

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit Committee held at the Council Offices,
Gloucester Road, Tewkesbury on Wednesday, 28 March 2018 commencing at
2:00 pm**

Present:

Vice Chair, in the Chair

Councillor H C McLain

and Councillors:

B C J Hesketh and S E Hillier-Richardson

AUD.40 ANNOUNCEMENTS

40.1 The evacuation procedure, as noted on the Agenda, was taken as read.

40.2 The Vice-Chair in the chair welcomed the Engagement Manager and the Engagement Lead from Grant Thornton to the meeting. She indicated that she had used her discretion to vary the order of the Agenda, as such, Agenda Item 9 - Annual Safeguarding Update - would be taken after Agenda Item 5 - Audit Committee Work Programme.

AUD.41 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

41.1 Apologies for absence were received from Councillors K J Cromwell, P A Godwin and V D Smith (Chair). There were no substitutions for the meeting.

AUD.42 DECLARATIONS OF INTEREST

42.1 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.

42.2 There were no declarations made on this occasion.

AUD.43 MINUTES

43.1 The Minutes of the meeting held on 13 December 2017, copies of which had been circulated, were approved as a correct record and signed by the Chair.

AUD.44 AUDIT COMMITTEE WORK PROGRAMME

44.1 Attention was drawn to the Audit Committee Work Programme, circulated at Pages No. 10-17, which Members were asked to consider.

44.2 A Member expressed the view that the Work Programme seemed to be increasingly focused on audit and governance and the Agenda were much more substantial than they had been previously. As such, she suggested it might be beneficial to call more frequent Committee meetings in order to allow all reports to be thoroughly considered. The Borough Solicitor indicated that the focus of the

Committee was being discussed separately with the Chair and she would ensure that frequency of meetings was also taken into account. There were certain key dates when the Committee was required to meet in order to comply with accounting deadlines - for example, to sign off the Statement of Accounts - so she would need to give some thought to how this could work. The Member pointed out that, at the Audit Committee meeting in December, Members had been informed of the need to hold a workshop to consider the findings of the external assessment of internal audit and how to improve the effectiveness of the Committee; however, she was not aware that a date had been set. The Head of Corporate Services confirmed that the workshop had been arranged for 11 May 2018 and an email setting out the arrangements would be circulated to the Audit Committee following today's meeting. One Member indicated that, based on his personal experience of audit in both the public and private sector, four meetings per year was more than adequate, particularly if they were longer meetings in order to allow for more detailed questioning. The Head of Corporate Services confirmed that there would be an opportunity for Members to discuss their views on this at the workshop.

44.3 It was

RESOLVED That the Audit Committee Work Programme be **NOTED**.

AUD.45 ANNUAL SAFEGUARDING UPDATE

45.1 Attention was drawn to the report of the Head of Community Services, circulated at Pages No. 72-96, which gave an update on how the Council was fulfilling its safeguarding responsibilities, and to the revised safeguarding audit action plan, circulated separately, which replaced Appendix 2 to the report. Members were asked to consider the annual report.

45.2 The Head of Community Services explained that Gloucestershire County Council required Tewkesbury Borough Council to complete a safeguarding children self-assessment on an annual basis and this was attached to the report at Appendix 1. The self-assessment demonstrated that the Council was performing well and was generally meeting the requirements. There were three areas where these requirements were only being partially achieved: volunteering; safeguarding in staff appraisals; and procurement/commissioning. He explained that Tewkesbury Borough Council did not use volunteers to the same level as the County Council where volunteers were more likely to come into close contact with vulnerable adults or children - for example, Tewkesbury Borough Council volunteers tended to be litter pickers, flood wardens etc. therefore, whilst it was quite right that they had an awareness of safeguarding, in-depth training was not essential. He went on to advise that he had been liaising with HR and safeguarding was now being formally incorporated into staff appraisals. In terms of procurement and commissioning, it was felt that the safeguarding arrangements in place at Tewkesbury Borough Council were sufficient for a district council which did not provide the same services as a County Council e.g. adoption services. The Internal Audit team had previously carried out a review to ensure that the Council was dealing with safeguarding appropriately and an updated version of the arising action plan had been circulated separately; this superseded Appendix 2 to the report.

