

5 December 2017

<b>Committee</b>	Audit
<b>Date</b>	Wednesday, 13 December 2017
<b>Time of Meeting</b>	2:00 pm
<b>Venue</b>	Committee Room 1

**ALL MEMBERS OF THE COMMITTEE ARE REQUESTED TO ATTEND**



**for Sara J Freckleton  
Borough Solicitor**

<b>Agenda</b>
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**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.

In the event of a fire any person with a disability should be assisted in leaving the building.

**2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

To receive apologies for absence and advise of any substitutions.



Item	Page(s)
<b>3. DECLARATIONS OF INTEREST</b>	
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.	
<b>4. MINUTES</b>	1 - 11
To approve the Minutes of the meeting held on 21 September 2017.	
<b>5. AUDIT COMMITTEE WORK PROGRAMME</b>	12 - 18
To consider the Audit Committee Work Programme.	
<b>6. COUNTER FRAUD UNIT UPDATE</b>	19 - 22
To consider the six monthly update from the Counter Fraud Unit.	
<b>7. GRANT THORNTON PROGRESS REPORT</b>	23 - 37
To consider the external auditor's report on progress against planned outputs.	
<b>8. ANNUAL AUDIT LETTER 2016/17</b>	38 - 49
To consider the external auditor's Audit Letter 2016/17.	
<b>9. EXTERNAL AUDITOR'S CERTIFICATION YEAR END LETTER MARCH 2017</b>	50 - 54
To consider the certification year-end letter March 2017.	
<b>10. INTERNAL AUDIT PLAN MONITORING REPORT</b>	55 - 80
To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	
<b>11. MONITORING OF SIGNIFICANT GOVERNANCE ISSUES</b>	81 - 90
To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	

**DATE OF NEXT MEETING**

**WEDNESDAY, 28 MARCH 2018**

**COUNCILLORS CONSTITUTING COMMITTEE**

Councillors: K J Cromwell, A J Evans, P A Godwin, B C J Hesketh, S E Hillier-Richardson, H C McLain (Vice-Chair) and V D Smith (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 Thursday, 21 September 2017 commencing at  
2:00 pm**

**Present:**

Chair	Councillor V D Smith
Vice Chair	Councillor H C McLain

**and Councillors:**

K J Cromwell, A J Evans, P A Godwin and B C J Hesketh

**AUD.16 ANNOUNCEMENTS**

- 16.1 The evacuation procedure, as noted on the Agenda, was advised to those present.
- 16.2 The Chair welcomed the representatives from Grant Thornton - David Johnson, Audit Manager for Tewkesbury Borough Council, and Julie Masci, Engagement Lead - to the meeting.

**AUD.17 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

- 17.1 An apology for absence was received from Councillor S E Hillier-Richardson. There were no substitutions for the meeting.

**AUD.18 DECLARATIONS OF INTEREST**

- 18.1 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.
- 18.2 There were no declarations of interest made on this occasion.

**AUD.19 MINUTES**

- 19.1 The Minutes of the meeting held on 19 July 2017, copies of which had been circulated, were approved as a correct record and signed by the Chair.

**AUD.20 AUDIT COMMITTEE WORK PROGRAMME**

- 20.1 Attention was drawn to the Audit Committee Work Programme, circulated at Pages No. 13-20, which Members were asked to consider.
- 20.2 The Head of Corporate Services indicated that the next meeting of the Committee would consider the monitoring of Gloucestershire Safeguarding Children Board Section 11 Audit and this would include where the Council was with the audit recommendations. In addition, he felt it would be interesting to see the first report from the Counter Fraud Unit in December; Members had received an informative presentation from the Unit prior to the recent Council meeting and he looked forward to the six monthly update report.
- 20.3 Accordingly, it was  
**RESOLVED** That the Audit Committee Work Programme be **NOTED**.

**AUD.21 LETTER OF REPRESENTATION 2016/17**

- 21.1 Attention was drawn to the Section 151 Officer's Letter of Representation on the financial statements for the year ended 31 March 2017, which had been circulated at Pages No. 21-26. Members were asked to consider the letter.
- 21.2 The Head of Finance and Asset Management indicated that, as the Council's Section 151 Officer, he was required to write a Letter of Representation to the external auditors which outlined the principles on which the accounts were based and confirmed compliance with the law and the level of information provided to Grant Thornton to complete the audit, as well as disclosing any fraudulent activity that may have taken place. The content of the letter had been agreed with Grant Thornton and formal approval was now sought from the Committee.
- 21.3 A Member noted that the letter, as attached to the report at Appendix A, referred to Rachel North being the Council's Deputy Chief Executive which was no longer the case. The Head of Finance and Asset Management apologised for the oversight and confirmed that this would be amended prior to it being submitted.
- 21.4 Accordingly, it was  
**RESOLVED** That, subject to an amendment to the letterhead to refer to the current Deputy Chief Executive, the Letter of Representation be **APPROVED** and signed by the Section 151 Officer.

**AUD.22 EXTERNAL AUDITORS' AUDIT FINDINGS**

- 22.1 Attention was drawn to Grant Thornton's report, circulated at Pages No. 27-63, which set out the audit findings for the Council for 2016/17. Members were asked to consider the report.
- 22.2 The Engagement Lead from Grant Thornton explained that the report highlighted the key findings from its audit of the Council's financial statements for the year ended 31 March 2017. Under the National Audit Office Code of Audit Practice, Grant Thornton was required to report whether, in its opinion, the Council's financial statements represented a true and fair view of the financial position, and its income and expenditure for the year, and whether they had been properly prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting.

- 22.3 The Engagement Lead reported that the audit had gone well and she took the opportunity to thank the Council's finance team for its support over the course of it. In the conduct of the audit, Grant Thornton had not had to alter or change its approach which had been advised to Members in the Audit Plan dated 13 March 2017. In terms of the financial statements opinion, no adjustments had been identified which affected the Council's reported financial position and the audited financial statements for the year ended 31 March 2017 had remained unchanged from the draft version which had been submitted for audit. In terms of the timetable for the approval of the accounts, this had not gone well from Grant Thornton's side and it was understood that it would need to improve to meet the statutory deadline in 2018. This was not a reflection on the Council's finance team which was well placed to meet those requirements. Whilst the audit was substantially complete, Grant Thornton was still finalising its procedures in a number of areas including: receipt of independent confirmation of investment balances with three institutions – although Grant Thornton was comfortable that they were accurately reflected in the accounts; review of the final version of the financial statements; review of the management letter of representation; review of the revised version of the Annual Governance Statement; and update of the post balance sheet events to the date of signing the opinion. In terms of the outstanding work it was confirmed that this was standard for all Councils as there were always matters that were not completed at this point.
- 22.4 Referring to Page No. 32 of the report, the Engagement Lead confirmed that she anticipated an unqualified audit opinion on the financial statements with the key messages being that they were free from material error and supported by good quality working papers; that issues identified in prior years had been fully addressed and no further issues in those areas had been noted; and that Grant Thornton had always received timely responses to queries. In addition, the audit had found that the financial statements were consistent with the Council's Annual Governance Statement and Narrative Report and that there were no control weaknesses. In terms of Value for Money, Grant Thornton was satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources; although it was noted that there were a small number of recommendations where the Council could further enhance its financial and governance arrangements. Grant Thornton was also required to certify the Council's housing benefit subsidy claim on behalf of the Department for Work and Pensions; at present its work on the claim was still in progress and was not due to be finalised until 30 November 2017 so the outcome of the certification would be reported to the Committee through a separate report in early 2018. A number of recommendations had been made on the work undertaken and those were set out in an action plan attached to the report at Appendix A. The recommendations had been discussed with the Head of Finance and Asset Management and his team.
- 22.5 The Grant Thornton Audit Manager drew attention to Page No. 35, which set out the level of materiality that was worked to, and Page No. 36, which set out any significant risks. There were no risks identified except for those noted at Page No. 39 which referred to changes to the presentation of local authority financial statements – there had been no overall material misstatement and the Council had made the necessary adjustments to the final accounts for signing. In terms of accounting policies, estimates and judgements, the assessments undertaken were all shown as green so the Auditors were happy with the policies that had been disclosed within the accounts. Referring to Page No. 42, the Grant Thornton Audit Manager drew particular attention to 5) confirmation requests from third parties. He explained that management permission had been requested to send confirmation requests to the Council's bankers and institutions where the Council had funds

invested. That permission had been granted and the requests sent but, at the time of writing the report, confirmation had not been received from all parties confirming the balances. In terms of adjusted and unadjusted misstatements, none had been identified which was a credit to the Council's finance team. Page No. 45 set out any misclassification and disclosure changes which had seen only minor changes identified and those did not affect the financial statements. Particular attention was drawn to the fact that the Council had not revealed that the 2015/16 Comprehensive Income and Expenditure Statement (CIES) disclosure was restated on the face of the accounts as was required by the Code – this had now been addressed. In addition, a significant number of assets had been identified that had £0 balances at the beginning and end of the year; it was not clear what the Council's policy was on identifying assets which were still in use and this needed to be considered as there was a question as to whether they should remain on the fixed asset register. Referring to Page No. 48, the Grant Thornton Audit Manager indicated that two risks identified in terms of the Value for Money conclusion were the Medium Term Financial Strategy, including the delivery of savings, and the Ubico monitoring contract. The findings had been discussed with management and a recommendation for improvement had been agreed; this meant there should be a robust process in place for the management and monitoring of contracts with third parties and that all financial information would be provided on a timely basis to allow the identification of potential overspends. Pages No. 49-53 set out the key findings against those two significant risks and the Audit Manager explained that they detailed the ongoing challenges for the Medium Term Financial Strategy – these were mainly outside of the control of the Council i.e. New Homes Bonus funding, business rates, the spending review etc. – and the monitoring of the Ubico contract – this had been flagged as part of an Internal Audit review and, although it was a single contract, it was felt that its size in comparison to the Council's spending warranted ongoing review even though assurances had been provided that the risks had been sufficiently mitigated.

- 22.6 The Engagement Lead drew attention to Page No. 56 and explained that Grant Thornton was also required to confirm its final fees and to set out its proposed fees for the next year. She confirmed that there were no fees for the provision of non-audit services and the fees for 2018/19 were proposed to be in line with the scale fee set by Public Sector Audit Appointments Ltd. It was likely that, in future, the audit fees would reduce as a result of the re-tender. In terms of the grant certification fee, this could not yet be confirmed as the work would not be concluded until November; the final fees would be reported to the Audit Committee in due course following the completion of the certification work. Referring to Page No. 58, she explained that this showed how the Auditor was discharging its responsibilities in terms of communicating with the Council.
- 22.7 The Chair thanked the Grant Thornton representatives for their thorough presentation and expressed the view that he found it helpful that the work was linked to Key Performance Indicators (KPIs) as this was a good way of monitoring the processes going forward to ensure the actions were being delivered. He also expressed how impressed he was at the large amount of detailed work that had taken place. A Member questioned whether the introduction of Universal Credit was likely to increase the audit fees. In response, the Engagement Lead explained that the methodology would change once Universal Credit was finalised but, prior to that, the way Auditors were appointed to undertake grant certification work would change; the competitive element that would be introduced at that point would affect the fees but she could not currently say whether that would be in a positive or negative way. In terms of the three institutions with outstanding confirmation of investment balances, as identified at Page No. 31, the Engagement Lead undertook to identify which organisations they were and advise the Committee accordingly. She offered reassurance that Tewkesbury Borough Council was not the only one to have seen this issue; it was frustrating for the

Auditors but not unusual. One Member questioned whether there were any key points which had been found to be satisfactory within the Key Performance Indicators on trade waste, garden waste etc. and he was advised that he would be updated following the meeting.

- 22.8 The Chair offered his congratulations to the finance team on a very positive report and thanked Officers for their hard work on behalf of the Audit Committee. Accordingly, it was

**RESOLVED** That Grant Thornton's audit findings 2016/17 be **NOTED**.

### **AUD.23 STATEMENT OF ACCOUNTS 2016/17**

- 23.1 The report of the Head of Finance and Asset Management, circulated at Pages No. 64-165, attached the Statement of Accounts for 2016/17 which Members were asked to approve.
- 23.2 The Finance Manager explained that the Statement of Accounts for 2016/17 showed the financial position of the Council as at 31 March 2017 as well as the performance during the year. It was a statutory requirement to publish the accounts, with the audit certificate and opinion, no later than 30 September 2017. From next year those deadlines would be brought forward and the Council's finance team had used this year as a practice run so the accounts had been ready by 31 May 2017. The audit findings report showed no material misstatements and only a few minor misclassifications and disclosure statements. The Committee was asked to review the content of the Statement of Accounts, in line with the information contained in the report, and approve them for publication in accordance with the Accounts and Audit Regulations 2011.
- 23.3 The Finance Manager explained that the Council had overspent against its net budget by £87,000 in the year which was broken down at Page No. 66. The employees' full year budget was overspent largely as a result of the requirement to bring in interim staff to cover vacancies and sickness along with the provision for termination payments which had been made as part of the management restructure. In terms of supplies and services, the overspend was in relation to the expenditure associated with running elections and referendum on behalf of central government. The expenditure was unbudgeted at the start of the year but corresponding additional income had been received to finance it. Payments to third parties was significantly overspent due to disbursements incurred by One Legal which accounted for £194,000 - all amounts had been recovered from the client Councils and was shown in the income figure - planning appeal costs, and expenditure on Tewkesbury Town Centre and the new leisure centre, had been funded from other sources e.g. planning obligations. Transfer payments related to the Council's activities in respect of the administration of housing benefit on behalf of central government but income targets had far exceeded expectations during the year with external income boosting the overall position. This had also been helped by solid income streams in a number of areas and improved recovery of housing benefit subsidy.



