. The responsibility of the board is defined within its terms of reference. Its key responsibility is to maintain an overview

on the adequacy of the council's governance, internal control and risk management processes.

5. **Authority & confidentiality**

- 5.1 Internal audit shall have full, free and unrestricted access to all council services, functions, premises, assets, employees, members and records that the CAE considers necessary to enable the internal audit service to meet its responsibilities. This is also defined within the council's Financial Procedure Rules. The CAE is also a member of the council's management team and therefore has the authority to raise any significant audit issues at a ~~corporate group~~ **strategic** level.
- 5.2 All documentation and information accessed in the course of undertaking internal audit activities shall be used solely for that purpose. All internal audit staff, including contractors and external service providers performing work on behalf of internal audit, are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

6. **Scope of internal audit**

- 6.1. The scope of internal audit will extend to the entire control environment of the council. In order to turn this generic description into actual subjects for audit, a risk based approach is used when setting the annual audit plan. The format of the plan ensures there is adequate coverage

of the control environment. Internal audit is only part of the council's assurance framework so when setting the audit plan consideration will be given to ensuring that internal audit does not duplicate the work of other sources of assurance.

6.2. Where key systems are being operated, or provided, to the council by other organisations, the CAE will agree with management, whether internal audit conduct the work to derive the required assurance on the adequacy of internal controls, or rely on the opinions of other auditors. Where appropriate, dialogue will be sought with the CAE of the respective organisation.

6.3. To ensure there is adequate coverage when putting the annual plan together, the plan consists of both assurance and consultancy type work. **Assurance work is, for the purpose of this charter, defined as the undertaking of audits within the annual audit plan. An opinion is reached on the adequacy of the internal control environment relating to that individual audit and this opinion is reported to management and the Audit Committee. Consultancy work is, for the purpose of this charter, defined as advisory and related client service activities, the nature and scope of which are agreed with the client. This can include general advice, being part of a project team, sitting on corporate groups or undertaking corporate improvement work. The plan can be broadly split over the following themes;**

Corporate governance

These are key frameworks that contribute to the effectiveness of the council's governance arrangements. Internal audit will work closely with the Council's Monitoring Officer to help facilitate the completion of the Annual Governance Statement **and undertake, where appropriate governance related audits.**

Corporate improvement

In addition to traditional assurance work, internal audit can collectively identify performance, control and risk issues and proactively help to resolve them. To avoid any conflict of interest, it is made clear from the outset that management must take ownership of the resolution, for example, formulation or update of a policy or strategy

Work on fundamental financial systems

Although internal audit reports directly to the Chief Executive, the service maintains a close relationship with the ~~Group Manager~~, **Head of Finance and Asset Management (S151 Officer)**. The work of internal audit aids the S151 Officer in ensuring there are adequate arrangements for the proper administration of the council's financial affairs. The audit of the financial systems helps give assurance regarding the accuracy of financial information and helps external audit form an opinion on the overall statement of accounts. Audits will not necessarily be undertaken on an annual basis but as a minimum will be carried out every 2 years on a cyclical programme.

Service areas

An adequate range of other systems and service unit audits will need to be included to give additional credibility to the comprehensiveness of the opinion provided on the control environment. These will be identified using a risk based assessment.

Consultancy and advice

Supporting the assurance work, we need to be best placed to offer advice on key corporate projects and keep abreast of emerging issues. For this purpose, internal audit are represented on key corporate groups and are also accessible to management to provide advice and consultancy on any ad hoc issues that may arise.

Follow up reviews

This is an important element of audit work and will provide assurance to management and members as to whether audit recommendations have been successfully implemented.

External work

Internal audit will consider the undertaking of external assignments provided this does not have an adverse effect on the annual plan. Any risks to undertaking assurance work for third parties will be carefully considered by the CAE prior to accepting any such engagement. Examples of such work could include work for town and parish councils or other local authorities.