45.3 A Member queried how Tewkesbury Leisure Centre was assessed given that those staff would come into regular contact with children. The Head of Community Services advised that companies' safeguarding policies were thoroughly examined as part of the Council's procurement process and it was the responsibility of the particular company to ensure staff had undergone Disclosure and Barring Service (DBS) checks – this was the same for the Leisure Centre and Ubico. The Member went on to question whether their policies should incorporate Tewkesbury Borough Council's safeguarding policy to ensure that everyone was working to the same standard. In response, the Borough Solicitor explained that Places for People ran

the Leisure Centre and, due to the nature of the business, its safeguarding policy had to be of a very high level; she provided assurance that this was scrutinised by the Tewkesbury Leisure Centre Partnership Board so she was confident that the processes and procedures in place would exceed the Council's expectations in this area. In response to a query, she advised that the Lead Members for Health and Wellbeing and Finance and Asset Management were Members of the Board and, although there was no formal reporting, she was unsure as to whether these Councillors reported back to Members. The Member asked for this to be investigated and reported back following the meeting.

45.4 A Member pointed out that Councillors had found it difficult to access the online safeguarding training and questioned what was being done to address this going forward. The Head of Community Services explained that it was a requirement for Members to undergo safeguarding training and it was intended to commission the County Council to run a session. As well as being difficult to access, the online training did not make safeguarding issues 'real' for Members whereas a trainer would be able to talk through various scenarios they may come up against in their roles.

45.5 Having considered the information provided, it was

RESOLVED That the annual report giving assurance as to the level of the Council's compliance with its safeguarding duty be **NOTED**.

AUD.46 GRANT THORNTON PROGRESS REPORT

46.1 Attention was drawn to Grant Thornton's progress report, circulated at Pages No.18-34, which set out the progress that had been made in relation to the Audit Plan, together with any emerging national issues and developments that might be relevant to the Borough Council. Members were asked to consider the report.

46.2 The Engagement Manager from Grant Thornton advised that the findings of the interim audit work undertaken since the last Audit Committee meeting were summarised on Pages No. 22-23 of the report. A high level review of internal audit's overall arrangements had been undertaken and no issues had been identified which needed to be brought to Members' attention. Entity level controls had also been reviewed, together with the IT controls associated with preparing the accounts, and no material weaknesses had been identified as being likely to impact on the Council's financial statements. Walkthrough testing of the Council's controls operating in areas where there was a risk of material misstatement to the financial statements, i.e. Property, Plant and Equipment, employee remuneration, operating expenses and pension liability, had not identified any issues which needed to be raised. Page No. 24 of the report outlined what to expect from Grant Thornton over the forthcoming year and it was noted that three of the 2017/18 deliverables had already been achieved. The audit findings report would be brought to the July meeting of the Audit Committee. The remainder of the report comprised a sector update and details of recent relevant publications which had already been discussed with Officers.

46.3 It was

RESOLVED That Grant Thornton's progress report be **NOTED**.

AUD.47 GRANT THORNTON AUDIT PLAN 2017/18

47.1 Attention was drawn to Grant Thornton's Audit Plan 2017/18, circulated at Pages No. 35-48, which set out the Audit Plan for the year ended 31 March 2018. Members were asked to consider the information provided.

- 47.2 The Engagement Lead from Grant Thornton explained that the Audit Plan was one of the key outputs to start off the planning process for the 2017/18 audit. Interim work had already been undertaken along with a risk assessment to determine the areas of focus for the accounts; the Audit Plan was a summary of those findings and Page No. 37 of the report set out the headlines. She explained that Grant Thornton was required to follow the National Audit Office Code of Practice and the scope of the audit work was to provide opinions on the Council's financial statements and its value for money arrangements. Grant Thornton was required to identify areas of the accounts which were subject to significant risk; these areas tended to be subjective e.g. those requiring management judgement or estimation. The key risk present in any audit was the management override of controls and Grant Thornton had focused its time on areas where figures could be manipulated, such as journals. The valuation of Property, Plant and Equipment was another significant risk as this was also subject to a lot of assumptions as well as requiring expert input from actuaries etc. There were other areas of risk and Page No. 41 of the report set out 'reasonably possible risks'; these were areas which were important to the Council e.g. employee remuneration and operating expenses. The materiality level had provisionally been set at £739,000 which was 2% of gross expenditure based on the previous years' audit. This would be revisited when the final year outturns were available and the Committee would be updated if there was significant change. Grant Thornton was also required to make the Council aware of any issues below that value other than those that were 'clearly trivial' which had been set at £37,000.
- 47.3 Grant Thornton would review the Council's arrangements in relation to value for money to establish how it was identifying, managing and monitoring these financial risks. The focus for this year would be the Medium Term Financial Strategy in the context of reduced government funding and the need to look at alternative sources of income generation and reducing costs. Time would be spent visiting the Head of Finance and Asset Management and his team to establish what plans were in place to bridge that gap and the assumptions underpinning them. The year-end audit would take place in May/June, when Grant Thornton would carry out its final visit, and the audit findings would be presented to the Audit Committee in July in accordance with the statutory deadline to complete and publish by the end of that month - two months earlier than previous years. The planned audit fee was £44,921 which was the same as the current year, although it was noted that this could reduce by 23% in future years following a procurement exercise.
- 47.4 In terms of the identified significant risks, a Member questioned whether borrowing and property investment would be included in the evaluation of Property, Plant and Equipment. The Engagement Lead from Grant Thornton advised that they would normally write to borrowing organisations to seek third party confirmation of outstanding borrowing; this would be a separate element from what was contained within the plan. If the Council purchased additional properties these would absolutely be considered as part of the work; however, given that it was 28 March, it was unlikely any such purchases would be completed before year-end i.e. 31 March. In terms of the existing portfolio, the Council had acquired a large investment property at the end of 2017 and Grant Thornton would challenge the assumptions around that valuation and understand the basis on which they were made.
- 47.5 Having considered the information provided, it was
- RESOLVED** That Grant Thornton's Audit Plan 2017/18 be **NOTED**.