- 23.4 The total net worth of the Council had increased from £8.9 million to £9.9 million and that was summarised in the 'Movement in Reserves Statement', the things that had contributed to that included: an increase in long term assets which was largely due to the use of monies to fund investment property purchases; an increase in current liabilities of £20 million; an increase in total provisions due to an rise in the business rate appeals provision; other adjustments including a reduction in the Capital Receipts Reserve; and a growth in the pension deficit due to a decrease in the net discount rate over the period. The total balance for capital resources, including capital grants, was £3.279 million; however, after allowing for commitments of £5.156 million the unallocated budget available for new projects was £500,000.
- 23.5 In response to a query as to whether it was future proofing for growth items, the Finance Manager explained that the Council had currently borrowed £15 million at a very cheap rate. The Council had to ensure its borrowing was prudent so it would need to be careful if it borrowed for something that did not generate a return on the income like waste vehicles. The Head of Finance and Asset Management explained that the Council was not asset rich so it had to optimise its treasury strategy which meant getting its borrowing right in terms of how much, how long and when to borrow. Currently short-term borrowing was cheapest but this was reviewed on an ongoing basis. It was not unusual for Councils not to be debt-free but this was a situation that Tewkesbury Borough was not used to. Officers were always mindful of the future, and trying to protect the Council in the longer term, as well as addressing its current issues.
- 23.6 Members thanked the finance team for its hard work in getting the Statement of Accounts ready to meet the new deadline and, accordingly, it was  
**RESOLVED** That the Statement of Accounts 2016/17 be **APPROVED**.

#### **AUD.24 UBICO FOLLOW-UP AUDIT REPORT**

- 24.1 The report of the Head of Community Services, circulated at Pages No. 166-186, provided an update on actions that had been taken as a result of an Internal Audit report which sought to improve the client monitoring of the Ubico contract. It also provided an update on the actions that were currently underway and ongoing. Members were asked to consider the progress made in respect of the recommendations which had arisen from the Ubico audit.
- 24.2 The Head of Community Services explained that the report before the Committee sought to put into context what had been happening with Ubico in the past six months. Times had been turbulent but improvements had been made which he felt it was important to note. In March 2016, the Council had completed its fleet procurement and the new vehicle fleet was delivered; the procurement of the vehicles had been a major project and was primarily managed by the Joint Waste Team, in close liaison with the Interim Head of Service and Ubico. In addition, significant service changes had been introduced in April 2017 and over 60% of the Borough had a change of day or week to their waste and recycling collection as well as a change to the way that food waste was collected. Any changes to waste collections were expected to cause a degree of disruption to the service but, in this case, the disruption had gone on for a considerable time; an improvement plan was in place and was being monitored carefully. A number of significant personnel changes within the last six months had added to the issues faced and had an impact on the delivery of the actions. The Head of Community Services had been appointed as the lead commissioner of the Ubico contract, the Head of the Joint Waste Team had resigned and a new Managing Director of Ubico had been appointed.

- 24.3 Attention was drawn to Appendix 2 to the report which set out the Ubico client monitoring audit recommendation and progress report. The Head of Community Services explained that the Joint Waste Team had commenced a review of the street cleansing service to analyse the type of requests that were being received by the Council and to establish if there were better ways of working; there was still concern about the reactive nature of the grounds maintenance and fleet management but there were plans in place to try and address this so the Head of Community Services was in the process of recruiting a dedicated resource to undertake a project which would ensure performance in that regard was better monitored; the garden waste and trade waste schemes were currently being reviewed and it was anticipated that positive information would come forward over the next few months; a whole host of meaningful KPIs were being established and would include things like measuring non-completion of works in relation to cemeteries, management of the vehicle fleet etc. It would then be possible to consistently provide performance information to Members. Performance and budgeting monitoring had improved over the last few months and the finance team was now relatively comfortable with the information being provided so that action was now complete; there was now someone in control of monitoring the compliance of the contract and six weekly meetings took place to discuss overall contract performance, health and safety and current projects and these worked particularly well; grounds maintenance monitoring had been ad-hoc which was of concern, however, the Head of Community Services indicated that there was now a plan in place to address this; the stock levels of waste bins had been a concern but there was now a procedure in place whereby Ubico had an Officer at the depot that checked the stocks of bins and advised the Council when it needed to order more; quarterly invoices were now received unless the Council asked for them at different times; a data sharing agreement had been drafted and was in the process of being agreed by One Legal and Ubico; and the Communications Protocol and its appendices were under review – this was a fairly extensive piece of work but the Head of Community Services was relatively confident the target date of April 2018 would be achieved.
- 24.4 During the discussion which ensued, a Member thanked the Head of Community Services for the inclusion of target dates on the action plan but he felt it would also help to have smiley/sad faces so the Committee could quickly pick up whether the action was slipping or not. The Head of Corporate Services felt that this would be a good idea as it would make the document easier to read. In addition, the Member questioned whether there were policies in place for Ubico to act quickly on something that the Council had passed on to it. In response, the Head of Community Services explained that there was currently no specific policy in place but it was necessary to build something into the KPIs as the current system was not fit for purpose. Tewkesbury Borough Council was careful about what it ‘flagged up’ as urgent and he hoped other partner authorities took the same approach. Parish Councils had installed bins themselves over many years and the numbers had increased a lot but the staff servicing them had not. The Managing Director of Ubico was keen to ensure resources were maximised and was investigating whether there were opportunities for changing the way the company operated e.g. bins that did not need emptying were not emptied and grass that did not need cutting was not cut i.e. grass should not be longer than a certain length rather than grass being cut a certain number of times a year. A Member questioned who would monitor KPIs and, in response, she was advised that the Joint Waste Team would monitor those relating to waste, recycling and street cleansing and Tewkesbury Borough Council would monitor grounds maintenance. It was felt that some issues could easily be addressed with the use of specific KPIs and the Chair undertook to send Officers a copy of the Red, Amber and Green (RAG) ratings for the highways KPIs for information. The partnership board at Ubico would ultimately decide what the KPIs would be. In response to a query regarding the operating

licensing agreement with Ubico, the Head of Community Services explained that the Council had a contract with Ubico and that had KPIs against it which needed to be tightened up. Obviously the Council could not penalise Ubico financially as it would also be penalising itself.

24.5 Having considered the report before it, the Committee

**RESOLVED** That the progress made in respect of the recommendations which had arisen from the Ubico audit be **NOTED**.

#### **AUD.25 HEALTH AND SAFETY REPORT 2016/17**

25.1 The report of the Head of Community Services, circulated at Pages No. 187-206, attached a summary of the activities carried out to secure health and safety compliance in the financial year 1 April 2016 to 31 March 2017. The Committee was asked to consider the information provided in the Health and Safety Report 2016/17.

25.2 The Head of Community Services explained that Tewkesbury Borough Council had the responsibility to secure the health, safety and welfare of staff and, where relevant, members of the public. It also recognised the importance of good communications in making sure this was effectively carried out. The Health, Safety and Welfare Policy provided the health and safety framework that all parties must follow to ensure health and safety was managed during the course of business and the report before Members aimed to provide a review of the previous year's activities in that area as well as to provide a work plan for the forthcoming year.

25.3 The report showed that Tewkesbury Borough Council was an extremely safe place to work and had a low number of accidents. The 'Keep Safe, Stay Healthy' Working Group worked well and ensured any issues were at the forefront of everyone's minds. Pages No. 195 and 196 set out the achievements during the last 12 months. A Member questioned whether there were any comparisons which could be made to similar Councils to assess how well Tewkesbury Borough was doing. In response, the Head of Community Services explained that there was a standard format contained in the Health and Safety Executive's guidance, document HSG65, which could be used for comparisons. The Health and Safety Officer was beginning to look at what other authorities provided to their Councillors and it may be possible to include a chart that showed where the Borough Council was in comparison to others and what it needed to do to improve.

25.4 Accordingly, it was

**RESOLVED** That the Council's Health and Safety Report 2016/17 be **NOTED**.

#### **AUD.26 INTERNAL AUDIT PLAN MONITORING REPORT**

26.1 The report of the Head of Corporate Services, circulated at Pages No. 207-223, provided an update report of internal audit activity for 2017/18 which detailed the findings and opinions given by Internal Audit for completed audits within the audit plan. The Committee was asked to consider the internal audit findings and opinions on the work completed in the period and the assurances given on the adequacy of internal controls operating in the systems audited.

26.2 The Head of Corporate Services explained that Appendix 1 to the report summarised the work of Internal Audit for the period and Appendix 2 provided the status of all audits. The audit recommendations due to be followed up in quarter two of 2017/18 had also been included in this monitoring report. He explained that a 'split' opinion could be provided – this meant an individual opinion could be given for different parts of the system being audited. This approach enabled internal audit to identify to management any specific areas of control that were operating or

not. Assurance opinions were categorised as 'good', 'satisfactory', 'limited' and 'unsatisfactory'. With regard to the opinions issued for the period, all had a positive audit opinion. The list of audit recommendations, and their status, was attached at Appendix 3 to the report; of the 16 recommendations, seven had been implemented, two had been partially implemented and seven had yet to be implemented. Of those not implemented, the bulk related to the Ubico client monitoring audit.

- 26.3 In terms of the audits completed, Members were advised that the Freedom of Information management system had gone live in November 2015. In 2016/17, 321 requests had been received with only 14 responses sent late which equated to almost 96% being processed in line with the Freedom of Information Act; that type of information had not been available through the old system so there were no real comparisons that could be made. However, it was felt that the new system, and the introduction of monitoring by the Corporate Services Officer, had meant the responses to Freedom of Information requests were now much more efficient. During the Information Governance Audit, it was noted that handling procedures required updating and that they should be expanded to include reference to the handling of Freedom of Information complaints or "internal reviews". In addition, it had been recommended that a training programme be established and appended to the Information Governance Policy which included training for dealing with Freedom of Information requests. The assurance level on the audit had been satisfactory. In respect of Disabled Facilities Grants, there was a satisfactory level of assurance that grants were being approved within the legislative timeframe of six months and monitoring was now being supported through the use of reports generated through the 'Uniform' system. Testing had confirmed that grant payments were processed promptly and in accordance with the terms of the grant. The current monitoring process gave consideration to approved grants; however, in view of the current funding arrangements with the county being based on approved and paid grants only, it had been recommended that a quarterly review of paid, approved and estimated eligible grants against the funding allocated be undertaken to assist in identifying shortfalls against county allocated funding promptly. The Environmental Health and Land Charges sections worked cooperatively to ensure that land charges were applied when necessary for the allotted length of time and testing had confirmed that money had been repaid and the charge was removed as appropriate; that assurance level had been identified as 'good'.
- 26.4 The Council had an Absence Management Policy and accompanying procedures which could be accessed through the intranet. It was noted that the absence process flow chart needed to be updated to reflect the policy in respect of the number of absences in a rolling period. Audit testing had confirmed that the handling and recording of absences had been dealt with in accordance with this Policy, although there was not a consistent approach in the recording of past absences within the return to work forms even though HR maintained a spreadsheet which listed all absences within a 12 month rolling period. This was a function of the new HR administration system. In addition, absence details had been transferred to payroll correctly. The reporting values entered by the authority within the National Non-Domestic Rate (NNDR3) had been found to be fairly stated and evidence was retained to support those values. A sample of business rate accounts, which included the reliefs and exemptions that had been applied, confirmed that they had been accurately calculated and appropriately applied to the accounts. Follow-up on previous recommendations confirmed that a review into the 'mini review' procedure for discretionary relief had been completed with amendments to the Policy taken to Members for approval at the end of August 2017. The recommendation to amend the Council's discretionary relief policy to give consideration to the Localism Act was yet to be completed, however, discussions were ongoing; it was agreed that that recommendation be deferred for

a further six months whilst an exercise was completed to identify the financial implications and the feasibility of the discretionary relief. In terms of discretionary housing payments, the government had allocated the Council £92,900 in funding to be used to award discretionary housing payments to support those affected by welfare reforms. The Council was required to complete a return to identify where there had been any over or underspend. A review of the 2016/17 return confirmed that the cells required had been completed in accordance with the guidance provided. In addition, the return had been appropriately signed off by the Section 151 Officer, and lodged within the stated deadline. The return value had been understated by £510.24 but this was not material since the Council was not gaining any financial advantage by this error as the Council's spending exceeded the government contribution by £6,000. Testing of 20 awards found that all had been approved or refused in line with the Council's policy and that the amounts awarded were arithmetically correct; on discussion with the Council's Benefits Team Leader it had been identified that discretionary housing payment overpayments were not actively recovered and therefore it was recommended that recovery processes be put into place in line with the Council's policy.

26.5 There followed a discussion about the rating of audits and the Chair considered that there would be an argument for the Freedom of Information audit outcome to be 'good' rather than 'satisfactory'. In response, the Head of Corporate Services advised that the next item on the Agenda looked at assurance levels. He offered reassurance that 'satisfactory' could be a good thing. The Member also felt that it would be helpful for Internal Audit to be able to offer a steer on how an audit outcome could be improved from 'satisfactory' to 'good'. The Grant Thornton Engagement Lead advised that there was a certain amount of flexibility in auditing but it would always be the case that some would be easier to move from 'satisfactory' to 'good' than others. Sometimes there would be a cost to improvement and that would need to be considered on a case by case basis as this may be prohibitive in some circumstances.

26.6 Accordingly, it was

**RESOLVED** That the internal audit findings and opinions on the work completed in the period, and the assurance given on the adequacy of internal controls operating in the system audited, be **NOTED**.

## **AUD.27 INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

27.1 The report of the Head of Corporate Services, circulated at Pages No. 224-234, set out the Quality Assurance and Improvement Programme which Members were asked to consider.

