

# TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit and Governance Committee held at the Council  
Offices, Gloucester Road, Tewkesbury on Wednesday, 15 September 2021  
commencing at 2:00 pm**

## **Present:**

Chair	Councillor V D Smith
Vice Chair	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.18 ANNOUNCEMENTS**

- 18.1 The evacuation procedure, as noted on the Agenda, was advised to those present.
- 18.2 The Chair indicated that, in accordance with Procedure Rule 1.2 of the Council's Constitution, he had used his discretion to vary the order of business so Item 11 – Corporate Risk Register would be taken after Item 5 – Audit and Governance Committee Work Programme and would be followed by Item 9 – Management Assurance Statement 2020/21 and Item 10 – Annual Governance Statement.

### **A&G.19 DECLARATIONS OF INTEREST**

- 19.1 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.
- 19.2 There were no declarations of interest made on this occasion.

### **A&G.20 MINUTES**

- 20.1 The Minutes of the meeting held on 21 July 2021, copies of which had been circulated, were approved as a correct record and signed by the Chair.

### **A&G.21 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME**

- 21.1 Attention was drawn to the Audit and Governance Committee Work Programme, circulated at Pages No. 13-20, which Members were asked to consider.
- 21.2 The Head of Corporate Services advised that a member of staff had now returned to the Internal Audit team, having been redeployed to assist with administering business grants during the pandemic, and their first task would be to review the suite of outstanding audit recommendations to determine which had been implemented and, of those that had not, if they were still relevant and what new feasible implementation dates would be. A report would be brought to the next meeting of the Audit and Governance Committee on 15 December 2021.
- 21.3 It was
- RESOLVED** That the Audit and Governance Committee Work Programme be

**NOTED.****A&G.22 CORPORATE RISK REGISTER**

- 22.1 The report of the Head of Corporate Services, circulated at Pages No. 167-189, asked Members to consider the risks contained within the corporate risk register and assurance that the risks were being effectively managed.
- 22.2 Members were reminded that the corporate risk register was a high-level tool which helped management to consider what the corporate risks were and how they were being managed and it was brought to each meeting of the Audit and Governance Committee. The key updates arising since the register was last presented to the Committee were set out at Pages No. 169-170, Paragraph 3.1 of the report. It was noted that Reference 7. Waste Service, related to the risk around the effectiveness of the waste contract, was recommended for removal on the basis that the contract was now well-managed on the whole. It would continue to be monitored by the Head of Community Services and could be brought back if anything significant was to occur in future. Two key risks had been added to the register, the first of which was Reference 17. National Driver Shortage – this had been well-documented in the media and had the potential to impact upon waste collection rounds. Regular discussions were taking place with Ubico which had strategies in place to mitigate the risk and two new drivers had recently been appointed which was positive news. Nevertheless, drivers were being lost to the private sector which would inevitably have an impact on the Council's waste service if it continued. The second new risk was Reference 18. Waste Transfer Station which had been included to reflect the fact that Wingmoor Farm was the subject of a planning variation which was being determined by Gloucestershire County Council and, if refused, would prevent Tewkesbury Borough Council from taking waste to that site. The only alternative in that situation would be to direct deliver waste to Javelin Park which would require considerable changes to waste collection rounds and would incur significant costs.
- 22.3 In response to a query about possible alternative waste transfer stations, the Head of Community Services advised that there were no appropriate sites within a logical geographical area. A Member questioned how likely it was that the planning variation would be refused and the Head of Community Services indicated that Tewkesbury Borough Council had been consulted on the proposal as a statutory consultee and its Planning Committee had objected to the proposal when it had considered the application in August. A Member noted from the report that representation had been made to Gloucestershire County Council and she asked what had been said and how that related to the decision made by Tewkesbury Borough Council's Planning Committee. In response, the Head of Community Services explained that Officers from Tewkesbury Borough Council and Cheltenham Borough Council – which would also be impacted - had written to Gloucestershire County Council and Tewkesbury Borough Council's Planning Committees setting out their position but, unfortunately, Tewkesbury Borough Council's Planning Committee had taken a different view. It was now a question of waiting for a decision from Gloucestershire County Council. He pointed out that a lot of calculations had been done in relation to the environmental consequences associated with the increased number of trips to Javelin Park – there would be around 9,000 additional vehicle movements which would generate 273 tonnes of carbon. In addition, the waste collection rounds would need to be completely redesigned which had last been done in 2017 and was a significant task that inevitably disrupted the service for a temporary period. In response to a further query regarding the reasons for the Planning Committee's decision, the Head of Community Services indicated that Wingmoor Farm was a difficult site with a long history and its use as a waste transfer station had generated a lot of angst in the community in terms of potential odour and noise emissions. The site had been operating as a waste transfer station for two years during which time it had not

caused any problems aside from an isolated incident in 2020 when it was not operating properly. If the site operated as set out in the current plan, it should not cause odour problems for the community. A Member indicated that, as a Ward Councillor for an area impacted by the Wingmoor Farm site, she would dispute those claims but she accepted this was not the right place for that discussion.