AUD.48 STATEMENT OF ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS

- 48.1 The report of the Head of Finance and Asset Management, circulated at Pages No. 49-71, set out the main changes in accounting policies under the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and explained the critical accounting judgements and assumptions that would be used in preparing the 2017/18 accounts. Members were asked to approve the accounting policies and critical judgements to be used during the 2017/18 closedown.
- 48.2 The Finance Manager explained that preparation of the 2017/18 annual statement of accounts would commence the following week. In order to do this, the Council had to review all of its accounting policies and outline any critical judgements made to ensure it complied with the Code. Members were informed that there were no significant changes to the Code that required amendments to the proposed accounting policies and they were largely unchanged from those used in preparing the 2016/17 accounts. The full list of accounting policies was set out at Appendix A to the report. Notwithstanding this, it was noted this was the first year the Council had to charge a Minimum Revenue Provision (MRP) which was an annual contribution from revenue towards the reduction in its overall borrowing requirement. There was a £106,000 credit on capital financing reserves so it had been agreed with Grant Thornton that this could be used to reduce the MRP cost to the accounts this year.
- 48.3 The critical judgements were also similar to previous years, although these would be included as a note to the accounts in order to make them easier to understand and compare with other local authorities. The full critical accounting judgements could be found at Appendix B to the report. With regard to business rates, it was noted that a check and challenge process had been put into place to prevent businesses from making spurious appeals which could take years to resolve. No formal appeals had been made since this had been introduced, although it was anticipated that it would take around six months to reach the appeal stage so the full implications of the new process were unknown. As such, Officers had looked at the government advice and used those figures for the accounts. In terms of the three new investment properties bought during the year, a judgement had to be made as to whether these were capital or income. As the properties had in-situ tenants with remaining leases they were purely for investment and had been classified as such.
- 48.4 A Member queried how Tewkesbury Borough Council compared to other authorities in terms of investment. The Head of Finance and Asset Management advised that he did not have any exact details; however, more Councils had taken an interest in commercial properties and some were investing quite substantial amounts in an attempt to offset the reduction in grant funding. It was

RESOLVED That the accounting policies and critical judgements to be used during the 2017/18 closedown be **NOTED**.

AUD.49 INTERNAL AUDIT PLAN MONITORING REPORT

- 49.1 The report of the Head of Corporate Services, circulated at Pages No. 97-119, was the third monitoring report of the financial year and summarised the work undertaken by the Internal Audit team since the report to the Audit Committee on 13 December 2018. Members were asked to consider the audit work completed and the assurance given on the adequacy of the internal controls operating in the systems audited.