27.2 In accordance with Standard 1300 of the Public Sector Internal Audit Standards (PSIAS) the Chief Audit Executive - for Tewkesbury this was the Head of Corporate Services - had to develop and maintain a Quality Assurance and Improvement Programme that covered all aspects of internal audit activity. Pages No. 228 onwards provided an overview of how the work was planned and supervised. In terms of the Programme, the team was always improving its processes so they were relevant and proportionate to its size. There were seven actions in the Improvement Programme summary and those were identified at Page No. 234. It was anticipated that the Committee would be provided with six monthly, or possibly annual, updates so the progress of actions could be tracked. In addition, it was suggested that a six monthly newsletter from the Chair of Audit Committee could be introduced, similar to that already provided by the Chair of Overview and Scrutiny Committee. The Chair of the Committee agreed that this would be a good idea. He was of the view that it was important for the Council and

members of the public to understand what audit did in terms of looking at policy, governance, internal controls, budgetary procedures etc. as it influenced so much of the Council's Agenda regarding efficiencies.

27.3 Accordingly, it was

**RESOLVED** That the Internal Audit quality assurance and improvement programme be **NOTED**.

#### **AUD.28 APPOINTMENT OF EXTERNAL AUDITORS**

28.1 The report of the Head of Finance and Asset Management, circulated at Pages No. 235-238, asked the Committee to approve the appointment of Grant Thornton (UK) LLP as the Council's external auditors for five years from 2018/19.

28.2 The Head of Finance and Asset Management advised that, in January 2017, the Council had agreed to opt into the Sector Led Body approach to appointing external auditors from 2018 onwards. The Sector Led Body role had been taken by the Public Sector Audit Appointments Ltd which had carried out a procurement exercise on behalf of all those eligible bodies which had opted into the approach. That exercise had resulted in Grant Thornton (UK) LLP being successful in winning the biggest contract lot and subsequently being proposed as the appointed auditor for Tewkesbury Borough Council. Confirmation, or otherwise, was required from eligible bodies by 22 September.

28.3 Having considered the information provided, it was

**RESOLVED** That the appointment of Grant Thornton (UK) LLP as the Council's external auditor for five years from 2018/19 be **APPROVED**.

The meeting closed at 3:35 pm

## AUDIT COMMITTEE WORK PROGRAMME

### Addition to 13 December 2017

- External Auditor's Certification Year End Letter March 2017 – brought forward from 28 March 2018

### Deletion from 13 December 2017

- Monitoring of Gloucestershire Safeguarding Children Board Section 11 Audit – moved to 28 March 2018
- Corporate Risk Register – moved to 28 March 2018

### 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
<del>External Auditor's Certification Year End Letter March 2017</del>	<del>To consider the certification year end letter March 2017.</del>	<del>External Auditors.</del>	<del>No. – Moved to 13 December 2017 as agreed at the Audit Committee meeting on 21 September 2017.</del>
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.

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Agenda Item 5

NB – Changes from previous work programme highlighted in bold

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
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.
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.
<b>Annual Update on Council's Safeguarding Arrangements</b>	<b>Annual report to give assurance as to the level of the Council's compliance with its safeguarding duty.</b> <b>(To include Gloucestershire Safeguarding Children Board Section 11 Self-Assessment)</b>	<b>Peter Tonge, Head of Community Services.</b>	<b>Yes – due to go to the Audit Committee meeting on 13 December but Section 11 self-assessment has been delayed due to a countywide review.</b>
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. <i>Further deferred from September as reported at the Audit Committee meeting on 19 July 2017.</i> <i>Further deferred from 13 December 2017 meeting due to ongoing review.</i>



<b>Committee Date: July 2018</b>			
<b>Agenda Item</b>	<b>Overview of Agenda Item</b>	<b>Lead Officer</b>	<b>Has agenda item previously been deferred? Details and date of deferment required</b>
External Auditors' Audit Findings	To consider the external auditors' Audit Findings 2017/18/	External Auditors.	No.
Letter of Representation	To consider the S151 Officer's Letter of Representation on the closure of the accounts for the year ended 31 March 2018.	Simon Dix, Head of Finance and Asset Management	No.
Statement of Accounts 2017/18	To approve the Statement of Accounts 2016/17.	Simon Dix, Head of Finance and Asset Management.	No.
External Auditors' Fee Letters 2018/19	To consider the external auditors' fee letter in relation to the audit work to be undertaken during 2018/19.	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 2017/18	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 2017/18	To approve the Annual Governance Statement 2017/18.	Sara Freckleton, Borough Solicitor.	No.

<b>Committee Date: July 2018</b>			
<b>Agenda Item</b>	<b>Overview of Agenda Item</b>	<b>Lead Officer</b>	<b>Has agenda item previously been deferred? Details and date of deferment required</b>
National Fraud Initiative 2017/18	To consider the outcomes of the data matching exercise.	Geni Hotchkiss, Revenues and Benefit Manager	No.
Counter-Fraud Unit Report	To consider the annual update on the work of the Counter Fraud Team.	Simon Dix, Head of Finance and Asset Management / Emma Cathcart, Counter Fraud Manager.	No.

<b>Committee Date: September 2018</b>			
<b>Agenda Item</b>	<b>Overview of Agenda Item</b>	<b>Lead Officer</b>	<b>Has agenda item previously been deferred? Details and date of deferment required</b>
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.
External Auditors' Progress Report	To consider the external auditors' report on progress against planned outputs.	External Auditors.	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.
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.

<b>Committee Date: December 2018</b>			
<b>Agenda Item</b>	<b>Overview of Agenda Item</b>	<b>Lead Officer</b>	<b>Has agenda item previously been deferred? Details and date of deferment required</b>
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.
Counter Fraud Unit Update	To consider the six monthly update from the Counter Fraud Unit.	Simon Dix, Head of Finance and Asset Management / Emma Cathcart, Counter Fraud Manager.	No.

<b>OTHER ITEMS</b>			
<b>Agenda Item</b>	<b>Overview of Agenda Item</b>	<b>Lead Officer</b>	<b>Comments</b>
Information Governance Audit Progress Report	To consider the progress made in respect of the recommendations arising from the Information Governance audit.	Graeme Simpson, Head of Corporate Services	Limited opinion given (Audit Committee 19 July 2017).
Business Continuity Audit Progress Report	To consider the progress made in respect of the recommendations arising from the Business Continuity audit.	Graeme Simpson, Head of Corporate Services	Limited opinion given (Audit Committee 19 July 2017).
PSIAS Independent Assessment of Internal Audit Function	To consider the outcomes from the independent assessment of the Internal Audit function.	Graeme Simpson, Head of Corporate Services	
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

## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	13 December 2017
<b>Subject:</b>	Counter Fraud Unit Report
<b>Report of:</b>	Simon Dix, Head of Finance and Asset Management
<b>Corporate Lead:</b>	Rob Weaver, Deputy Chief Executive
<b>Lead Member:</b>	Cllr Dave Waters, Leader of the Council
<b>Number of Appendices:</b>	None

**Executive Summary:**

The purpose of the report is to provide assurance over the counter fraud activities of the Council. In addition, the report provides the Audit Committee with an update in relation to the work plan for 2017/18.

The Counter Fraud Unit will continue to provide Audit Committee with direct updates biannually, for Tewkesbury Borough Council this will be at the July and December meetings.

**Recommendation:**

**To CONSIDER the six monthly update from the Counter Fraud Unit and comment as necessary.**

**Reasons for Recommendation:**

Work plans for 2017/2018 have been agreed with the Chief Finance Officer and Corporate Leadership/Management Teams and work is now underway.

The Audit Committee was presented with a copy of the work plan in July 2017 as the body charged with governance in this area and an update is now being provided.

**Resource Implications:**

None directly arising from the report

**Legal Implications:**

In general terms, the existence and application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge.

**Risk Management Implications:**

If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.

**Performance Management Follow-up:**

The Counter Fraud Unit will continue to deliver the workplan working closely with Senior Management and reporting to the Chief Finance Officer.

**Environmental Implications:**

Not applicable.

**1.0 INTRODUCTION/BACKGROUND**

- 1.1 The Counter Fraud Unit is working directly on behalf of all the Gloucestershire authorities, West Oxfordshire District Council and other public sector bodies such as Cheltenham Borough Homes and other housing associations.
- 1.2 The Unit is also developing joint working practices with other public sector bodies including Trading Standards, the Police and NHS Services.
- 1.3 The work plan for 2017/2018 has been agreed and was presented to Audit Committee in July 2017. The team is concentrating on adding value in areas associated with risk.
- 1.4 The Counter Fraud Unit will continue to provide the Audit Committee with direct updates biannually - for Tewkesbury Borough Council this will be at the July and December meetings. The Audit Committee oversees the Council's counter fraud arrangements and it is therefore appropriate for the Committee to be updated in relation to such activity.

**2.0 WORK PROGRAMME 2017/18**

- 2.1 Since the start of the financial year, the Counter Fraud Unit has supported the Council in the following areas:
  - Introducing a new Council Tax, Housing Benefit and Council Tax Reduction Scheme Penalty and Prosecution Policy to assist with the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support) and Council Tax liability.
  - Review of all Council Tax properties listed as long term empty. These properties are billed Council Tax at a 100% charge; however the local authority is penalised by way of a reduction in New Homes Bonus payments. 260 properties were visited; 63 were identified as being potentially occupied and/or furnished properties and another 56 properties are the subject of further enquiries with regard to the classification. Some may already be known to the Revenues Team and a full resultant report is pending. For every property which will be reclassified as occupied the result in additional New Homes Bonus payment for the Borough Council is approximately £5,016.96 over four years.
  - Review of all composite properties; those which are both a business and residential accommodation. The purpose of the review was to ensure accuracy in readiness for increased business rate retention and to maximise revenue, be it ratable value or Council Tax liability. 205 premises were reviewed and/or visited; 22 were identified as incorrect in that the property was either entirely residential or entirely a business premises. Another 45 premises are the subject of further enquires relating to anomalies with incorrect liable parties etc. A full resultant report is pending.

- Processing of National Fraud Initiative referrals matching Single Person Discount accounts against the Electoral Register. Full results are pending but the exercise has resulted in approximately £45,000 increased billing in retrospective liability and/or future liability to March 2018. A further £5,000 Housing Benefit overpayments and recoverable Council Tax Support has also been calculated.
- The investigation of employment matters with an element of fraud.
- A new procedural document is being drafted in consultation with HR in relation to internal investigation processes and the Disciplinary Policy. This will outline the Councils power to investigate criminal offences in line with legislation as well as undertake disciplinary investigations.
- The CFU has conducted a review of staff expenses. The report is being drafted.
- Training was delivered to Members on 19 September 2017 to introduce the CFU and provide some general fraud awareness.

**2.2** Internal Audit and the Counter Fraud Unit have a formalised protocol and now meet quarterly to review the current work plan and assess any areas of risk.

### **3.0 OTHER OPTIONS CONSIDERED**

**3.1** None

### **4.0 CONSULTATION**

**4.1** Work plans for 2017/2018 have been agreed with the Chief Finance Officer and Senior Management.

### **5.0 RELEVANT COUNCIL POLICIES/STRATEGIES**

**5.1** Counter Fraud and Anti-Corruption Policy.

### **6.0 RELEVANT GOVERNMENT POLICIES**

**6.1** None.

### **7.0 RESOURCE IMPLICATIONS (Human/Property)**

**7.1** The promotion of effective counter fraud controls and a zero tolerance approach to internal misconduct promotes a positive work environment.

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

**8.1** This is a positive example of joint working across the County. The existence of counter fraud activity acts as a deterrent to the abuse of public funds which impacts positively on the economy and local demographic.

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

**9.1** The service is a shared one across the County and as such overheads and management costs are also shared equally meaning there is increased value for money.



**10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**

**10.1 Report to Council January 2017; Counter Fraud Unit Business Case**

Counter Fraud and Anti-Corruption Policy approved at Executive Committee in October 2016.

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**Background Papers:** Report to Audit Committee July 2017

**Contact Officer:** Emma Cathcart, Counter Fraud Manager  
01285 623356 [Emma.Cathcart@cotswold.gov.uk](mailto:Emma.Cathcart@cotswold.gov.uk)

**Appendices:** None

# Audit Progress Report and Sector Update

Tewkesbury Borough Council  
Year ending 31 March 2018

4 December 2017



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# Introduction



**Julie Masci**

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)



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Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



# Progress at 4 December 2017

## Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We are due to commence our interim audit in January 2018. Our interim fieldwork visit will include:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report any findings from the interim audit to you in our Progress Report at the March Audit committee.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We discuss our plan and timetable with officers.

The final accounts audit is due to begin in early June with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We will make our initial risk assessment to determine our approach in December 2017 and report this to you in our Progress Report at the March Audit committee

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

## Other areas

### Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2017/18 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

### Meetings

We met with Finance Officers in September as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in September to discuss the Council's strategic priorities and plans. Our next meeting is scheduled for early December 2017.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

# Audit Deliverables

27

2017/18 Deliverables	Planned Date	Status
<p><b>Fee Letter</b></p> <p>Confirming audit fee for 2017/18.</p>	April 2017	Complete
<p><b>Accounts Audit Plan</b></p> <p>We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.</p>	January 2018	Not yet due
<p><b>Interim Audit Findings</b></p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	March 2018	Not yet due
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the July Audit Committee.</p>	July 2018	Not yet due
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	July 2018	Not yet due
<p><b>Annual Audit Letter</b></p> <p>This letter communicates the key issues arising from our work.</p>	August 2018	Not yet due
<p><b>Annual Certification Letter</b></p> <p>This letter reports any matters arising from our certification work carried out under the PSAA contract.</p>	December 2018	Not yet due

# Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

2 Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider LG sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# Combined Authorities: Signs of Success



In her foreword to ‘Building our Industrial Strategy’ the Prime Minister states that the initiative “will help to deliver a stronger economy and a fairer society – where wealth and opportunity are spread across every community in our United Kingdom, not just the most prosperous places in London and the South East.”

Combined Authorities (CAs) – the newest model for the governance of local public services – are central to this.

