

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit and Governance Committee held remotely on
Wednesday, 29 July 2020 commencing at 2:00 pm**

Present:

Chair
Vice Chair

Councillor V D Smith
Councillor H C McLain

and Councillors:

C M Cody, P A Godwin, D W Gray, P D McLain, H S Munro and P E Smith

A&G.1 ANNOUNCEMENTS

- 1.1 The Chair advised that the meeting was being held under the emergency provisions of the Coronavirus Act 2020 and, specifically, the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020. The meeting was being broadcast live via the internet, it was not being recorded by the Council but, under the usual transparency rules, it may be being recorded by others.

A&G.2 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

- 2.1 Apologies for absence were received from Councillor L A Gerrard. There were no substitutions for the meeting.

A&G.3 DECLARATIONS OF INTEREST

- 3.1 The Committee's attention was drawn to the Tewkesbury Borough Code of Conduct which was adopted by the Council on 26 June 2012 and took effect from 1 July 2012.
- 3.2 There were no declarations made on this occasion.

A&G.4 MINUTES

- 4.4 The Minutes of the meeting held on 22 January 2020, copies of which had been circulated, were approved as a correct record.

A&G.5 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

- 5.1 Attention was drawn to the Audit and Governance Committee Work Programme, circulated at Pages No. 8-15, which Members were asked to consider.
- 5.2 The Head of Corporate Services explained that the Work Programme had been revised in light of COVID-19 and items had been rescheduled but nothing had been removed. The last column set out whether the item had been deferred and when it had originally been due to be considered by the Committee. Particular reference was made to the additional meeting of the Committee which had been scheduled for 4 November 2020 specifically to consider and approve the Statement of Accounts

which was necessary due to a change in the national deadline. It was noted that the Annual Governance Statement would also need to be approved at the same time.

5.3 It was

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

A&G.6 STATEMENT OF ACCOUNTING POLICIES

6.1 The report of the Head of Finance and Asset Management, circulated at Pages No. 16-36, set out the main changes in accounting policies under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act. Members were asked to approve the accounting policies to be used in the preparation of the 2019/20 financial statements.

6.2 The Finance Manager explained that the Council was required to review all of its accounting policies on an annual basis to ensure it complied with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting. This report was usually brought to the Committee in March but the deadline for approval of the Statement of Accounts had been changed to 30 November 2020 as a result of the coronavirus pandemic. It was noted there had been no substantial changes to the 2019/20 Code which applied to the operation of the Council, therefore no new or amended accounting requirements needed to be reflected in the Council's accounting policies. Officers had taken the opportunity to clarify some of the existing policies, for instance, where the Council had the intention of holding an investment for a long time, it had been reclassified as a long-term investment e.g. pooled funds which the Council intended to hold over the long-term even though the shares could be put up for sale at any time. The Council had held pooled funds since May 2017 and in previous years had shown them as short-term assets but, having reviewed how the Council intended to use them, it was considered that it would be appropriate to reclassify them as long-term investments which required a restatement in the accounts. The Finance Manager explained that clarification had also been provided that the Council used a statutory override applicable to financial assets which were held at fair value through profit and loss; this meant that any changes would not affect Council taxpayers. Members were informed that, whilst COVID-19 would have a financial impact on the accounts, it did not necessarily change the accounting priorities; however, it would impact on investments and asset value which was starting to come to light. It was noted that a new standard for accounting leases had been due to be introduced in 2020 but this had been delayed for a year to 1 April 2021 in light of COVID-19 – this would have a significant impact on next year's accounts.

6.3 In terms of the change regarding the reclassification of treasury investments as long-term, a Member was surprised that this policy had been adopted based on an intention to hold such investments over a longer period rather than based on the reality not least because short-term investments gathered liquidity in terms of the balance sheet. If funds could be collected within 30 days then, objectively, the asset was a short-term one and he asked for confirmation as to the reasoning behind the decision. In response, the Finance Manager advised that the IFRS was all about intentions and she appreciated this was very subjective which was why it was necessary to have policies in place in order to make comparisons between authorities. The Council had taken professional advice from its treasury advisers before making the reclassification and it was noted that pooled assets could fluctuate in value but they were not being held for that purpose. It had always been the intention to hold the pooled funds for a return and that was what the Council had done for the last three years. In terms of liquidity, assurance was provided that the

authority had options to borrow quickly and cheaply through the Public Works Loan Board so this was not really an issue. The Member asked whether the reclassification to long term assets impacted on how income value was recognised and the Finance Manager confirmed there was no impact, it was a balance sheet classification only. Another Member drew attention to Page No. 35 of the report and questioned why Paragraph 1.22 in relation to heritage assets was shaded grey. The Finance Manager explained that this section was being removed as, although the Council had heritage assets - such as the sculptures at the Stonehills roundabout and Mayoral regalia - they were not material.