- 49.2 The Head of Corporate Services advised that the full details of the work undertaken in the period were attached at Appendix 1 to the report. A list of audit recommendations that were due to be followed-up could be found at Appendix 2 to the report; of those recommendations, 11 had been implemented, four partially implemented and five were yet to be implemented. It was noted that there had been no incidents of fraud or corruption reported during the period. Gloucestershire Counter Fraud Unit had provided fraud awareness training for Members in September 2017 and over 100 staff had attended two sessions held during March 2018.
- 49.3 Two Council Tax audits had been carried out in respect of write-offs and recovery and a 'satisfactory' level of assurance had been found in both instances. The Revenues and Benefits Manager, who had been in post since September 2017, had been tasked with looking at the policy framework and an updated write-off policy had been taken to the last Executive Committee. Testing had demonstrated that write-offs were being carried out in accordance with the policy although there were a couple of discrepancies between what had been written-off and the information on the system and a process had been put in place to address this. Furthermore, it had not been possible to find documentary evidence to support the last quarterly return to central government which had been completed by the previous Revenues and Benefits Manager and a recommendation had been made to ensure this was addressed. As part of the recovery audit, the contract between the Council and the external recovery agency had been assessed. The contract made reference to an Order Form - which should include performance measures, commencement dates and additional information regarding exit strategies - which could not be obtained during the audit. It had therefore been recommended that a set of measurable performance indicators be developed to enable service delivery to be monitored and provide grounds for challenging the enforcement companies if, and when, necessary.
- 49.4 The audit on budgetary control had shown there was a 'good' level of assurance across the three control objectives and the approved budget had been successfully loaded to the general ledger. There was evidence that training had been provided for budget managers and Members; monitoring reports were produced on a regular basis; quarterly meetings took place between the relevant Finance Officer and budget holder; and budget information was being reported to management and the Executive Committee. There was also a 'good' overall level of control in respect of land charges although it was found that some information needed to be updated on the website. The regulations required an annual summary of total income and costs relating to access to property records and answering enquiries which was up-to-date. All fees had been appropriately approved and accurately applied. It was noted that searches were being turned around within an adequate time – it was generally expected to take between 12 and 15 days but the Council was currently achieving 9 days on average. Search requests could include Gloucestershire County Council questions; payment was taken by the Borough Council and repaid to the County Council and there was appropriate reconciliation to ensure these payments were accurate. The Head of Corporate Services went on to explain that there was a national move to introduce one local land charges system and assurance was obtained that procedures had been put in place to ensure a smooth transfer of the land charges records to the Land Registry when a timescale had been agreed. He indicated that he sat on the Programme Board and this would come forward as a horizon project. An audit of payroll had also been carried out to review the effectiveness of the framework to ensure compliance with IR35 legislation and a 'good' level of assurance had been found in respect of that audit.

- 49.5 The Audit Plan also included a number of days which could be used for corporate improvement work and further support had been provided in the production of ICT risk assessment. Consideration was being given to identifying the mitigating controls against the risks identified and to scoring of those risks. With regard to the Tewkesbury Leisure Centre, the Internal Audit team had produced a draft monitoring guide to support the monitoring of key contract requirements. The Head of Corporate Services went on to advise that a series of management commitments had been introduced in response to the findings of a staff survey, e.g. regular team meetings and Professional and Personal Development (PPD) appraisals, and Internal Audit would be undertaking a short piece of work to establish if these had been embedded. The Head of Corporate Services indicated that he hoped to bring this information to the next Audit Committee.
- 49.6 In terms of Appendix 2 to the report, Members were advised that all recommendations due to be followed-up had been and the current recommendation status for each was shown using a RAG rating (Red, Amber, Green). Particular highlights included updating of service-specific business continuity plans, although work on the corporate business continuity plan was ongoing. One recommendation around flood alleviation was outstanding in respect of procurement for a contract and this had been given a new implementation date of May 2018. A recommendation around organisational awareness of the open access arrangements within the Public Service Centre had been postponed as a full review of security and data protection issues would need to be carried out at the end of August when the office refurbishment was complete. It was noted that the three recommendations around Ubico had all been implemented.
- 49.7 A Member asked for further detail to be provided in respect of each of the 'red' recommendations which had not already been referenced. The Head of Corporate Services advised that the first related to updating of the data sharing protocol to reflect that the Joint Waste Team, which was part of the County Council, responded to Ubico complaints. This work had been delayed pending the update of the new protocol in line with the General Data Protection Regulation (GDPR). The audit of Disabled Facilities Grants (DFGs) had recommended that regular review of unapproved eligible claims be undertaken and this would be taken into account in the service plan being drawn up by the new Environmental Health Manager. The final recommendation related to a recycling protocol between the Borough Council, Joint Waste Team and Ubico but this had not been completed due to a lack of resources. The Head of Community Services had confirmed that there were mechanisms in place for checking recycling data and a protocol would be developed by the new deadline of September 2018. A Member raised concern that this would be a year after the initial expected implementation date which she felt was unacceptable. The Head of Corporate Services indicated that Officers tried to ensure implementation dates were feasible when they were agreed but this was a challenging environment and there were competing priorities which could not always be foreseen. If the recommendation continued to slip, the Committee could ask for this to be included as a specific Agenda Item in order to question the relevant Head of Service. A Member asked why the revised implementation date was so late and was advised this was not set by Internal Audit, rather it was the date by which the Head of Service felt it could be achieved. Another Member noted that this had slipped due to lack of resources and he sought assurance that this could be achieved within six months. The Borough Solicitor indicated that this had been discussed by the Management Team prior to the revised date being agreed so she was hopeful this would be the case. She reiterated that Managers were encouraged to give realistic dates from the outset based on resources and competing priorities. It was suggested that it might be useful to assign a priority to the recommendations when they were identified in the audit so that Managers could make an informed decision about how to approach them. The Head of Corporate

Services confirmed that, as part of the audit review, consideration was being given as to how the audits could be made more meaningful, for example, by re-categorising the audit definitions, and this was something that could be taken into account during that work.

