

# TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit and Governance Committee held remotely on  
Wednesday, 4 November 2020 commencing at 2:00 pm**

## **Present:**

Chair  
Vice Chair

Councillor V D Smith  
Councillor H C McLain

## **and Councillors:**

C M Cody, D W Gray, P D McLain and P E Smith

### **A&G.24 ANNOUNCEMENTS**

- 24.1 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.
- 24.2 The Committee was advised that the Chair had used his discretion to change the order of the Agenda, consequently Agenda Items 9 – Internal Audit Annual Report 2019/20 and 10 – Annual Governance Statement 2019/20 would be taken after Item 5 – Audit and Governance Committee Work Programme.

### **A&G.25 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

- 25.1 Apologies for absence were received from Councillors L A Gerrard, P A Godwin and H S Munro. There were no substitutions for the meeting.

### **A&G.26 DECLARATIONS OF INTEREST**

- 26.1 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.
- 26.2 There were no declarations of interest made on this occasion.

### **A&G.27 MINUTES**

- 27.1 The Minutes of the meeting held on 23 September 2020, copies of which had been circulated, were approved as a correct record.

**A&G.28 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME**

- 28.1 Attention was drawn to the Audit and Governance Committee's work programme, circulated at Pages No. 10-17, which Members were asked to consider.
- 28.2 The Head of Corporate Services advised that, at the last meeting, Members had asked for reassurance that the annual update on the Council's safeguarding arrangements would be provided to the meeting in December as planned; he had now spoken to the Head of Community Services who had confirmed this would be the case.
- 28.3 Accordingly, it was

**RESOLVED** That the Audit and Governance Committee work programme be **NOTED**.

**A&G.29 INTERNAL AUDIT ANNUAL REPORT 2019/20**

- 29.1 The report of the Chief Audit Executive (Head of Corporate Services), circulated at Pages No. 62-68, provided the Committee with a summary of internal audit work undertaken in 2019/20 to support the internal audit opinion. Members were asked to consider the internal audit opinion and the assurance from work undertaken during the year that, overall, the Council's governance, risk management and control environment was generally effective. Where areas of concern had been identified, there had been a positive management response to recommendations made and the opinion would inform the Council's Annual Governance Statement.
- 29.2 In introducing the report, the Head of Corporate Services explained that Paragraph 2.0 summarised the 2019/20 audit work. The audit plan was informed by a number of activities, namely governance related work, corporate risks, financial related systems, service related work, corporate improvement days, follow up work of previous recommendations and general consultancy and advice. That approach resulted in a comprehensive range of audits that were undertaken during the course of the year to support the overall opinion on the control environment. In compliance with the Public Sector Internal Audit Standards, monitoring reports of internal audit activity were presented at each Audit and Governance Committee. Audit work undertaken in the year consisted of: emergency planning; debtors (finance recovery); fraud and corruption; serious and organised crime framework – licensing; procurement cards; disabled facility grants; website project (corporate improvement); health and safety risk assessment (corporate improvement); General Data Protection Regulation; risk management; discretionary housing payments; complaints; debtors (service related debt); digital platform (corporate improvement); and planning scanning project (corporate improvement). There was one audit outstanding which related to a corporate risk around the effectiveness of the growth hub. Work had commenced on the audit in the latter part of 2019/20 but remained outstanding at the time of writing the report as a result of the internal audit team being deployed to the Council's response to the COVID-19 pandemic.
- 29.3 Members were advised that a key area of assurance work, and one that was of particular importance to management and Members, was the follow up of internal audit recommendations. Days were allocated within the plan for the work and the status of recommendations followed up during each quarter were reported to Committee; apart from a handful of recommendations, all that were due to be followed up during the year had been followed up and reported on. The outstanding recommendations were those assigned to the Head of Community Services and had been due to be followed up in the final quarter of 2019/20, however, due to the Council's emergency response to severe flooding it had been agreed to follow those up at a later stage. The internal audit team was also represented on key corporate

groups such as the Corporate Governance Group, the Keep Healthy – Stay Safe Group, the Project Programme Board, the Information Board, the Community Infrastructure Levy Working Group and the Pool Car Project. This approach provided the team with the opportunity to offer advice on key governance frameworks, individual projects and to keep abreast of emerging issues. The team was also contacted on a regular basis to provide ad-hoc advice on a range of activities, for example, compliance with Contract Procedure Rules, general policy issues and proposed changes to systems and processes.