In response to this, Grant Thornton and Bond Dickinson have jointly commissioned a report which provides an insight into the establishment of each combined authority in the context of their specific challenges. It is still early days for most combined authorities – the political and administrative difficulties of adopting this model are not to be under-estimated - but early signs are emerging of their potential to innovate and drive success.

The report benchmarks combined authorities using key indicators of growth, housing, transport and skills amongst others. We have also used our Vibrant Economy Index, which goes beyond financial returns and takes into account the wellbeing of society, to compare city regions. We believe that these benchmarks can serve as a baseline for assessment of progress over time.

## Key findings from the report:

- CAs must begin to reduce the institutional blurring with historic local government structures that has occurred with their formation. As greater clarity emerges over their roles, functions, and profiles of individual mayors, their perceived legitimacy will increase.
- CAs stand and fall on their ability to add value through targeted investment, strategic co-ordination, joined-up policy and the leveraging in of additional resources (particularly additional private sector funds).
- There is no single checklist or set of criteria for measuring the success of mayors and combined authorities, each city region must articulate its own challenges and show progress in tackling them.
- A balanced set of benchmarks encompassing both economic and social success will, however, serve as a useful stimulus for the debate around the impact of the combined authority model over time.

[Click on the report cover to download and read more.](#)



## Grant Thornton Publication



### Challenge question:

Is your Authority considering how the combined authority model may evolve?



# Setting up a successful social enterprise



Local government continues to innovate as it reacts to ongoing austerity. An important strand of this response has been the development of alternative delivery models, including local authority trading companies, joint ventures and social enterprises.

This report focuses on social enterprises in local government; those organisations that trade with a social purpose or carry out activities for community benefit rather than private advantage. Social enterprises come in a variety of shapes and sizes as they do not have a single legal structure or ownership rule and can adopt any corporate form as long as it has a social purpose.

If you are a local authority looking to transition a public service to a social enterprise model certain factors will be key to your success including: leadership, continuing the culture, branding, staff reward and secure income stream.

Download our guide to explore how to handle these factors to ensure success, the requirements for setting up a social enterprise; and how social enterprise can be ended.

The guide also showcases a number of compelling case studies from local authorities around England, featuring inspiring ideas from those social enterprises that have been a success; and lessons learned from those that have encountered challenges.

## Key findings from the report:

- Austerity continues to be a key driver for change: social enterprises are a clear choice where there is an opportunity to enhance the culture of community involvement by transferring these services into a standalone entity at its centre
- The social enterprise model tends to lend itself more to community services such as libraries, heritage management and leisure, but not exclusively so
- Social enterprises can open up new routes of funding including the ability to be flexible on pricing and access to pro bono or subsidised advice
- Some local authorities have converted existing models into social enterprises; for example where a greater focus on social outcomes has been identified

[Click on the report cover to download and read more](#)



## Grant Thornton Publication



### Challenge question:

Is your local authority looking to transition a public service to a social enterprise model, and if so are you familiar with this report?

# Code of Practice on Local Authority Accounting and IFRS 9 and IFRS 15

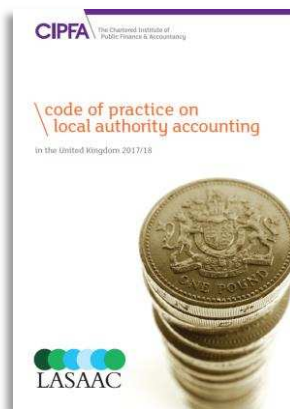
CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18 which specifies the principles and practices of accounting required to prepare a Statement of Accounts.

The main changes to the Code include:

- amendments to section 2.2 for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 to introduce key reporting principles for the Narrative Report
- updates to section 3.4 covering the presentation of financial statements to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 affecting the Housing Revenue Account, to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements)
- amendments to section 6.5 relating to the Accounting and Reporting by Pension Funds, to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

Alongside the Code, CIPFA has also published Guidance Notes for Practitioners and a Disclosure Checklist for 2017/18 Accounts.

These publications may be obtained from CIPFA and are available [here](#).



CIPFA/LASAAC has issued a companion publication 'Forthcoming provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018'.

Looking further ahead, this sets out the changes to the 2018/19 Code in respect of [IFRS 9 Financial Instruments](#) and [IFRS 15 Revenue from Contracts with Customers](#). It has been issued in advance of the 2018/19 Code to provide local authorities with time to prepare for the changes required under these new standards.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, a forward looking 'expected loss' model for impairment (rather than the 'incurred loss' model under IAS 39) and some fundamental changes to requirements around hedge accounting.

IFRS 15 establishes a new comprehensive framework for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition.

It should be noted that the publication does not have the authority of the Code and early adoption of the two standards is not permitted by the 2017/18 Code.

An Early Guide for Local Authority Practitioners covering IFRS 9 Financial Instruments is to be published in December 2017.

## CIPFA Publication

### Challenge question:

Is your Head of Finance & Asset Management aware of the changes affecting the preparation of the financial statements for 2017/18 and the forthcoming changes to financial instruments and revenue recognition.



# Overview of General Data Protection Regulation (GDPR)

## What is it?

GDPR is the most significant regulatory data protection development in 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

## What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25<sup>th</sup> May 2018.

### How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that might reasonably be used to identify a living individual, either directly or indirectly. Various unique identifiers (including online cookies and IP addresses) will likely fall within the scope of personal data

### What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

## Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

## Notifications and Rights

- Organisations must notify relevant incidents to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

## Claims and Fines

- Privacy regulators can impose penalties of up to €1 million on public sector organisations, for the most serious violations
- Individuals and representative organisations may be able to seek compensation for infringements of data protection rights

## GDPR

### Challenge question:

Can your authority effectively erase Personally Identifiable Data?

Have you appointed a Data Protection Officer?

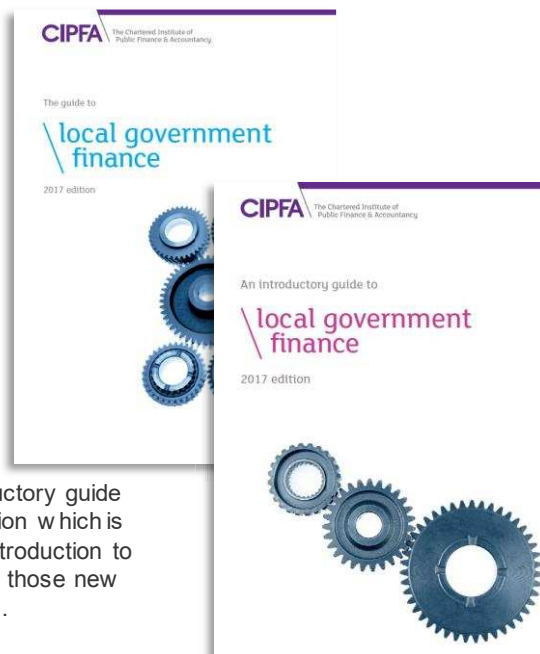
How will your authority ensure citizens' data isn't duplicated across different information siloes without their knowledge?

# CIPFA publications

CIPFA have published 'The guide to local government finance' 2017 edition. The guide seeks to provide information on current arrangements for local government finance and sets out the principles of sound financial management.

The guide covers a range of local government services. It examines the funding systems that support those services including council tax, business rates and the local government finance settlement. The guide covers both revenue and capital financing and has separate chapters on key areas and their specific intricacies including:

- capital finance
- budgeting and financial reporting
- treasury management
- auditing
- governance
- education
- housing
- police
- social care.



CIPFA have also published 'An introductory guide to local government finance' 2017 edition which is aimed at those requiring more of an introduction to local government finance for example, those new to the sector or non finance specialists.

CIPFA have updated their guidance on the key considerations in setting up and managing a pooled budget in the publication 'Pooled Budgets and the Better Care Fund: A Practical Guide for Local Authorities and Health Bodies' (2017 Edition)

Although pooled budgets have operated widely across health and social care for a long time, they were brought into prominence by the Better Care Fund, introduced in 2015–16.

The aim of CIPFA's guidance is to define the basic principles of financial management, governance and accountability that partners in budget pooling arrangements or, indeed, other forms of partnership working, should follow, and to consider the relevant accounting issues.

The guide provides practical tools such as a checklist of matters to consider, an example of how to decide which agency should lead the arrangement, a model scheme of delegation to boards. The guide considers the background to budget pooling, including the purpose of pooling, the basics of partnership arrangements, and some other options available to health and social care organisations pursuing similar objectives. It goes on to consider specific issues arising from pooling: managing a pooled budget, corporate governance, financial management, audit and assurance, and VAT. These matters then feed into an appendix on accounting issues.

## CIPFA Publication

### Challenge question:

Are these publications of use to you?



# DCLG Consultation

## DCLG are currently consulting with Local Authorities and other interested parties on proposed changes to the prudential framework of capital finance.

The statutory framework for the Prudential System is set out in Chapter I of the Local Government Act 2003 and in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended. The framework includes four statutory codes. Alongside CIPFA's Prudential Code and Treasury Management Code, the DCLG is responsible for Statutory Guidance on both Local Authority Investments and on the Minimum Revenue Provision.

Over the past years the regulatory and economic environment has changed significantly and led the sector to consider more innovative types of investment activity. The government has also monitored changes in the practices used for calculating Minimum Revenue Provision.

As a result the Department for Communities and Local Government is seeking views on proposals to update the guidance on Local Authorities Investments and on Minimum Revenue Provision for full implementation in 2018/19. This consultation closes on 22 December 2017 and may be accessed [here](#).

### Local Authorities Investment Code

The Government recognises that there is great variation in the objectives and nature of local authority investment, including local economic regeneration projects, however it believes that local authorities need to be better at explaining "why" not just "what" they are doing with their investment activity.

That means that the sector needs to demonstrate more transparency and openness and to make it easier for informed observers to understand how good governance and democratic accountability have been exercised.

To this end a number of proposals are made including requiring local authorities to:

- prepare a Capital Strategy which includes clear disclosure of the Investment Strategy
- disclose the contribution that investment activities make to their core functions
- use indicators to assess total risk exposure
- apply the principles of prioritising security and liquidity over yield for investment in non financial assets (in the same way that they are required to do for financial assets)
- disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income
- disclose additional information where authorities borrow to invest in revenue generating investments
- Disclose steps to ensure expertise of key officer and councillors involved in the decision making process.

### Minimum Revenue Provision Guidance

Local authorities are normally required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or long term credit arrangements. Given the changes in current practice and recent interest, the Government feels that it is time to look into updating the guidance as part of the more general update of the statutory codes comprising the prudential system. Four proposals are made:

- change to the definition of the basis of MRP
- confirmation that a charge to the revenue account cannot be a credit
- confirmation that a change to the MRP methodology would not generate an overpayment of MRP calculated retrospectively
- Introduces maximum useful economic lives for MRP calculations based on asset life

#### DCLG consultation

##### Challenge question:

- Are your finance officers planning to respond to the consultation?



# Local Authority 2016/17 Revenue Expenditure and Financing

DCLG has produced a summary of Local Authorities' 2016/17 final outturn for revenue spending and financing. It notes that local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure.

The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

- Local authority revenue expenditure totalled £93.6 billion for all local authorities in England in 2016-17. This was 1% lower than £94.5 billion spent over 2015-16.
- Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. The 2016-17 financial year was the first year where local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
- The largest decrease in local authority expenditure was on Education services. This was £0.75 billion (2.2%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.4 billion of this increase is due to the Greater London Authority.

The full report is available [here](#).

## Did you know....

This data set and many others are included in CFO Insights.

CFO Insights, is the Grant Thornton and CIPFA online analysis tool.

It gives those aspiring to improve the financial position of their organisation, instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

<http://www.cfoinsights.co.uk/>

**CFO Insights**



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<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

<http://www.grantthornton.co.uk/en/insights/the-board-creating-and-protecting-value/>

<http://www.cfoinsights.co.uk/>



## CIPFA website links

<http://www.cipfa.org/policy-and-guidance/publications/codes-of-practice>

<http://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/t/the-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/p/pooled-budgets-and-the-better-care-fund-a-practical-guide-for-local-authorities-and-health-bodies-2017-edition>

## DCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2016-to-2017-final-outturn>







# The Annual Audit Letter for Tewkesbury Borough Council

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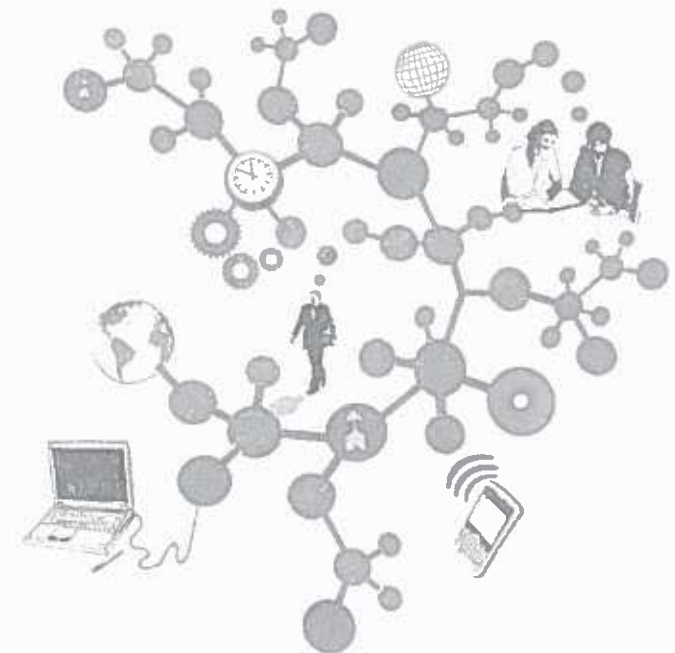
Year ended 31 March 2017

19 October 2017

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Agenda Item 8

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# Executive summary

## **Purpose of this letter**

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Tewkesbury Borough Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

40 We reported the detailed findings from our audit work to the Council's Audit Committee (as those charged with governance) in our Audit Findings Report on 21 September 2017.