6.4 Having considered the information provided, it was

RESOLVED That the accounting policies to be used in the preparation of the 2019/20 financial statements be **APPROVED**.

A&G.7 COUNTER FRAUD UNIT REPORT

7.1 Attention was drawn to the report of the Head of Finance and Asset Management, circulated at Pages No. 37-45, which provided assurance over the counter fraud activities of the Council. Members were asked to consider the annual update from the Counter Fraud Unit.

7.2 The Counter Fraud Manager advised that the report outlined the work that had been completed, and results achieved, and provided information about upcoming work streams. The report also provided an annual update in relation to the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016 (IPA) in respect of surveillance activity undertaken by the Council and it was noted that these policies were being updated and would be presented to Audit and Governance Committee in September. Members were advised there had been no RIPA applications made by the Council during 2019/20; however, the authority was currently undergoing an inspection by the Investigatory Powers Commissioner's Office and the Counter Fraud Manager had been interviewed by the Inspector earlier that week to talk about the set-up and practices at Tewkesbury Borough Council so she would update Members of the outcome in her next report which was due to be considered by the Committee in December.

7.3 In terms of the 2019/20 work programme, a summary of key tasks was set out at Page No. 39, Paragraph 2.0 of the report. This had included providing support with business grants in terms of concerns regarding any fraudulent activity; developing a medium term enforcement proposal to manage the current situation whilst it was not possible to carry out interviews under caution in person due to COVID-19; and, procuring a case management system which allowed all clients to send referrals remotely which automatically populated the system. Paragraph 2.5 of the report outlined the specific activities undertaken in relation to Tewkesbury Borough Council which included assisting the Revenues team to investigate referrals relating to incorrectly claimed Council Tax discounts or exemptions and investigating alleged fraud and abuse in relation to the Council Tax Reduction Scheme. In addition, all local authorities participated in the National Fraud Initiative which was a data matching exercise to help prevent and detect fraud nationwide - the Counter Fraud Unit had undertaken the match for the Revenues and Benefits team during 2019/20 and had agreed to do this for 2020/21 to alleviate some of the burden on that team.

7.4 A Member drew attention to the risk implications, set out at Page No. 38 of the report, which stated that the Council was required to proactively tackle fraudulent activity and he questioned how the Committee could be satisfied that the authority was being proactive as a lot of the information related to referrals which was more reactive. In response, the Counter Fraud Manager clarified that the reactive work was detailed in the report and included the Council Tax referrals, Council Tax Reduction Scheme referrals and enforcement referrals from the Planning team etc.

whereas the proactive work was included in the work plans attached as appendices to the report. This included looking at charity shop exemptions to check whether there was any fraud in that particular area, reviewing the Council's Gifts and Hospitality process, running staff and Member fraud awareness training and tackling serious and organised crime in transient businesses etc. She explained that fraud awareness should filter through the whole organisation but it was about looking for it as well and she provided assurance that a preventative approach was taken. Another Member queried whether the Counter Fraud Unit looked for patterns of behaviour based on referrals to see if there were other areas where the same activity could be happening. The Counter Fraud Manager confirmed that was the case, for instance, if there was a sudden surge in fraudulent benefit applications, this knowledge would be shared and a fraud drive would be undertaken. She indicated that work carried out in relation to business grants had uncovered in a scam which had impacted all partner Councils. The Counter Fraud Unit always thought beyond the particular piece of work they were doing and this was easier now the team was more established as there were stronger relationships with Officers and shared learning between Councils. In terms of proactive fraud, the Head of Corporate Services pointed out that fraud was the responsibility of management and fraud risk was picked up whenever an audit was undertaken. He also advised that the Corporate Management Team had given approval to appoint a Business Rates Intelligence Officer to the Revenues and Benefits team which would help to ensure an accurate ratings list. He stressed that fraud was an important activity across all service areas and it was important not to work in silos in terms of business intelligence.