- 29.4 Paragraph 3.0 set out the team structure, provided assurance of its independence, and how that was maintained, and confirmed that it was adequately resourced. Paragraph 4.0 confirmed that all audit work undertaken during 2019/20 was in accordance with the Quality Assurance and Improvement Programme which had been reported to the Audit and Governance Committee on 24 July 2019. An update on the Programme, and associated action plan, would be provided to the Committee in March 2021. Paragraph 5.0 advised that there were days allocated within the 2019/20 internal audit plan to review the integrity of the corporate risk register which would include the testing of mitigating controls to ensure they were actually deployed and that actions to reduce the risk further were progressing. Paragraph 6.2 set out that internal audit could provide a ‘split’ opinion meaning individual opinions could be provided for different parts of a system being audited - that approach enabled internal audit to identify to management the specific areas of control that were operating/not operating as intended. From the activities audited during the year, the majority of opinions were positive; however, there was one limited opinion and one unsatisfactory opinion issued during the year: General Data Protection Regulation (GDPR) – limited opinion – operational compliance with retention periods – updated GDPR action plan had been developed; and Discretionary Housing Payments – unsatisfactory opinion – payments not being paid in accordance with policy – progress reported to Committee on 23 September 2020 – all recommendations would be followed up by internal audit when capacity allowed. Overall, the number of recommendations made during the year were not significant, with only three categorised as ‘high’. In terms of follow up work, the majority of recommendations that were due to be followed up had been. Over 60 recommendations had been followed up during the year and 86% were either implemented or partially implemented. Paragraph 7.0 set out that the team continued to have an excellent working relationship with the Counter Fraud Unit and met on a regular basis, together with the Head of Finance and Asset Management, and during 2019/20, governance related policies, such as the Whistleblowing Policy and the Fraud and Corruption Policy had been reviewed, updated and supported by staff training. In conclusion, overall, based on the work undertaken, the Council’s controls were sound and, where identified for review, there had been a positive management response.
- 29.5 Looking forward, the Head of Corporate Services explained that the Council’s response to COVID-19 had significantly impacted on the internal audit team and all internal audit work during 2020/21 had been suspended as the team had been deployed to support the administration of business grants. A six-monthly audit plan for October 2020 to March 2021 had been approved at the last Committee meeting albeit with a reduced staff resource. The lack of internal audit activity to date, and the uncertainty moving forward, would make it difficult to give a meaningful audit opinion for 2020/21. As that opinion informed the Annual Governance Statement, management may need to consider other alternative sources of assurance when producing the statement next year.
- 29.6 During the discussion which ensued, a Member drew attention to the statement that all recommendations would be followed up ‘when capacity allowed’ and questioned whether the Head of Corporate Services had any idea when that would be. In response, he was advised that the team would be involved in the grant work for the COVID-19 pandemic response, but it depended whether the team was required for

work on the scheme in the longer term. If one of the team was able to be released they would be able to pick up the internal audit plan and start looking at the recommendations but it was difficult to put a timescale on when that would happen. The Head of Finance and Asset Management confirmed that the new business grant schemes coming out from the government would be very resource intensive over the next few weeks.

29.7 Accordingly, it was

**RESOLVED** That the internal audit annual report 2019/20 be **NOTED**.

### **A&G.30 ANNUAL GOVERNANCE STATEMENT 2019/20**

30.1 The report of the Corporate Governance Group, circulated at Pages No. 69-84, attached the Annual Governance Statement 2019/20. The Audit and Governance Committee was asked to approve the statement.

30.2 The Head of Corporate Services explained that the proposed Annual Governance Statement for 2019/20 was attached to the report at Appendix 1 and it identified four areas of governance that required improvement - those were detailed within the table on the last page of the statement. Progress in implementing the actions stated within that table would be reported at each Audit and Governance Committee meeting. When considering the pre-COVID governance framework, the Corporate Governance Group had recognised improvements made during the year and those were set out at Page No. 78. A review of the existing governance framework was contained at Pages No. 79 and 80 and included a statement about the impact of COVID-19 on the Council's service delivery and governance framework; however, it was noted that the Annual Governance Statement covered 2019/20 and the majority of that period was COVID free. There was one main area of concern which was considered to be a significant governance issue in relation to the administration of Discretionary Housing Payments; the audit had identified a combination of issues which had resulted in an unsatisfactory opinion being issued. An update to the Audit and Governance Committee in September had confirmed the recommendations made were in the course of being implemented and this would be subject to a follow up review by the internal audit team. In terms of COVID-19, it would be important to learn lessons from the response and this would also be included as a significant governance issue; this had previously been discussed by the Overview and Scrutiny Committee and it was intended to present a report through that Committee in due course.

30.3 In response to a query regarding the COVID-19 response, the Head of Corporate Services confirmed that the impacts were being captured by the Council's management team so, when appropriate, it would be possible to put them all together into a report.

30.4 Accordingly, it was

**RESOLVED** That the Annual Governance Statement 2019/20 be **APPROVED**.

### **A&G.31 EXTERNAL AUDITOR'S PROGRESS REPORT**

31.1 Attention was drawn to Grant Thornton's report, circulated at Pages No. 18-48, which set out the audit findings for the year ended March 2020. Members were asked to consider the report and progress against planned outcomes.