7. Fraud and corruption

- 7.1. Managing the risk of fraud and corruption is the responsibility of management. This responsibility is defined within the council's anti fraud and corruption strategy. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal auditors will be alert in all their work to risks and exposures that could allow fraud or corruption.
- 7.2 The CAE should be informed of all suspected or detected fraud, corruption or theft so that he can consider the adequacy of the relevant controls, and evaluate the implication of fraud and corruption for his opinion on the internal control environment. Internal audit may be requested by management to assist with fraud related work and will work closely with the council's Monitoring Officer and ~~Group Manager~~, **Head of Finance and Asset Management** when any fraud type issue arises. Internal audit's role in investigating ~~any improprieties~~ **fraud related issues** is defined within the council's fraud and corruption strategy.

8. Resourcing

- 8.1. The internal audit service is provided through an in-house team of two **full time equivalent officers** ~~officers~~. These officers report to the CAE. The team sits within the Chief Executive Unit and therefore has a direct reporting line to the Chief Executive. This is recognised as good practice.

8.2. The annual plan is aligned to the **available staff resource** ~~establishment of two-officers~~ and this resource is deemed sufficient to ensure the coverage and effectiveness of internal audit activity. The remit of internal audit is not just related to financial control and therefore it is essential the skills mix within the team reflects this wider responsibility. Where necessary, to ensure an effective and credible audit service is provided then resources from external providers will be considered if it is deemed the audit team do not possess the required skills and knowledge. The employment of any external provider would be notified to the Audit Committee.

8.3. The CAE is responsible for ensuring that the resources of the internal audit section are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby it was the opinion these resources were insufficient, this would be formally reported to the Chief Executive, and, to the Audit Committee.

9. Relationship with external audit

9.1. Both internal audit and external audit have a commitment to work together to ensure resources are effectively and efficiently deployed. The two meet regularly to support a cooperative, professional working relationship, share relevant information and coordinate the overall audit effort.

9.2. We will tell each other of any significant issues which arise as soon as practicable, and of any changes or delays in agreed areas of reliance. We will also liaise during the planning stage of producing annual audit plans to ensure the timing and scope of our work makes the most of coverage and avoids duplication. External audit will have full and free access to all internal audit documentation.

10. Compliance with PSIAS

10.1. It is a requirement of PSIAS that an independent review must be commissioned at least once every five years by a qualified assessor. The purpose of the review is to give assurance that internal audit are operating in compliance with PSIAS. The timing, scope and appointment of the assessor will be reported to Audit Committee for approval.

11. Review of the charter

11.1. The charter will be reviewed annually by the CAE. The charter will be brought back to the Audit Committee for formal approval every three years, unless there is a significant change arising from the annual review.

Graeme Simpson
~~Group Manager~~ **Head of** Corporate Services
(Chief Audit Executive)

March 2017

Graeme Simpson
Head of Corporate Services
(Chief Audit Executive)



TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	22 March 2017
Subject:	Monitoring of Significant Governance Issues
Report of:	Sara Freckleton, Borough Solicitor
Corporate Lead:	Sara Freckleton, Borough Solicitor
Lead Member:	Councillor Robert Vines
Number of Appendices:	1

Executive Summary:

The report attaches, at Appendix 1, a table incorporating the Significant Governance Issues and the action to be taken to address them which were identified in the Council's Annual Governance Statement (AGS) approved by the Audit Committee on 22 June 2016. The table indicates the progress on those specified actions by 1 March 2016, to enable the Audit Committee to monitor progress on these actions as required by the Annual Governance Statement.

Recommendation:

The Committee is asked to CONSIDER the information set out in Appendix 1 and to review progress against the actions.

Reasons for Recommendation:

To comply with the requirements of the Review of Effectiveness of the Council's Annual Governance Statement.

Resource Implications:

None arising from this report.

Legal Implications:

None arising from this report.

Risk Management Implications:

Risk Management is an integral part of the Corporate Governance Framework and actions taken to mitigate the Significant Governance Issues will also help mitigate related business risks.

Performance Management Follow-up:

Further review by Audit Committee when approving the 2016/2017 Annual Governance Statement will take place in June 2017

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1** On the 22 June 2016, the Audit Committee approved the Council's Annual Governance Statement for 2015/16 which forms part of the Annual Statement of Accounts. The purpose of the Statement is to provide assurance that the Council's Governance Framework is adequate and effective.
- 1.2** As part of the Annual Governance Statement, the Council is required to identify the Significant Governance Issues faced by the Council and to set out the proposed actions to be taken to address those issues and the timescale within which those actions will be taken. The role of the Audit Committee is to formally monitor progress on actions arising from the Significant Governance Issues identified in the statement.