7.5 A Member noted that, during 2019/20, 1,114 business premises visits had been undertaken as part of the ratings list review and he questioned how those visits would be carried out in future in light of COVID-19. In response, the Counter Fraud Manager advised that that particular piece of work was a one-off to carry out initial visits to review businesses in the borough. Any visits carried out in future would need to be done sensitively and consideration was being given to how information could be gathered in a different way, for instance, interviews under caution were often key to a lot of enforcement action and these could not be carried out in the normal way which involved a face to face interview with panic buttons etc. Nevertheless, she had been working on a solution to this and it was possible to make adaptations. If a visit was really necessary then it would be a question of ensuring that appropriate Personal and Protective Equipment (PPE) was worn and that the correct processes and procedures were followed. It had helped enormously that there had been a national shift to using virtual platforms which meant that others outside of the Council were happy to engage in this way.

7.6 The Chair thanked the Counter Fraud Manager for the good work that had been undertaken by the team during the year and hoped this would continue throughout 2020/21. It was subsequently

RESOLVED That the annual update on the work of the Counter Fraud Team be **NOTED**.

A&G.8 LOCAL AUTHORITY SERIOUS AND ORGANISED CRIME CHECKLIST

8.1 Attention was drawn to the report of the Head of Corporate Services, attached at Pages No. 46-61, which asked Members to consider the updated Local Authority Serious and Organised Crime Checklist and the progress made against the action plan.

8.2 The Head of Corporate Services advised that the Serious and Organised Crime Checklist was a generic self-assessment tool used across all local authorities. The checklist for Tewkesbury Borough Council had first been presented to Audit Committee in December 2018 and there was a collective opinion that the Council was low risk in terms of being susceptible to such crime; however, the authority needed to remain vigilant and the action plan had been developed to maintain awareness to any potential threat. The updated checklist was attached at Appendix 1 to the report with the progress against delivering actions attached at Appendix 2. It was noted that the majority of actions were in progress or complete with two yet to commence. The first of those actions was in relation to the Counter Fraud Unit continuing to develop partnership working with related agencies, in particular the Police, and the Counter Fraud Manager explained that the Serious and Organised Crime Partnership Board had been disbanded which was why there had been a delay in commencing this action; notwithstanding this, the Safer Gloucestershire Partnership was ongoing and serious and organised crime was a significant part of that. A more structured agreement for the county was being developed with Gloucestershire Constabulary in terms of how the two agencies could work together; this included the Counter Fraud Unit acting as a single point of contact for witness statement provision. A Member questioned what the timescale was for delivery of this action and was informed that a meeting had been booked for April which had subsequently been postponed due to COVID-19 but the Counter Fraud Manager would now pick this up to ensure it was delivered by early 2021. The second action was in respect of tailored training being provided to staff responsible for purchasing and the Head of Corporate Services advised that this needed to be rescheduled alongside competing COVID-19 recovery work. The checklist would be brought to the Committee for consideration again in March 2021.

8.3 It was

RESOLVED That the updated Local Authority Serious and Organised Crime Checklist and the progress made against the action plan be
NOTED.

A&G.9 INTERNAL AUDIT UPDATE

9.1 The report of the Head of Corporate Services, circulated at Pages No. 62-66, provided Members with an update on the status of the Internal Audit team and their redeployment as a result of COVID-19. Members were asked to consider the report.

9.2 The Head of Corporate Services considered that it was important to update the Committee on the status of the Internal Audit team which was pivotal to providing independent assurance on the internal control environment. The very early stages of the COVID-19 response had involved redeploying resources to priority areas and the Internal Audit team had been tasked with supporting the administration of business grants which had seen almost £17million awarded to nearly 1,500 businesses. As a result, all business as usual internal audit work had been suspended for the interim and this was likely to remain in force until the end of August. It was therefore intended to bring a revised Internal Audit Plan to the Committee in September; this would involve discussions with key officers to assess what the new internal control environment looked like and where significant changes had occurred that may present additional risk to the Council, for example, IT risks in respect of remote access/cyber security, HR related activities such as annual leave and absence management reporting etc. As part of the Council's emerging recovery framework, each service area had been tasked with documenting their recovery actions. Page No. 64, Paragraph 2.2. of the report identified four key internal audit recovery actions: work with responsible officers to review the whole