## **Our responsibilities**

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

## **Our work**

### **Financial statements opinion**

We gave an unqualified opinion on the Council's financial statements on 26 September 2017.

### **Value for money conclusion**

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 26 September 2017.

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### **Certificate**

We certified that we had completed the audit of the accounts of Tewkesbury Borough Council in accordance with the requirements of the Code on 26 September 2017.

### **Certification of grants**

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

### **Working with the Council**

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. The outcomes we have delivered together are:

- We delivered an efficient audit, and issued our opinion on the financial statements and value for money conclusion before the statutory deadline
- We shared our insight with you and provided regular audit committee updates covering best practice, along with our thought leadership publications
- We held discussions with senior finance team management and provided technical expertise to the Council to consider the impact of group accounting in regards to the new partnership with UBICO
- We delivered Audit Committee Effectiveness training to members of the audit committee to assist them in discharging their duties.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
**October 2017**

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# Audit of the accounts

## Our audit approach

### Materiality

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £707,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for senior officer remuneration and auditor's remuneration.

We set a lower threshold of £35,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

### The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Head of Finance and Asset Management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the accounts - Council

Table 1: These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<p>Documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated.</p> <ul style="list-style-type: none"> <li>• Walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements.</li> <li>• Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation.</li> <li>• Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>	<p>Our audit work did not identify any significant issues in relation to the risk identified.</p>
<p><b>Changes to the presentation of local authority financial statements</b></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 CIPFA 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>We undertook the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements</li> <li>• reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure</li> <li>• reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS)</li> <li>• tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES</li> <li>• tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger</li> <li>• tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements</li> <li>• reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.</li> </ul>	<p>Testing of the restated 2015-16 CIES and the relevant Expenditure and Funding Analysis (EFA) identified a number of issues. These were:</p> <ul style="list-style-type: none"> <li>• An adjustment made to the CIES required a matching entry in the EFA which was not completed accurately and required further updating</li> <li>• Figures in the expenditure and funding analysis statement did not agree to supporting documentation</li> <li>• There was no prior year comparator for the note to the Expenditure and Funding Analysis.</li> <li>• The Council had not disclosed that the 2015-16 CIES disclosure is restated on the face of the accounts as per the requirements of the code</li> </ul> <p>There was no impact on the reported outturn and the Council have made the necessary adjustments to the final signed accounts.</p>

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# Audit of the accounts

## **Audit opinion**

We gave an unqualified opinion on the Council's accounts on 26 September 2017, in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of supporting working papers to support the financial statements. The draft statements were presented for audit on 31 May 2017 and the Council has achieved the revised statutory deadline a year early. The finance team had undertaken additional work to revise the format of the financial statements this year in line with the code and the requirement of CIPFA's Telling the Story.

## **44 Issues arising from the audit of the accounts**

We reported the key issues from our audit of the accounts of the Council to the Council's Audit Committee on 21 September 2017.

We recommended a number of adjustments to improve the presentation of the financial statements. No adjustments affected the Council's reported financial position.

## **Annual Governance Statement and Narrative Report**

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

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# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the 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.*

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

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The key risks we identified and the work we performed are set out in table 2 overleaf.

As part of our Audit Findings report agreed with the Council in September 2017, we agreed the following recommendation to address our findings.

- The Council should ensure that a robust process exists for management and monitoring of the UBICO contract with third parties and, that all financial information is provided on a timely basis to allow identification of potential overspends

## Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.



# Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p><b>Medium Term Financial Strategy</b></p> <p>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>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>The Medium Term Financial Strategy (MTFS) is a key element within the Council's overall strategic planning framework. The Strategy takes a five-year perspective and is reviewed, updated and rolled forward annually to set a framework for how budget pressures and priorities will be managed within the best estimates of available capital and revenue resources.</p> <p>As in previous years it is clear that the reduction in core funding will need to be covered by greater income generation although it should be noted that the agreed RSG funding is continuing a year further than previous iterations. From conversation with management it is clear that there is a tendency towards being prudent and that some forecasts are deliberately pessimistic in order to allow for the 'worst case' scenario.</p> <p>The spending review introduced a number of changes to the New Homes Bonus (NHB) policy and the amount of funding that reduced the payments for occupied new homes. This has resulted in a reduction of forecast income by approximately £160k.</p> <p>Funding for the Council shows a continual decline until 2020/21 when the funding increases again. The Medium Term Financial Strategy (MTFS) has been rolled forward and covers the period 2017/18 to 2021/22. A balanced budget has been set for 2017/18 and the Council has a good record of setting and achieving balanced budgets over the past number of years although this is caveated through the number of one off savings and revenue receipts that have been received.</p> <p>There is a continued reliance on new homes bonus income which accounts for 8.7% of the total income, and the Council has undertaken an extensive process for identifying savings and has looked at opportunities for further income generation.</p> <p>It is considered that the Council has robust processes in place for identifying and achieving short term savings, identified through the Medium Term Financial and that the requirements of savings programmes driven by central government will be met. On this basis we conclude that the risk has been sufficiently mitigated and that the Council has proper arrangements in place. We will continue to keep this under review.</p>

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# Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p><b>UBICO Contract Monitoring</b></p> <p>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>We will 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>	<p>As of 1 April 2015 Tewkesbury Borough Council joined the local authority owned company Ubico Ltd, as an equal partner with five other authorities. Alongside waste and recycling collections the contract also provides for street cleansing and grounds maintenance for the borough. Internal Audit undertook a review of monitoring of the contract in 2016 which was reviewed as part of audit's risk assessment.</p> <p><b>Arrangements in place at time of Internal Audit Review</b></p> <p>The monitoring of the contract is undertaken at both a financial and performance level. Financial control is done through budget monitoring whilst performance is measured using a number of Key Performance Indicators (KPIs). Performance monitoring is based on six KPIs. These are monitored by the Head of Community Services and reported to the Overview and Scrutiny Committee (O&amp;S). Of the six KPIs outlined in the contract, all six related to Waste Services. Further, of the six as outlined in the contract three were not being properly monitored. The budget information received was considered to be at a high level and is split at service level.</p> <p>There were some issues with ad-hoc invoices and where the responsibility for those services that have been provided lay. The lack of activity monitoring and detailed performance reporting did not provide sufficient evidence or support to these costs.</p> <p><b>Update of arrangements as at August 2017</b></p> <p>Discussion with the Head of Corporate Services and the Head of Finance and Asset management identified that there is a fragmented monitoring process with limited effective communication and no real ownership of the process.</p> <p>In response to the issues outlined the Council have put a number of processes in place to address the key risks. These include:</p> <ul style="list-style-type: none"> <li>• A permanent Head of Community Services has been appointed with overall service responsibility</li> <li>• A review of KPIs is currently being undertaken by the Joint Waste Team to identify those that will be of best use for contract monitoring purposes.</li> <li>• Resources made available to recruit a dedicated Grounds Maintenance &amp; Fleet Client Officer</li> <li>• Improved financial information</li> </ul> <p>The above, alongside the progress against audit recommendations, and discussion with management, provide assurance that risks have been sufficiently mitigated. On this basis we conclude that the risk has been sufficiently mitigated and that the Council has proper arrangements in place. We will continue to keep this under review.</p>

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## Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

### Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Council	44,921	44,921	44,921
Housing Benefit Grant Certification	9,110	TBC	9,110
<b>Total fees (excluding VAT)</b>	<b>54,031</b>	<b>TBC</b>	<b>54,031</b>

We can confirm that no non-audit or audited related services have been undertaken for the Council

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

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'. We will report to you our final fees in relation to this work through our grant certification report once this has been completed in November 2017.

### Reports issued

Report	Date issued
Audit Plan	13 March 2017
Audit Findings Report	21 September 2017
Annual Audit Letter	3 October 2017



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## Grant Thornton

An instinct for growth™

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4 December 2017

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### **Certification work for Tewkesbury Borough Council for year ended 31 March 2017**

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) took 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 2016/17 relating to subsidy claimed of £19.1 million. Further details are set out in Appendix A.

Our approach requires that we review issues identified in the prior year and undertake further testing where appropriate, to determine the extent that they have continued into the 2016/17 period. Our testing in 2015/16 identified the following issues that required further testing in 2016/17

- LHA rates had been misapplied
- Claimant's earnings had been incorrectly calculated
- Rent allowance overpayments had been misclassified

In addition, our testing of claims relating to 2016/17 identified the following issues:

- LHA rates had been misapplied as previously reported in 2015/16
- Fuel allowance rates had not been updated and were incorrectly applied
- Non HRA overpayments had been misclassified for subsidy purposes.

Our further testing of LHA rates, fuel rates and the classification of Non HRA rates resulted in amendments to the claim of between £149 and £1,553. As the claim has been amended for these errors, there was no requirement to report these errors to the DWP.

#### **Chartered Accountants**

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With regards to the errors identified in the misclassification of overpayments in rent rebates, the extrapolated financial impact on the claim, as reported to the DWP, was not significant to the total subsidy receivable. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 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 PSAA for the Council for 2016/17 was £9,110. This is set out in more detail in Appendix B. We will communicate our final 2016/17 fee to you in a future progress report once this has been determined.

Yours sincerely

Grant Thornton UK LLP

## Appendix A - Details of claims and returns certified for 2016/17

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£19,130,659	Yes	£1,421	Yes	See below

### Findings from certification of housing benefits subsidy claim

#### **LHA Rates**

Our initial testing identified two errors out of 14 cases where the incorrect Broad Rental Market Area (BRMA) rate had been applied to the claimant's entitlement. This issue was also noted in 2015/16 and required further testing. As the population was under 100 cases we carried out 100% testing.

Overall we tested 71 cases, 14 in the initial sample population and 57 in the further testing. The further testing identified another 12 errors of which 4 had no impact on subsidy. The total value of the errors was £650 which required an amendment to the claim. The number of errors is higher than last year and we will be required to undertake further testing in this area in 2017/18.

#### **Claimant income**

Our testing last year identified that claimant's earnings had been miscalculated leading to an overpayment of entitlement which required further testing in 2016/17.

We tested a sample of 40 cases with earned income, as a result of errors identified in the prior year, and from this a further two errors were identified. In both cases the error led to an underpayment of claimant's entitlement which has no impact on subsidy. However as this error can lead to an overpayment as well as an underpayment we will be required to undertake further testing in this area in 2017/18.

#### **Fuel Allowance**

We identified 9 errors in our initial sample where the incorrect fuel allowance rate had been applied. The national rate for fuel allowance is £17.23 in 2016/17 and testing identified that assessors were using the 2015/16 rate of £16.48. This error required us to undertake further testing and, as the population was under 100, we carried out 100% testing.

Further testing of 57 cases identified an additional 39 errors, all of which resulted in an overpayment of entitlement. The total value of the errors was £443 which again required an adjustment to the claim for this value. This is a new error in 2016/17 and will require further testing in 2017/18.

#### **Misclassification of Non HRA Overpayments**

Initial testing identified one case where Non HRA overpayments had been incorrectly classified as eligible error, when it should have been technical error, which required further testing. As the population was below 100, we were required to test 100% of the population.

Further testing of 57 cases we identified five cases where the overpayment had been incorrectly classified as eligible when it should have been a technical overpayment. The total value of the errors was £1,553 which required an amendment to the claim for this value. This was a new error in 2016/17 and will require us to undertake further testing in 2017/18.

#### **Misclassification of Rent Allowance Overpayments**

Our testing last year identified 10 cases where rent allowance overpayments had been incorrectly classified as LA error, when they should be classified as eligible error, which required further testing in 2016/17.

We tested a sample of 40 cases from the LA error population and from this a further 29 errors were noted. The nature of the population, and the variation in the errors, meant that even significant additional work would not allow us to make amendments to the claim form. The extrapolated value of these errors was £10,030 and the number of errors identified has increased from prior years. This will require us to undertake further testing in 2017/18.



**Appendix B: Fees for 2016/17 certification work**

<b>Claim or return</b>	<b>2014/15 fee (£)</b>	<b>2016/17 indicative fee (£)</b>	<b>2016/17 actual fee (£)</b>
Housing benefits subsidy claim (BEN01)	£12,700	£9,110	£TBC
Total	£12,700	£9,110	TBC

## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	13 December 2017
<b>Subject:</b>	Internal Audit Plan Monitoring Report
<b>Report of:</b>	Graeme Simpson, Head of Corporate Services
<b>Corporate Lead:</b>	Mike Dawson, Chief Executive
<b>Lead Member:</b>	Councillor D J Waters, Leader of the Council
<b>Number of Appendices:</b>	4

<p><b>Executive Summary:</b></p> <p>The monitoring report is the second update report of 2017/18. The report details the findings of internal audit assignments completed since the last report to Audit Committee on 21 September 2017. The report also provides an overview of other related audit activity undertaken in the period.</p>
<p><b>Recommendation:</b></p> <p><b>To CONSIDER the audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.</b></p>
<p><b>Reasons for Recommendation:</b></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><b>Resource Implications:</b></p> <p>None arising directly from this report.</p>
<p><b>Legal Implications:</b></p> <p>None</p>
<p><b>Risk Management Implications:</b></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 internal 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. Recommendations made by internal audit are reported to the Audit Committee and those followed up during the period can be found in Appendix 4.

**Environmental Implications:**

None.

**1.0 INTRODUCTION/BACKGROUND**

**1.1** The 2017/18 internal Audit Plan was approved at Audit Committee on 22 March 2017. This monitoring report is the second monitoring report of 2017/18 and summarises the internal audit work undertaken since the last report to Audit Committee on 21 September 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) on the work of internal audit.

**2.0 COMPLETED AUDIT ASSIGNMENTS 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. An overview of any consultancy type work undertaken is also detailed in Appendix 1. The status of all audits within the audit plan can be found in Appendix 2.