2.0 SIGNIFICANT GOVERNANCE ISSUES

- 2.1** The table set out at Appendix 1 comprises the Significant Governance Issues identified and the proposed action and timescale, with the addition of a further column which indicates the progress by 1 March 2017. Of the five governance issues identified in the last Annual Governance Statement, one is likely to be completely addressed within the target deadline set. There is some progress on the others, although the actions will not have been completed and implemented within the original target date, and the remaining one has not, for reasons explained in the final column of the Appendix, been addressed. In each case where the actions are not fully completed, progress has been delayed due to insufficient staff capacity and revised completion dates are suggested which into take account resourcing and other priorities. These governance issues will be carried forward to the 2016/17 Annual Governance Statement which will be considered by the Committee at its next meeting.

3.0 OTHER OPTIONS CONSIDERED

- 3.1** None.

4.0 CONSULTATION

- 4.1** The Corporate Governance Group has been consulted on progress on the proposed actions.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

- 5.1** Code of Corporate Governance.

6.0 RELEVANT GOVERNMENT POLICIES

- 6.1** None.

7.0 RESOURCE IMPLICATIONS (Human/Property)

- 7.1** None arising from this report.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 None.

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 None.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 Audit Committee 22 June 2016 – Approval of Annual Governance Statement 2015/16
Council 24 June 2008 – Approval of Code of Corporate Governance

Background Papers: Annual Governance Statement 2015/16

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Appendices: Appendix 1 - Monitoring of Significant Governance Issues 2015/16

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2016	Current Position as at 1 March 2017
2.	Risk Management	<ul style="list-style-type: none"> • Review of the Risk Management Strategy. • Workshop on risk appetite. • Reconsider the main corporate risks and update Corporate Risk Register. 	March 2017	Head of Corporate Services	The risk appetite of the Council has grown more positive. A revised strategy will reflect this. The Corporate Risk Register will be redrafted upon formation of the new Management Year.	<p>A review of the Council's risk management arrangements will take place in 2017/18 and is a programmed action within the Corporate Services 2017/18 business plan. It is important the new Management Team contribute to a new risk register. A review of the new strategy also forms part of the Overview and Scrutiny Committee's Work Programme.</p> <p>New implementation date – September 2017.</p>

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2016	Current Position as at 1 March 2017
3.	Business Continuity	<ul style="list-style-type: none"> • All service plans to be updated. • Review of Corporate Plan. • Identify and prioritise key systems. 	March 2017	Head of Corporate Services	Each service is currently in the process of updating their business continuity plans. A deadline of mid-December has been set for the completion of this task. This is being overseen by the Corporate Services team and the Civil Protection Team. When completed, key systems can be prioritised and individual plans will help inform the corporate plan.	<p>The majority of service business continuity plans have been updated and we can now start to prioritise critical services. Once plans have been quality assured then they can be used to inform the revision of the corporate plan.</p> <p>New implementation date - June 2017.</p>
4.	Audit Committee effectiveness	<ul style="list-style-type: none"> • Meet the Internal Audit Team workshop. • Audit Committee training. • Undertake a review of the effectiveness of the Committee. 	March 2017	Head of Corporate Services	Ad hoc training has been offered to the Committee based on training sessions hosted at other Councils. A formal review of effectiveness based upon CIPFA best practice will be undertaken in the New Year and a date organised to understand and consider the work of Internal Audit.	<p>An information session 'Meet the Internal Audit Team' was held on 7 February. This will be followed up with training on 'the role of the Audit Committee' and a review of the effectiveness of the Audit Committee using the CIPFA framework.</p> <p>New implementation date - September 2017.</p>

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2016	Current Position as at 1 March 2017
5.	Workforce development strategy	Develop and approve strategy.	September 2016	Human Resources Adviser	A draft will be circulated for consultation in December.	A draft of the Workforce Development Strategy and the implementation plan which explains how the strategy will be implemented has been circulated. It is programmed for approval at Executive Committee in June 2017.