suite of internal audit recommendations and determine whether the implementation dates and recommendations remained relevant and feasible; produce a new six month internal audit plan for October 2020-March 2021; review actions within the Internal Audit Quality Assurance and Improvement Programme; and to review the work programme for the Audit and Governance Committee which had been discussed earlier in the meeting. In terms of the Internal Audit Plan, it would be necessary to take into consideration that Council services were still in recovery mode – with some elements potentially still in response mode – therefore it may not be feasible to support internal audit assessments in certain areas. Similarly, with the Internal Audit team and customers likely to still be remote working, the challenges of undertaking such audits would need to be factored in. The Head of Corporate Services explained that, although all internal audit work had been suspended, this did not mean the control environment had lapsed as it was the responsibility of management to ensure controls were in place and working effectively; nevertheless, the Internal Audit team was unable to give independent assurance between April and August 2020.

9.3 A Member queried how internal audits would be effectively managed if they were carried out remotely. In response, the Head of Corporate Services explained that the whole organisation had adapted well to using new technology, such as Microsoft Teams, so there was no reason the Internal Audit team could not engage with other services remotely; however, it would be challenging, particularly if the evidence needed was in hard copy format within the Council Offices. The Engagement Lead from Grant Thornton indicated that, as external auditors, the team had also been required to do a lot of work in the virtual environment and, whilst there were challenges, there had also been a lot of opportunities and benefits as well. One of the biggest changes was the reliance on paper documents and files that could not be managed in a digital environment. Going forward, she felt it would be important for the Committee to focus on the imperative for management to maintain the control environment and she asked Members to reflect on these considerations when discussing the Annual Governance Statement, both for 2019/20 and 2020/21, as internal audit work was a principle source of evidence for that. It was important that the Committee understood any limitations around what could be covered and the alternatives to gain any assurance it needed.

9.4 The Chair welcomed the key recovery actions that had been identified for the Internal Audit team and the desire to get to the “new normal” as soon as possible whilst recognising that challenges would be faced. He thanked the team on behalf of the Committee for the work that had been done in administering the grants which had been a lifeline to businesses in these unprecedented times. The Head of Corporate Services also wished to thank the Revenues and Benefits Manager and the Finance Manager who had been overseeing the process. He acknowledged it had been a challenging time for the Internal Audit team who had been working on the frontline taking difficult telephone calls which was very different from their usual role as a support service within the authority. It was subsequently

RESOLVED That the internal audit update be **NOTED**.

A&G.10 INTERNAL AUDIT PLAN MONITORING REPORT

10.1 The report of the Head of Corporate Services, circulated at Pages No. 67-86, summarised the work undertaken by the Internal Audit team since the last Committee. Members were asked to consider the audit work completed and the assurance given on the adequacy of internal controls operating in the systems audited.

- 10.2 The Head of Corporate Services explained that the report summarised the work completed by internal audit during the period January-March 2020 and full details of the audits undertaken were attached at Appendix 1 to the report. A list of the audit recommendations that were due to be followed-up could be found at Appendix 2 to the report; of the 15 recommendations, 11 had been followed-up and four could not be followed-up due to the responsible officer being involved in the flood emergency response. As previously reported, all recommendations would need to be reviewed, particularly in terms of implementation dates, to ensure they remained relevant and feasible in light of the impact of COVID-19 on service delivery.
- 10.3 Members were advised that an audit of the risk management strategy had demonstrated there was a satisfactory level of control and the Council had a Corporate Risk Register in place that was monitored by the Corporate Management Team and reviewed at each Audit and Governance Committee – it was noted that this was not included as an item on the Agenda for the present meeting due to the impact of COVID-19 but would be brought to the September meeting. All projects required a completed risk register prior to consideration by the internal Programme Board which had also been found satisfactory. It was noted that the Serious and Organised Crime Checklist suggested that the Council should have a fraud risk register in place and the Counter Fraud Unit had been tasked with developing this in accordance with the recommendation. The audit of discretionary housing payments had been undertaken following a report to Executive Committee in January 2020 which had requested £40,000 from reserves to support the budget. The updated Discretionary Housing Payment Policy had been approved by Executive Committee in March 2018 and key elements of the policy had been reviewed against a sample of applications during the audit in order to ensure that payments were being awarded in line with policy. Members were informed that three months of bank statements must be provided by the applicant; however, the audit had shown that, in seven of the nine cases sampled, bank statements had not been provided. This was essential in order to confirm the accuracy of the claimant data and mitigate potential fraud or overpayment. Of the two applications where bank statements had been provided, no further checks had been carried out to verify this information, for example, irregular credit may indicate another income source so there was an expectation this would be followed-up. A personal budget sheet must also be completed as part of the application but the audit had found there was limited review or challenge of that information, for instance, the level of expenditure on non-essential items such as cigarettes, satellite television, alcohol etc. and it was recommended that this be reconsidered as part of the annual review. In addition, applicants were required to demonstrate attempts to move to more suitable accommodation, where appropriate, as discretionary housing payment was intended to be a short term solution to help with rent shortfalls; however, in a number of cases, applicants had been found to be under-occupying social housing and not bidding on suitable accommodation - one of the applicants had been receiving discretionary housing payments since 2011 which went against the entire ethos of the scheme. Given the findings of the audit, it was not possible to give assurance that the payments were being made in accordance with the policy and an unsatisfactory audit opinion had been issued as a result. The Revenues and Benefits Manager indicated that she was incredibly disappointed with the unsatisfactory opinion, particularly as she had requested the audit, but it had highlighted issues with the assessment process which she had thought might be the case. She explained that she had been redeployed to assist with business grants over the past few months so there had been limited opportunities to understand whether the recommendations had been implemented, as such, she proposed to bring a progress report to the Audit and Governance Committee meeting in September where she would be able to provide a full update.