**2.2** 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 undertaken on licensing which has concluded a limited opinion in relation to certain aspects of the control environment. To give assurance to Audit Committee that the internal audit findings have been recognised by management, all recommendations have been accepted and dates for implementation agreed – see Appendix 3.

**3.0 FOLLOW UP OF INTERNAL AUDIT RECOMMENDATIONS**

**3.1** All audit recommendations that were due to be followed up in the period have been followed-up. 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 these recommendations and their status can be found in Appendix 4. Of the 19 recommendations followed-up during the period, 12 have been implemented, 4 partially implemented and 3 yet to be implemented.

#### **4.0 PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) – INDEPENDENT FIVE YEAR ASSESSMENT**

**4.1** PSIAS requires that, at least every five years, an external assessment must be conducted by a qualified, independent assessor. The Chief Audit Executive's (CAE) 2016/17 annual report that was presented at Audit Committee on 19 July 2017 confirmed Elizabeth Humphrey of Tilia Solutions had been appointed to undertake this assessment. Elizabeth is accredited by the Chartered Institute of Public Finance and Accountancy (CIPFA), has a vast CV in relation to audit practice and came highly recommended from other CAE. The purpose of the assessment is to conclude internal audit's conformance with the standards.

**4.2** The assessment took place during the week commencing 13 November and included interviews with the CAE, Chief Executive, Borough Solicitor, Head of Finance and Asset Management, the internal audit team, a number of operational managers, Chair of Audit Committee and the Lead Member for Corporate Governance. In addition, a plethora of internal audit documentation and processes were reviewed.

**4.3** A draft report has recently been received and is in the process of being finalised. It is the intention that a workshop will be held with the Audit Committee in the New Year to consider the findings of the final report and also to share ideas on the effectiveness of the Audit Committee. The latter is an action within the Council's 2016/17 Annual Governance Statement. New CIPFA guidance on Audit Committee's is expected to be published in 2017.

**4.4** Without going into too much detail, no areas of non-compliance with the standards were identified that would affect the overall scope or operation of the internal audit activity. The assessment commended the team for their structured and focussed approach and the speed with which assignments are performed. The assessment did identify areas of partial compliance and recommendations made accordingly. These can be categorised as follows:

- Textual amendment to the charter to define more clearly parts of the IA activity.
- Formal safeguards to maintain the independence of the CAE.
- Undertake audit planning by using a more strategic focus.
- Revision of audit documentation to improve the audit planning process.

#### **5.0 FRAUD/CORRUPTION/THEFT/WHISTLEBLOWING**

**5.1** No incidents have been reported during the period.

#### **6.0 OTHER OPTIONS CONSIDERED**

**6.1** None.

#### **7.0 CONSULTATION**

**7.1** All managers are consulted prior to the commencement of the audit to agree the scope and each manager has the opportunity to comment on the draft report and complete a client survey at the end of the audit.

#### **8.0 RELEVANT COUNCIL POLICIES/STRATEGIES**

**8.1** Internal Audit Charter and Internal Audit Annual Plan.

**9.0 RELEVANT GOVERNMENT POLICIES**

9.1 None.

**10.0 RESOURCE IMPLICATIONS (Human/Property)**

10.1 None.

**11.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**

11.1 None.

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

12.1 Internal Audit contributes to value for money through its improvement work.

**13.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**

13 .1 None.

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**Background Papers:** None

**Contact Officer:** Graeme Simpson, Head of Corporate Services  
01684 272002 [Graeme.simpson@teWKesbury.gov.uk](mailto:Graeme.simpson@teWKesbury.gov.uk)

**Appendices:** Appendix 1 – 2017/18 Audit work undertaken in the period  
Appendix 2 – Status of 2017/18 audit plan  
Appendix 3 – Licensing audit recommendations  
Appendix 4 – Summary of recommendations reviewed in 2017/18  
quarter 3

## List of Audits completed as part of the 2017-18 Audit Plan

Audit	Audit Objective & Opinion		
Cemeteries	<p><b>Control Objectives (CO):</b></p> <p>CO1: All burial records are accurate with any changes being recorded immediately.</p> <p>CO2: Fees and charges are applied correctly and recovered in a reasonable timescale.</p> <p>CO3: There is a grave digging contract in place and the key elements of the contract are monitored.</p> <p><b>Audit opinion</b></p>		
	CO	Assurance Level	Opinion
	1	Satisfactory	<p>There are well maintained plans for both Tewkesbury and Bishops Cleeve cemeteries. The burial details maintained are not strictly in accordance with the requirements of the Local Authorities' Cemeteries Order 1977. The Council maintains an index to the register of burials, the register of purchased graves and the grantee forms. This information collectively gives reasonable assurance that details required to be maintained as part of the burials register are available - with the exception of the signature of the person making the entry. Signatures could be hand written in the register to purchase graves. Data inconsistencies occurred on occasions between the index to the register and actual register. Furthermore, in two of the cases sampled the depth of graves had been incorrectly recorded. It is therefore recommended that a checklist is produced in relation to the recording process to assist in ensuring consistency with data entry. Records kept in relation to disinterment and memorials are robust.</p>
	2	Satisfactory	<p>Assurance was obtained that all cemetery fees and charges have been appropriately approved. All fees and charges are available to the public to view via the Council's website. In respect of burials and crematoria, testing found that fees had been applied correctly and were recovered in a reasonable timescale. Furthermore, headstone permits were found to have been paid and issued correctly. It is noted that online forms are being developed to create greater opportunity to receive payments over the internet and reduce the number of cheque payments being receipted. In respect of improving service efficiency and limiting the risk of incorrect fees being received, it is recommended that the cemeteries</p>

			<p>officer be trained to take such payments. A small number of refunds are given where burial plots are no longer required and in order to demonstrate transparency of service, terms and conditions surrounding the granting of refunds should be formalised and published via the Council's website.</p> <p>The Council offers an optional charged service in relation to the maintenance of graves. Fees in respect of this service were found to have been paid correctly and there was evidence that the required maintenance works had been carried out. Data entry demonstrating completion of tasks to be performed could be minimised, if the Sexton were to enter this data directly into the grave maintenance log this could then be presented at the council offices on an agreed regular basis for verification. The charges for this optional service do need to be reviewed, since elements of the service (i.e. cutting) are currently being performed for all graves by either the Sexton or under the Ubico contract. Details of this optional maintenance service, including its terms and conditions, should be made available to the public via the Council's website.</p> <p>Annually the budget for cemeteries is reviewed and approved; the fees charged are reviewed against other authorities approximately every two years.</p>
	3	Good	<p>There is a good level of assurance that the key terms of the grave digging contract are being adhered to. Graves are being dug in a timely manner although not necessarily strictly in accordance with the contract which states that the grave should be dug 24 hours prior to the funeral and then be opened again at least 2 hours before the funeral. Currently, graves are normally excavated the day of the funeral and there is therefore a potential timing issue, however, all grave digging has been completed on time. The Asset Manager confirmed that the grave digging contract conditions are currently under review and the intention is to clarify the current practice within the new contract.</p> <p>Maintenance of the cemeteries is carried out by the Sexton and the Council's grounds maintenance contractor – Ubico, which is responsible for strimming part of the Tewkesbury Cemetery. There is reasonable assurance that graves are being maintained appropriately. It is noted that some difficulties have arisen in relation to damage to headstones and the timeliness of strimming carried out by Ubico. Monitoring measures have been established to review these issues. Further assurance in relation to the maintenance of the cemeteries, including the graves, could be provided through engaging with the public by having a website online 'report it' function in relation to cemeteries. It should be noted that an audit in respect of the Ubico</p>

		contract monitoring was undertaken in 2016/17, which identified that there were no performance indicators in relation to the ground maintenance element of the contract. Associated recommendations are due to be reviewed at the end of the current financial year.						
Property leases	<p><b>Control Objectives (CO):</b></p> <p>1. Property leases are monitored and income collected is in accordance with the terms of the lease</p> <p><b>Audit opinion</b></p> <table border="1" data-bbox="389 573 1442 1747"> <thead> <tr> <th data-bbox="389 573 464 640">CO</th> <th data-bbox="464 573 740 640">Assurance Level</th> <th data-bbox="740 573 1442 640">Opinion</th> </tr> </thead> <tbody> <tr> <td data-bbox="389 640 464 1747">1</td> <td data-bbox="464 640 740 1747">Satisfactory</td> <td data-bbox="740 640 1442 1747"> <p>Using a sample of 10 leases, evidence was obtained that the leases had been appropriately authorised and, where applicable, rent reviews have been completed. There was evidence that invoices for rent and insurance recharges had been raised promptly and accurately. Where payments were not being paid in line with the lease terms, payment arrangements had been set up and debts were generally recovered within a year of the invoice being raised.</p> <p>In regards to the monitoring of the lease terms, the Estates Officer (EO) and the Asset Manager (AM) gave verbal assurance that inspections of properties are carried out; however only the inspection sheets for the homeless properties have been retained and, therefore, there is a limited audit trail of inspections previously completed. This had been identified prior to the audit being undertaken and the EO has subsequently compiled a monitoring spreadsheet; visits to gather relevant supporting documentation, including insurance and electrical certificates, is ongoing.</p> <p>It was identified that visits are scheduled according to an informal risk assessment- based on tenure, cases of non-payment or where the tenants are considered vulnerable. However, to provide groundings for the visit schedule, it is recommended that a formal risk assessment is completed and documented accordingly. Relevant supporting evidence and inspection sheets will be retained to provide a comprehensive audit trail.</p> </td> </tr> </tbody> </table>		CO	Assurance Level	Opinion	1	Satisfactory	<p>Using a sample of 10 leases, evidence was obtained that the leases had been appropriately authorised and, where applicable, rent reviews have been completed. There was evidence that invoices for rent and insurance recharges had been raised promptly and accurately. Where payments were not being paid in line with the lease terms, payment arrangements had been set up and debts were generally recovered within a year of the invoice being raised.</p> <p>In regards to the monitoring of the lease terms, the Estates Officer (EO) and the Asset Manager (AM) gave verbal assurance that inspections of properties are carried out; however only the inspection sheets for the homeless properties have been retained and, therefore, there is a limited audit trail of inspections previously completed. This had been identified prior to the audit being undertaken and the EO has subsequently compiled a monitoring spreadsheet; visits to gather relevant supporting documentation, including insurance and electrical certificates, is ongoing.</p> <p>It was identified that visits are scheduled according to an informal risk assessment- based on tenure, cases of non-payment or where the tenants are considered vulnerable. However, to provide groundings for the visit schedule, it is recommended that a formal risk assessment is completed and documented accordingly. Relevant supporting evidence and inspection sheets will be retained to provide a comprehensive audit trail.</p>
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Members' Allowances

**Control Objectives (CO):**

1. A scheme has been formally approved and Members are paid the correct allowance in accordance with the scheme.

**Audit opinion**

CO	Assurance Level	Opinion
1	Satisfactory	<p>A review of the Council Minutes confirmed that the scheme had been appropriately approved. In addition, testing throughout the audit in relation to actual allowance paid, mileage and subsistence claims, and attendance records, confirmed that appropriate controls are in place. Testing confirmed:</p> <ul style="list-style-type: none"> <li>- A sample of 15 Member's allowances found that allowances in relation to basic allowance and special responsibility allowance had been accurately entered into the payroll system.</li> <li>- A sample of 5 mileage claims and 5 subsistence claims were accurately paid.</li> <li>- Attendances are monitored by Democratic Services to ensure that Members meet the two thirds attendance requirement in line with the scheme and there were no cases of Member's failing to meet this requirement.</li> </ul> <p>Some minor variances in start and end dates were identified in relation to the following:</p> <ul style="list-style-type: none"> <li>- Mayor (overpayment of £9.14 and underpayment of £17.75 to the previous Mayor)</li> <li>- Deputy Mayor (underpayment of £7.26)</li> <li>- Support Members (underpayment of £0.98)</li> </ul> <p>These have resulted in small under and overpayments. This only affected the first payment made. To ensure that the effective dates are accurately recorded in future, it is recommended that a verification check be completed by Democratic Services after the Payroll Officer has entered the information into the payroll system.</p> <p>Testing of a sample of 10 mileage and subsistence claims found that payments had been made in accordance with the scheme. In one of the claims sampled, a claim for a refund for a Member's broadband had been submitted; no supporting evidence had been obtained to verify that the amount paid is accurate to that refunded. There are currently two members who are reclaiming this provision through payroll.</p>