31.2 The representative from Grant Thornton explained that the report set out the audit findings and served two purposes: to summarise the outcomes of the audit work for the 2019/20 financial statements; and to summarise the work on the value for money conclusion. The headline messages were set out on Page No. 20 and as

alluded to at the last Committee meeting, it was clear that the COVID-19 pandemic had a significant impact on the normal operations of the Council. An audit plan addendum had been issued in May to identify different risks arising from COVID-19. Despite having to operate virtually, the external auditors were pleased with how the audit had progressed and they offered their thanks to the Finance Manager and her team for their assistance in ensuring the audit went well. When the report had been written, the audit was 85% complete and good progress had been made on clearing the outstanding areas of work since, with the only outstanding areas being housing benefit information; three investment confirmations from other local authorities; some documentation from the IT department in relation to control work; and an assurance letter from the external auditor for the Gloucestershire pension fund to confirm the operation of the fund in relation to Tewkesbury Borough Council. The audit itself had identified very few issues and only a small number of audit adjustments were required, none of which were of a size material to the Council. In addition, there were a small number of disclosure items that management had agreed to process. Based on the work completed, it was anticipated that an unqualified audit opinion would be issued. Due to some of the uncertainties of COVID-19 an 'emphasis of matter' would be made which drew attention to the property valuations material uncertainty because of the conditions that existed at that point in time. In terms of the value for money conclusion, the auditors had looked at the Council's arrangements and concluded it had adequate arrangements so issued an unqualified opinion. In respect of statutory duties, while the external auditors could issue an opinion in line with the statutory deadline, the audit could not be closed, as a submission had to be made to the National Audit Office on the whole accounts and this could not be certified as complete until an assurance statement had been submitted but the guidance on that statement was needed before it could be completed. In drawing attention to Page No. 26, there were two items highlighted as being 'in progress': IFRS 16 (a new accounting standard) – the Council and the external auditors disagreed as to whether this should be included as it was a standard that had been issued but not yet adopted, and further technical consultation was being sought on that; the Committee would be updated once the way forward was ascertained. In addition, last year's audit findings report had identified a small unreconcilable item in the cashflow work and a recommendation had been included for this to be resolved. The Council had commissioned additional tools from the Chartered Institute of Public Finance and Accountancy (CIPFA) and, in doing that exercise, had identified some analysis of cashflow that needed to be amended in both the current and prior year financial statements which had resulted in material changes and therefore a 'prior period' restatement had been required - work on that had not been concluded at the time of writing the report but the external auditors were now satisfied with the approach taken.

31.3 During the brief discussion which ensued, a Member expressed the understanding that IFRS 16 was a revision of an existing standard rather than a new one and he questioned whether there was an impact on the financial statements of the Council. In response, the external audit representative explained that this was a new leasing standard which required the Council to include operating leases e.g. rental for assets when those assets were not on its balance sheet. The impact would depend on the nature and number of those leases. It had been recognised, in light of the COVID-19 pandemic, that the formal inclusion of the standard in the CIPFA Code would be deferred for a year but it was Grant Thornton's view that it was still a standard that had been formally issued and therefore should be referenced. The Finance Manager confirmed that Officers had done a lot of work on this prior to COVID-19 and were happy there would be no material impact.

31.4 The Chair thanked the external auditors for their work, and it was

**RESOLVED** That the external auditors progress report be **NOTED**.

**A&G.32 LETTER OF REPRESENTATION**

- 32.1 Attention was drawn to the Section 151 Officer's Letter of Representation on the financial statements for the year ended 31 March 2020, which had been circulated at Pages No. 49-55. Members were asked to approve the letter.
- 32.2 The Head of Finance and Asset Management advised that, as the 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 contents of the letter, attached at Appendix 1 to the report, had been agreed with Grant Thornton and formal approval was sought from the Committee.
- 32.3 Accordingly, it was  
**RESOLVED** That the Letter of Representation be **APPROVED** and signed by the Section 151 Officer.

**A&G.33 STATEMENT OF ACCOUNTS 2019/20**

- 33.1 The report of the Head of Finance and Asset Management, circulated at Pages No. 56-61, asked Members to approve the Statement of Accounts for 2019/20. The Statement of Accounts had been circulated separately at Pages No. 1-86.
- 33.2 The Finance Manager explained that there were some outstanding issues to be addressed which may result in small amendments to the accounts and this was the reason for the delegation. She indicated that Members had gone through the accounts in detail during a training session prior to the Committee meeting but she would be happy to answer any further questions.
- 33.3 It was  
**RESOLVED** That the Statement of Accounts for 2019/20 be **APPROVED**.

The meeting closed at 2:45 pm