10.4 A Member sought clarification as to whether the £40,000 of Council reserves that had been approved by Executive Committee was in addition to the £108,061 annual funding allocation and whether the amount being spent could be reduced going forward given that quite a lot of payments had been made without due process being followed. In response, the Revenues and Benefits Manager advised that £108,061 was the annual amount that had been allocated by the government for 2019/20 and this could be topped up from the Council's own resources. It had got to the point where the allocated funding had been spent and therefore it had been necessary to take a report to Executive Committee for additional funding; however, of that additional funding only approximately £14,000 had been spent which was a total of around £122,000 for 2019/20 overall. In terms of the procedure for allocating payments, she had sensed something was not quite right and acknowledged that processes needed to ensure money was being allocated in accordance with the policy. In terms of 2020/21 to date, only £22,000 had been spent against a budget of £142,000 so there was some early evidence that the team had taken on board the need to assess cases properly and make payments to people who met the eligibility criteria. The Member sought confirmation that the payments made to date had been due to negligence as opposed to with malice and that there had been no co-operation between officers and those making the claims. In response, the Head of Revenues and Benefits advised that it was more about the view of the officers assessing the case who tended to see discretionary housing payments as being there to help people but they needed to accept there were parameters. She acknowledged that a lot of non-essential expenditure was being authorised which was not included as part of the assessment process but she felt this was down to officers wanting to do their best to help residents of the borough as opposed to anything else. The Head of Corporate Services advised that the recommendations arising from the audit were set out at Pages No. 72-75 of the report with the first one being the introduction of a checklist to support the collection and assessment of discretionary housing payment information to ensure all claims were correctly processed; he confirmed that the checklist had been developed by internal audit and was ready to be deployed. He also pointed out that he was responsible for overseeing the Revenues and Benefits team so was particularly keen to ensure this matter was addressed as swiftly as possible and he hoped that the recommendations and the progress report that would be brought to the next meeting would give assurance to Members that it was being dealt with.

10.5 Having considered the information provided, it was

RESOLVED That the internal audit monitoring report be **NOTED**.

A&G.11 MONITORING OF SIGNIFICANT GOVERNANCE ISSUES

11.1 The report of the Borough Solicitor, circulated at Pages No. 87-92, 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.

11.2 The Borough Solicitor explained that the Annual Governance Statement would usually be brought to the Committee in July but this had been postponed to November in accordance with the revised timetable for completion of the accounts. The table set out at Appendix 1 to the report comprised the Significant Governance Issues identified in the previous Annual Governance Statement and the proposed actions and timescales for completion, with a further column indicating the progress as at 1 July 2020. In the majority of cases, action had been taken in accordance with the proposal; however, there had been some delays due to COVID-19. Revised timescales had been set for some of the issues but she was confident that those targets could be achieved. With regard to the approval of a new Code of

Conduct, it was noted that this had been reliant on a model from the Local Government Association; this had now been provided and the Standards Committee would be meeting in August to discuss it.

11.3

It was

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

The meeting closed at 3:03 pm