			<p>It was identified that the provision for Member's broadband had been approved by Executive Committee in 2010. The broadband provision for members is not currently included within the Members' Allowance Scheme or the Members' ICT Policy and to ensure consistency of application of this provision, it is recommended the provision be reviewed and recorded in the Members' ICT Policy.</p> <p>It was verbally confirmed by Democratic Services and the Payroll Officer that no claims against the Dependents Care Scheme Allowance had been made.</p>						
Licensing	<p><b>Control Objectives (CO):</b></p> <ol style="list-style-type: none"> <li>1. License applications both new and renewals are appropriately processed in a timely manner, approved and the correct fee has been received.</li> <li>2. License conditions are enforced in accordance with the Council's policy and legislative requirements, and complaints and breaches of conditions are investigated in a timely manner.</li> <li>3. The public have access via the Council's website to its licensing policies and up to date statutory licence registers.</li> </ol> <p><b>Audit opinion</b></p> <table border="1" data-bbox="389 987 1442 2040"> <thead> <tr> <th data-bbox="389 987 464 1055">CO</th> <th data-bbox="464 987 735 1055">Assurance Level</th> <th data-bbox="735 987 1442 1055">Opinion</th> </tr> </thead> <tbody> <tr> <td data-bbox="389 1055 464 2040">1</td> <td data-bbox="464 1055 735 2040">Limited</td> <td data-bbox="735 1055 1442 2040"> <p>The licence applications tested related to private hire/hackney, licensing act 2003, street trading and animal boarding. There is a satisfactory level of assurance that licence applications are processed in a manner that gives consideration to the key elements of the associated policies in relation to street trading and personal licences. In respect of the other licences tested the following policy/procedures errors were identified:-</p> <ul style="list-style-type: none"> <li>• Private hire/hackney - the safeguarding requirements of the policy have not yet been fully implemented and no process has been established to ensure that six monthly LOLER certificates in respect of disabled access vehicles are provided to the Council.</li> <li>• Temporary Event Notices – recording of the number of temporary event notices that an individual, licensee or business has had needs to be improved. In one case of a limited company the premise user allowance had been exceeded by 10 events. Definitions of premises users should be listed on the Council's website.</li> </ul> </td> </tr> </tbody> </table>			CO	Assurance Level	Opinion	1	Limited	<p>The licence applications tested related to private hire/hackney, licensing act 2003, street trading and animal boarding. There is a satisfactory level of assurance that licence applications are processed in a manner that gives consideration to the key elements of the associated policies in relation to street trading and personal licences. In respect of the other licences tested the following policy/procedures errors were identified:-</p> <ul style="list-style-type: none"> <li>• Private hire/hackney - the safeguarding requirements of the policy have not yet been fully implemented and no process has been established to ensure that six monthly LOLER certificates in respect of disabled access vehicles are provided to the Council.</li> <li>• Temporary Event Notices – recording of the number of temporary event notices that an individual, licensee or business has had needs to be improved. In one case of a limited company the premise user allowance had been exceeded by 10 events. Definitions of premises users should be listed on the Council's website.</li> </ul>
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			<ul style="list-style-type: none"> <li>• Animal Boarding – the current home visit check undertaken by the Environmental Health Officers (EHO) does not provide confirmation that the correct fee has been receipted. The requirement that all licences are renewed from 1 January is not consistently applied and there is no evidence of enforcement being undertaken in respect of non-renewals.</li> </ul> <p>It should be noted that in respect of all types of licences tested there were data entry errors into Uniform, such as full list of consultees not recorded, the receipt date of applications was consistently incorrect, outstanding payment balances being created in error, payment receipt data missing, status of licence incorrect and in respect of animal boarding - visit dates and officer details not entered.</p> <p>In relation to fees the majority of payments reviewed were found to be correct and allocated to the appropriate ledger code, there were control weakness identified as follows:-</p> <ul style="list-style-type: none"> <li>• Annual payments for premises licences – there is limited assurance that all annual payment invoices have been raised. Currently, annual payments are not recorded on the Licence’s Uniform module and there is reliance on the debtors system for generating reminders. A review of 10 licences found that annual payments had not been raised in relation to 3 of these licences leading to a loss of income of £950 – debtors invoices were raised during the audit process to recover this debt.</li> <li>• Street trading – there was no demonstration of a check on street traders operating close to a prime site which has a potential charge of £1,313.</li> <li>• Private hire vehicles – payments receipted after new fees were applied were being accepted at the old fee rate for a short period of time.</li> <li>• Animal boarding – fees currently range between £121 and £252 dependent of number of boarders. Each establishment receives an EHO visit; however, the pricing schedule does not appear to take into consideration this element of the service.</li> </ul>
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		Currently, there is no income reconciliation between licences and the general ledger; such a process would assist in identifying miscoding errors, non-payments, reduced payments and data entry errors such as ghost outstanding balances on Uniform.
2	Limited	The Council's enforcement is currently based on a reactive approach to issues arising through complaints. Complaints are currently handled by EHOs through the environmental service requests and, as a result, no data in relation to the complaints is recorded within the licencing module of Uniform and there is, therefore, no clear audit trail in relation to a premises breaching a licence objective or its set conditions. Such information needs to be captured in order to prioritise the risk associated with each premises. Complaints in respect of noise were reviewed and, where these related to licenced premises, they were dealt with promptly with reference to licence compliance in some instances. It was noted that receipt dates of complaints were not correctly reflected within the uniform system. In addition, there is currently no online 'report it' function which allows the public to make a complaint specific to the licence objectives. In order to comply with Section 28.2 of the Council's statement of licensing for licenced premises a risk assessment that prioritises premises into high, medium and low risk needs to be undertaken. In risk assessing premises it is suggested that consideration needs to be given to complaints received, non-renewals and venue capacity.
3	Satisfactory	Policies/procedures and fees in relation to the licences tested have been approved and are available on the council's website. The licence information on the website in respect of personal licences, temporary event notices and animal boarding needs to be reviewed for relevancy.  Sampling of licences against the public register provided assurance the adequate information was available to the public. In respect of reporting of licences in accordance with government guidance it would be prudent to provide the Licencing Sub-Committee with a regular report on officer approved applications.

## **Corporate Improvement Work**

### **Management commitments**

Following a staff engagement survey undertaken in 2016 there were fundamental areas of engagement that needed to be addressed. These included activities such as ensuring team meetings were taking place, Personal and Professional Development appraisals taking place annually (supported with in-year dialogue), regularity and quality of management communication etc. To address this and in consultation with staff, a set of management commitments were implemented and promoted internally. At the request of management, internal audit have been asked to undertake a review to ascertain how well these commitments have been implemented. The outcome of this work will be reported at the next Audit Committee.

### **Public Sector Internal Audit Standards (PSIAS)**

As detailed in the main Committee report this assessment took place mid-November. To enable the assessment to take place, this required a concerted team effort to manage the logistics of the assessment such as the provision of evidence, timetabling interviews and managing the assessment week.

### **S106 Working Group**

Embracing the added value internal audit can provide at a consultancy stage, internal audit representation has been requested onto this group from the Head of Development. The group will look at the overall S106 process and how it can be managed effectively. The group is working towards a timetable to present a new framework to Executive Committee in March 2018. The Head of Development has also requested a formal audit be considered for inclusion within the 2018/19 internal audit plan to give assurance that the agreed outcomes are effectively implemented.

### **ICT Risk Assessment**

During the period, the team has commenced work with support from the ICT Manager on developing an ICT risk assessment. The assessment will identify the ICT operating environment including the controls that are in place for each ICT activity. The assessment should conclude areas of high, medium and low risk and will help inform the work of internal audit moving forward. Once concluded, consideration will need to be given as to whether the internal audit team have the necessary technical skills to undertake certain aspects of work.

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

<b>LEVEL OF CONTROL</b>	<b>DEFINITION</b>
<b>Good</b>	Robust framework of controls – provides substantial assurance.
<b>Satisfactory</b>	Sufficient framework of controls – provides satisfactory assurance – minimal risk. Probably no more than one or two 'Necessary' (Rank 2) recommendations.
<b>Limited</b>	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.
<b>Unsatisfactory</b>	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**

<b>CATEGORY</b>		<b>DEFINITION</b>
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 2017-18

Audit	Status
Freedom of Information monitoring	Final – reported to Audit Committee 27 September 2017
Disabled Facility Grants	Final - reported to Audit Committee 27 September 2017.
Licensing	Final reported to Audit Committee 13 December 2017
Absence management	Final – reported to Audit Committee 27 September 2017
Business Rates - NNDR3 verification	Final – reported to Audit Committee 27 September 2017
National Fraud Initiative	
Members Allowances	Final – reported to Audit Committee 13 December 2017.
Cemeteries	Final – reported to Audit Committee 13 December 2017.
Property Leases	Final – reported to Audit Committee 13 December 2017.
Housing Benefit (A1)	Final – reported to Audit Committee 27 September 2017
Council Tax (A1)	In progress.
Health and Safety (A1)	In progress.
ICT (A1)	In progress.
Main Accounting system	In progress.
Cash and Bank	
Payroll (IR35)	In progress.
Council Tax (A2 -recovery)	
land charges	In progress.
Ubico Client Monitoring	

<b>Audit</b>	<b>Status</b>
Health and Safety (A2 vehicle document check)	
Budgetary Control	
Data Protection	
Housing Benefits (A2)	
Creditors (new ordering system)	
Leisure Centre (client monitoring)	
Vehicle Contract	
Project Management - public service centre refurbishment	
ICT (A2)	



# RECOMMENDATIONS

Appendix 3

AUDIT	Licences Audit 2017-18	DATE:	November 2017	AUDITOR:	D Vince
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CO No	Rec No	Risk (of non implementation)	Recommendation	Action to be taken	Officer Responsible	Implementation Date	Priority
1 & 3	1	<p>Legislative – non-compliance with the relevant legislation</p> <p>Financial – Loss of income</p> <p>Reputational – information available to the public is out of date</p>	A review should be undertaken in respect of licences processes operating under the licensing act 2003	<p><u>Licensing Act in General</u> Copies of licences issued should be retained</p> <p><u>Premises Licences</u> -A review of current premises licences and debtors should be undertaken to ensure that all annual payments have been raised</p> <p>-The debtor report issued to Licence's should be issued at least 28 days prior to the debt invoice being raised, amendments to this report by licences should be undertaken promptly and reported back with the relevant licence application reference within this timescale.</p> <p>-Debtors invoices (included annual invoices) raised in connection with Licences should clearly demonstrate the licence application reference</p> <p><u>Personal Licences:</u> -A review of personal licence information of the councils website should be undertaken to ensure that it is up to date with current practices and additional information is provided in relation to notifiable offences</p> <p><u>Temporary Event Notices (TENs)</u> -The website and online forms should be updated to provide definition on what is a premises user</p> <p>-A process should be established to record the</p>	Environmental Health Manager	April 2018	N

**E= Essential** – Necessary 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.

**N= 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.

# RECOMMENDATIONS

## Appendix 3

AUDIT	Licences Audit 2017-18	DATE:	November 2017	AUDITOR:	D Vince
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				number of events operated by a premises user. The process should flag up when a premises or licensee has had its maximum number of TENs in the year.			
1	2	Financial – Loss of income  Operational – lack of transparency	A review of street trading processes should be undertaken to give consideration to prime sites.	A proximity check should be demonstrated for street traders operating close to prime site.	Environmental Health Manager	January 2018	N
1	3	Health and Safety – faulty equipment not identified	A review of taxi/private hire licences should be undertaken in particular the receipt of LOLER certificates	-the 6 monthly LOLER certificates needs to be provided to the council on a regular basis. -the safeguarding policy requirements should be implemented (see safeguarding audit 2016/17) -Payments receipted should be at the current fee rate	Environmental Health Manager	April 2018	N
1	4	Financial – possible loss of income and possibility that fees charged do not cover the service	A review of the animal boarding application process should be undertaken in particular verification of fees through home visits, prompt renewal of licences and a cost review of the service	-The website information should be updated to provide details on the home visits undertaken by the EHOs and the change in the veterinary procedures.  -To update the home visit check sheet to include confirmation of the number of units to ensure the correct fee has been received  -To check that all animal licences are renewed at the beginning of each year and undertake the appropriate enforcement action for non-renewals  - A review of the fees to ensure full cost of the service including the home visits has been taken	Environmental Health Manager	September 2018	N

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# RECOMMENDATIONS

## Appendix 3

AUDIT	Licences Audit 2017-18	DATE:	November 2017	AUDITOR:	D Vince
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				into consideration.			
1	5	Operational – processing times of licences in correctly stated	Data entry within uniform should accurately reflect the licence process	<p>-The receipt date of the application for all licence types should be correctly reflected within the Uniform system</p> <p>-All consultees should be listed for each licence type</p> <p>-In respect of animal boarding visit dates and officer details should be recorded within Uniform</p> <p>-Outstanding balances should be reviewed to ensure that these are not error entry lines</p> <p>-the trading times of a Street trader should be correctly entered into Uniform.</p>	Environmental Health Manager	January 2018	N
1	6	Financial – possible loss of income	A regular reconciliation is undertaken between licences and the general ledger to ensure non-payments, part payments and miscoding errors are identified.	A staged approach will be adopted to the reconciliation process. Initially annual licence's will be checked against the general ledger and then further licences will be added once the format of the reconciliation process and officers understanding of the general ledger have been established.	Environmental Health Manager	April 2018	N
2	7	Legislative and operational – possibility of premises are not abiding to the licensing objective and conditions	A risk assessment of licensed premises has not been carried out – this is required in order to establish a pro-active approach to enforcement	<p>-A programme of inspections for licenced premises will be carried out in the 2018 calendar year.</p> <p>-Based on the inspections, a risk assessment will then be performed and entered into the uniform system.</p>	Environmental Health Manager	April 2019	N
2	8	Legislative and operational – possibility of	Service requests such as noise complaints that can be associated with a licenced	Agreed	Environmental Health Manager	April 2018	N

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# RECOMMENDATIONS

Appendix 3

AUDIT	Licences Audit 2017-18	DATE:	November 2017	AUDITOR:	D Vince
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		premises are not abiding to the licensing objective and conditions	premises should be dealt with through the licencing module.				
2	9	Legislative and operational – possibility of premises are not abiding to the licensing objective and conditions	An online facility for the public to report licensable complaints should be provided.	Agreed	Environmental Health Manager	June 2018	N

**NB: The implementation of recommendations are reported to audit committee and any non-implementation by the agreed date may result in the committee requesting an update from the responsible officer**

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**Outstanding Audit Recommendations**

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

Audit	Recommendation Details	Responsible Officer	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
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.	Head of Corporate Services	01/10/2016. <del>Sep-17.</del> Mar-18	Dec-17	Follow Up Undertaken - not implemented	Fraud awareness training is part of the Counter Fraud Unit work programme. A member session has taken place. <u>Revised implemented date: March-18</u>	17-18 q3
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.	Finance Manager	Jul-17	Dec-17	Follow up Undertaken - implemented	The Finance Manager confirmed that a company 'PSTAX' came in February 2017 and undertook a full review of the CIS processes and confirmed that they were robust. This review involved the checking of the CIS monthly returns.	17-18 q3