49.8 Having considered the information provided, and views expressed, it was

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

AUD.50 INTERNAL AUDIT SIX MONTH PLAN 2018/19

50.1 The report of the Head of Corporate Services, circulated at Pages No. 120-124, set out the proposed Internal Audit Plan for April to September 2018. Members were asked to approve the six month plan as set out at Appendix 1 to the report.

50.2 The Head of Corporate Services advised that the Internal Audit Plan normally covered a 12 month period; however, it was considered that a six month plan would allow for a more flexible approach to be taken – this was a recommendation arising from the external assessment of internal audit activity that had recently been undertaken. In addition, it would allow for the Council's risk management arrangements to be sufficiently developed in readiness for setting a plan for the second half of the year.

50.3 The plan was divided into a number of key areas: governance related activity; corporate improvement; fundamental financial systems; service areas; and 'other' areas such as representation on corporate groups and general advice given on an ad-hoc basis. The proposed plan was attached at Appendix 1 to the report and included more work on GDPR, the financial e-ordering system and service areas where there had been fundamental change – garden waste, ICT, Revenues and Benefits and DFGs. It was noted that a new six month plan would be brought to the Audit Committee in September. It was subsequently

RESOLVED That the Internal Audit Six Month Plan be **APPROVED** as set out at Appendix 1 to the report.

AUD.51 EXTERNAL ASSESSMENT OF INTERNAL AUDIT

51.1 The report of the Head of Corporate Services, set out at Pages No. 125-142, gave an overview of the outcome of the external assessment of internal audit. Members were asked to consider the outcomes, particularly the recommendations arising, and to approve the action plan for delivery of those recommendations.

51.2 Members were informed that it was a requirement of the Public Sector Internal Audit Standards (PSIAS) that an independent assessment of the authority's internal activity be undertaken at least once every five years. An assessor had been appointed with the review carried out in November 2017; this had included interviews with the Chief Audit Executive, Chief Executive, Borough Solicitor, Head of Finance and Asset Management, Internal Audit team, operational managers, Chair of Audit Committee and the Lead Member for Corporate Governance. A summary of the findings could be found from Page No. 137 of the report onwards and included 16 recommendations which had all been accepted and were now brought to the Committee for approval. The recommendations could be categorised as textual amendments to the Internal Audit Charter to define parts of the internal audit activity more clearly; formal safeguards to maintain independence of the Chief Audit Executive; undertaking audit planning using a more strategic focus; and revision of audit documentation to improve the audit planning process. It was intended to take the Committee through the Internal Audit Charter at the workshop on 11 May and the new Charter would be presented at the Audit

Committee meeting on 18 July 2018. Although there were several recommendations, it was important to note that no areas of non-compliance had been identified.

51.3 It was

RESOLVED

1. That the outcomes of the external assessment, in particular the recommendations arising, be **NOTED**.
2. That the action plan for delivery of the recommendations be **APPROVED**.

AUD.52 MONITORING OF SIGNIFICANT GOVERNANCE ISSUES

52.1 The report of the Borough Solicitor, circulated at Pages No. 143-150, set out the Significant Governance Issues and the action to be taken to address them as identified in the Council's Annual Governance Statement. Members were asked to consider the progress made against those issues.

52.2 Members were advised that the table set out at Appendix 1 to the report comprised the Significant Governance Issues and the proposed actions and timescales for completion, with a further column indicating the progress as at 1 March 2018. The Borough Solicitor indicated that there were revised targets for four of the issues but there had been some action against all. In terms of Ubico Client Monitoring, this had been delivered in accordance with the September 2017 deadline. A Member questioned whether the review of the Council's Constitution would be delayed if a general election was called and the Borough Solicitor confirmed that this would certainly be problematic. She confirmed that there were currently no planned elections during 2018. The Member raised concern that the review had been ongoing for some time and assurance was provided that the Constitution was a fully functioning document and, whilst it did need to be brought up to date, it did not require a complete overhaul. It was subsequently

RESOLVED

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

The meeting closed at 3:20 pm