ICT helpdesk 2015-16	Supporting procedures should be documented for the helpdesk.	ICT Operations Manager	<del>01/08/2016.</del> Aug-17 Mar-18	Dec-17	Follow Up Undertaken - partially implemented	Procedures have been flowcharted but need to be supported with service standards that meets the need of users. This needs to be discussed with operational managers.	<b>17-18 q3</b>
ICT helpdesk 2015-16	Feedback on the new system should be sought from users.	ICT Operations Manager	<del>01/08/2016.</del> Aug-17	Dec-17	Follow up Undertaken - implemented	Feedback form is now available on the intranet and has been circulated to members.	<b>17-18 q3</b>
Information Governance 2016/17	Handling procedures for Environmental Information Regulations requests should be established to provide customers with information as to how the council will handle these requests. As the FOI act and the EIRs are so closely aligned, it may be appropriate to maintain a single document for the handling of both requests; should these be produced as separate documents, both pieces of legislation should be made reference to in the corresponding documents.	Corporate Services Manager	Jul-17	Dec-17	Follow up Undertaken - implemented	The Corporate Services Manager demonstrated that draft procedures have been established which incorporates both FOI and EIR. The draft is being worked on by the graphics officer in order to produce a reader friendly version.	<b>17-18 q3</b>

<p>Information Governance 2016/17</p>	<p>A review of the information published on the council's website should be completed, in regards to the Local Government Transparency Code and the publication scheme (as directed by the FOIA), to ensure that the council is meeting its legislative duties to proactively publish information.</p>	<p>1. Head of Finance and Asset Management 2. HR Manager 3. Head of Corporate Services</p>	<p><del>1. Sep-17</del> <del>2. Sep-17</del> <del>3. Jul-17</del> Mar-18</p>	<p>Dec-17</p>	<p>Follow Up Undertaken - partially implemented</p>	<p>This recommendation relates to the following transparency details: - 1)Fraud - latest information posted for 2014-15. This needs to be updated to reflect the current delivery of fraud through revenues and benefits services and also the counter fraud hub 2)Trade Union - latest information posted for 2014-15, however, evidence has now been provided that the required information for years 15/16 and 16/17 has been created and is due to be posted on the website shortly 3) local authority land - latest information posted to 2014 4) payment to suppliers over £500 - this information was now found to be current. <u>A revised implemented date of end of June 2018 has been set for outstanding data relating to fraud and land.</u></p>	<p>17-18 q3</p>
<p>Insurances 2016-17</p>	<p>Insurance conditions/endorsements should be disseminated to the appropriate council officers and relevant third parties</p>	<p>1. Insurance Officer 2. Asset Manager</p>	<p>Sep-17</p>	<p>Dec-17</p>	<p>Follow up Undertaken - implemented</p>	<p>A review of the intranet confirmed that insurance policy schedules are available to view.</p>	<p>17-18 q3</p>
<p>Local Transparency Agenda Follow-Up 2015/16</p>	<p>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</p>	<p>Asset Manager</p>	<p><del>01/03/2016.</del> <del>End Sep-17</del> Jun-18</p>	<p>Dec-17</p>	<p>Follow Up Undertaken - not implemented</p>	<p>The published data on land areas remains unaltered. Issues with this data includes duplicate entries, incomplete data fields and poor formatting. A review of the internet confirms that land information has not been updated and a <u>revised implementation date of June 18</u></p>	<p>17-18 q3</p>

	should be carried out to ensure the information is clear and compliant to the code					<u>has been confirmed.</u>	
NNDR3 Audit 2016-17	It is recommended that the process for completing mini reviews be streamlined to enable reviews to be completed promptly.	Head of Revenues and Benefits	May-17	Dec-17	Follow up undertaken - implemented	A new discretionary policy has been established which requires full reviews to be undertaken every 4 years and for mini-reviews to be abolished. This recommendation is therefore considered mitigated through the introduction of the new policy	17-18 q3
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.	Heads of Service/HR Manager	<del>01/09/2015.</del> Sep-17 Mar-18	Dec-17	Follow Up Undertaken - partially implemented	Training is taking place on a regular basis. Management team have implemented a set of management commitments as a result of the outcome of the staff survey. One core commitment is that an annual PPD should take place supported by follow up meetings. Internal audit are currently undertaking a piece of work to give assurance as to the implementation of these commitments. HR are also in the process of implementing a new HR system which will allow PPD completion to be more effectively monitored.	17-18 q3



Risk Management 2015-16	Refresher training should be provided for staff and members who have an involvement with the risk management framework.	Head of Corporate Services	<del>01/09/2016.</del> Jun-17. Mar-18	Dec-17	Follow Up Undertaken - not implemented	_Quotes currently being obtained and the intention is to deliver to senior management and members by end March 2018.	<b>17-18 q3</b>
Tell Us Once 2016/17	Consideration should be given to Housing Services, the volunteer litter picking scheme administrator and Area Revenues Officer (Sundry Debts) receiving Tell Us Once notifications, provided that it is acceptable to share this information under Data Protection.	Corporate Services Manager	<del>01/01/2017.</del> Jul-17	Dec-17	Follow up Undertaken - implemented	In consultation with DWP, the Corporate Services Manager indicated that under the current tell us once service this can be shared to housing services. However, the tell us once service will not be extended to VLP and Area Revenues Officer (sundry debt) - as a separate set of consent protocols would need to be established and the impact of the services receiving this information would be limited.	<b>17-18 q3</b>
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.	Head of Corporate Services	<del>01/10/2016.</del> Jul-17	Dec-17	Follow up Undertaken - implemented	Verbal update provided by Head of Corporate Services and Corporate Services Manager that PSN accounts have now been obtained.	<b>17-18 q3</b>

Tell Us Once 2016/17	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: 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	Head of Corporate Services	01/03/2017. Jul-17	Dec-17	Follow up Undertaken - implemented	Retention schedule produced. User and service training carried out on 23 October with DWP. A privacy statement added to website - the main DWP privacy statement will be initially used and a laminated copy of this is available on the reception.	17-18 q3
Tewkesbury Leisure Centre 2016-17	Appropriate documentary evidence is retained that demonstrate that PFP's insurance is current, and that the council's insurance conditions are being complied to.	Asset Manager and Contract Monitoring Officer	Aug-17	Dec-17	Follow up Undertaken - implemented	The Asset Manager confirmed that insurance documentation in relation to PFP is being retained. The council's insurance conditions are also being met through contracts that PFP have in place in relation to fire and intruder alarms.	17-18 q3
Tewkesbury Leisure Centre 2016-17	A feedback facility to include the reporting of complaints should be made available at the leisure centre.	Asset Manager and Contract Monitoring Officer	Jul-17	Dec-17	Follow up Undertaken - implemented	A visit to the leisure centre found that a feedback facility has now been implemented.	17-18 q3
Tewkesbury Leisure Centre 2016-17	The formal reporting should demonstrate compliance to contract specification outcomes.	Asset Manager and Contract Monitoring Officer	Aug-17	Dec-17	Follow up Undertaken - implemented	Updated reports in respect of management and maintenance have now been established.	17-18 q3

**Appendix 4**

Tewkesbury Leisure Centre 2016-17	The feedback in respect of the monthly meetings undertaken by the contract monitoring officer should demonstrate compliance to the contract conditions in respect of the topics discussed.	Asset Manager and Contract Monitoring Officer	<del>01/10/2017</del> Mar-18	Dec-17	Follow Up Undertaken - partially implemented	Key monitoring conditions are currently being extrapolated from the contract specification and once complete these will be used by the monitoring officer. <u>A revised date for the implementation of this recommendation is March 2018.</u>	<b>17-18 q3</b>
Tree Inspections 2016/17	Tree reporting notifications from members of the public and associated actions carried out should be recorded into the PSS Live system.	Asset Manager	<del>01/03/2017.</del> Aug-17	Dec-17	Follow up Undertaken - implemented	A review of the process has been completed and new intended practices have been outlined in the new TMSP. The self-service dashboard has now been amended and verbal assurance was provided that tree issues are reported directly to the council.	<b>17-18 q3</b>

## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	13 December 2017
<b>Subject:</b>	Monitoring of Significant Governance Issues
<b>Report of:</b>	Sara Freckleton, Borough Solicitor
<b>Corporate Lead:</b>	Sara Freckleton, Borough Solicitor
<b>Lead Member:</b>	Councillor Dave Waters, Leader of the Council
<b>Number of Appendices:</b>	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 19 July 2017. The table indicates the progress on those specified actions by 30 November 2017, to enable the Audit Committee to monitor progress on these actions as required by the Annual Governance Statement.

**Recommendation:**

**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 will take place in March 2018.

**Environmental Implications:**

None.

**1.0 INTRODUCTION/BACKGROUND**

- 1.1** On the 19 July 2017, the Audit Committee approved the Council's Annual Governance Statement for 2016/17 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 30 November 2017.

**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 19 July 2017 – Approval of Annual Governance Statement 2016/17  
Council 24 June 2008 – Approval of Code of Corporate Governance

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**Background Papers:** Annual Governance Statement 2016/17

**Contact Officer:** Sara Freckleton, Borough Solicitor  
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**Appendices:** Appendix 1 - Monitoring of Significant Governance Issues 2016/17

## SIGNIFICANT GOVERNANCE ISSUES 2016/17

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2016
1.	Constitution	<ul style="list-style-type: none"> <li>• Review and update the Constitution</li> </ul>	December 2018	Head of Democratic Services	There are no major elections scheduled for 2018 and priority will be given early in 2018 to commencing the update of the Constitution. In the meantime, the Constitution is still a serviceable document available on the internet.
2.	Risk Management	<ul style="list-style-type: none"> <li>• Review and update strategy</li> <li>• Risk management awareness training</li> <li>• Introduce a new corporate risk register</li> </ul>	February 2018	Head of Corporate Services	<ul style="list-style-type: none"> <li>• Draft strategy has been written but need to ascertain risk appetite of the Council.</li> <li>• Risk management training including development of risk appetite to be held Dec/Jan.</li> <li>• Development of risk register to follow training.</li> </ul>

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2016
3.	Business Continuity	<ul style="list-style-type: none"> <li>• All service plans to be updated</li> <li>• Review of Corporate Plan</li> <li>• Identify and prioritise key systems</li> <li>• Desktop exercise to test new plan</li> </ul>	March 2018	Head of Corporate Services	<ul style="list-style-type: none"> <li>• All service plans in place – Internal Audit helped facilitate the process.</li> <li>• Draft corporate plan produced.</li> <li>• Key systems identified as part of the planning process.</li> <li>• Testing to take place on the plan within final quarter of the year – this will be facilitated by the Civil Protection Team.</li> </ul>



No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2016
4.	Audit Committee effectiveness	<ul style="list-style-type: none"> <li>• Audit Committee training</li> <li>• Undertake a review of the effectiveness of the Committee</li> </ul>	March 2018	Head of Corporate Services	<ul style="list-style-type: none"> <li>• Role of the Audit Committee, 'Meet the Internal Audit Team' and Statement of Accounts training have taken place.</li> <li>• New CIPFA guidance on Audit Committee effectiveness expected November 2017.</li> <li>• Name and Terms of Reference of current Committee are to be reviewed, an annual Audit Committee report will be produced and a more proactive challenge to outstanding audit recommendations will all contribute to maximising the effectiveness of the Committee.</li> </ul>

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2016
5.	Workforce Development Strategy	<ul style="list-style-type: none"> <li>Develop and approve strategy</li> </ul>	September 2017	Human Resources Adviser	<ul style="list-style-type: none"> <li>Employee engagement survey completed and actions arising have been addressed in the strategy.</li> <li>Management commitment forming part of the strategy has been implemented</li> <li>A second draft has been produced to be consulted upon.</li> <li>Action plan developed to accompany strategy and continually updated.</li> </ul>

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2016
6.	Ubico Client Monitoring	<ul style="list-style-type: none"> <li>Review of current arrangements and produce improvement plan</li> </ul>	September 2017	Head of Community Services	<p>Regular contract monitoring meetings now take place to discuss amongst other things overall contract performance. These include:</p> <ul style="list-style-type: none"> <li>Monthly Lead Member, Joint Waste Team and Heads of Service meeting.</li> <li>Monthly Tewkesbury Borough Council Customer Service, Joint Waste Team.</li> <li>Six weekly contract monitoring meetings to discuss overall contract performance including KPIs, health and safety and current projects.</li> <li>Quarterly Gloucestershire Waste Collection Safety meeting including all contractors and Councils.</li> </ul>

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2016
					<ul style="list-style-type: none"> <li>• Quarterly Environmental Services Partnership Board including Head of Customer Service, Tewkesbury Borough Council Finance, Ubico Managing Director &amp; Senior Operations Manager, Lead Member, Joint Waste Team.</li> <li>• Quarterly senior management group including all relevant Council Heads of Service and the Head of the Joint Waste Team.</li> </ul> <p>Grounds maintenance has been monitored on a more ad-hoc basis with officers meeting weekly to discuss matters arising. This will be subject to the same level of scrutiny once KPIs are developed.</p> <p>Roll out of the new service (April 2017) saw a performance dip and an improvement plan was implemented to manage this. Regular update meetings take place and it has seen improvement.</p>

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 30 November 2016
7.	General Data Protection Regulations (GDPR)	<ul style="list-style-type: none"> <li>Deliver implementation action plan</li> </ul>	May 2018	Head of Corporate Services	<ul style="list-style-type: none"> <li>Data audit is now complete.</li> <li>Awareness training to all managers has been carried out.</li> <li>Information group has been set up to oversee project implementation.</li> </ul>
8.	Local Code of Corporate Governance	<ul style="list-style-type: none"> <li>Review and update current code</li> </ul>	March 2018	Head of Corporate Services	<ul style="list-style-type: none"> <li>No progress to date other than research of what other Councils have produced.</li> </ul>