22.4 Having considered the information provided, it was

**RESOLVED** That the risks and mitigating controls within the corporate risk register be **NOTED**.

### **A&G.23 MANAGEMENT ASSURANCE STATEMENT 2020/21**

23.1 Attention was drawn to the report of the Head of Corporate Services, circulated at Pages No. 120-148, which provided management assurance statements for each service area. Members were asked to consider the statements and the conclusion that, overall, for 2020/21, the management of the Council's internal control environment was satisfactory.

23.2 The Head of Corporate Services reminded Members that, as part of the Council's response to COVID-19, the Internal Audit team had been redeployed to the business cell for the whole of 2020/21 to support the administration of business grants. As reported at the last Committee meeting, due to all internal audit work being suspended for the year, no independent assurance could be given on the adequacy of the Council's internal control environment. In order to mitigate this, management assurance statements had been produced by each service area which also provided assurance that, despite resources generally being directed to the Council's COVID-19 response, this had not detrimentally affected the internal control environment. Each Head of Service had been required to fill out a statement which captured the key elements of the Council's governance and internal control framework. The statements did not offer full assurance that everything was effective all of the time but that, generally, management arrangements had been satisfactory over the year. The Corporate Governance Group had reviewed the statements and concluded that they were a fair reflection of the position. Whilst some of the questions had been given a partial response, that was not unexpected as the Council had a complex array of systems, processes and procedures so it would be unrealistic to expect them to operate 100% effectively all of the time. The statements were attached as appendices to the report and the overall conclusion was that a satisfactory system of internal control had been maintained. The areas of exception – the review of the licensing service and recovery of the internal audit function - had been identified as Significant Governance Issues within the Annual Governance Statement.

23.3 A Member queried whether the licensing service was now sufficiently staffed and the Head of Community Services explained that a member of staff had been seconded from Cheltenham Borough Council for two days per week until the end of December at which time an experienced Licensing Officer from another authority would take up a full-time role.

23.4 A Member noted that the external auditor's findings report made reference to the annual audit report not being ready until December and she asked if there was any indication as to the opinion that would be issued at that time. In response, the representative from Grant Thornton explained that this was the first year of the revised approach to the audit of value for money as introduced by the National Audit Office. In recognition of the challenges COVID-19 had brought to local authorities as a whole, and given the importance of getting the baseline assessment year right, additional flexibility had been given to postpone the completion of work on arrangements to secure value for money so as not to compromise the opinion on the financial statements. The value for money work needed to conclude within three months of issuing the opinion on the accounts and Grant Thornton would not

be in a position to do that until Christmas. It was intended to bring the annual report, which would include the commentary on arrangements to secure value for money, to the Audit and Governance Committee meeting on 15 December 2021. It was not possible to say at this stage whether sufficient value for money arrangements were being delivered as it would be necessary to go through the management assurance statements in detail and a moderation exercise would be carried out to ensure scoring was not unduly generous or excessively harsh - Grant Thornton needed time to do that moderation exercise and come back with its final judgements in December.

23.5 The representative from Grant Thornton recognised that self-assessment came down to management assurances provided by individual services so it would be useful, as part of the value for money assessment, to understand whether there had been a good response from Officers when audits had been followed-up in previous years as that may give an indication as to the level of confidence that could be placed in the management assurance statements. The Head of Corporate Services advised that no follow-up audits had been undertaken for at least 12 months but, pre-COVID, the management response had generally been positive with many recommendations being implemented, even during the pandemic. A Member indicated that, as a Member of the Audit and Governance and Overview and Scrutiny Committees, he was satisfied with the level of scrutiny and challenge and endorsed what the Head of Corporate Services had said. The Chair of the Audit and Governance Committee echoed these sentiments.

23.6 It was

**RESOLVED** That the management assurance statements provided by each service area and the conclusion that, overall, for 2020/21, the management of the Council's internal control environment was satisfactory be **NOTED**.

#### **A&G.24 ANNUAL GOVERNANCE STATEMENT 2020/21**

24.1 The report of the Corporate Governance Group, circulated at Pages No. 149-166, attached, at Appendix 1, the Council's Annual Governance Statement 2020/21 which Members were asked to approve.

24.2 The Head of Corporate Services explained that the Accounts and Audit Regulations 2015 - now amended by the Accounts and Audit (Coronavirus) (amendment) Regulations 2020 - required local authorities to conduct a review, at least once a year, of the effectiveness of its systems of internal control and include a statement reporting on the review with any published Statement of Accounts. The Annual Governance Statement should normally be approved at the same time as, and certainly no later than, the Statement of Accounts. The review was undertaken by the Corporate Governance Group. The draft Annual Governance Statement for 2020/21 was attached at Appendix 1 to the report and identified six Significant Governance Issues that required improvement, set out in the table at Page No. 164. The first three issues had been carried over from the previous Annual Governance Statement: Community Infrastructure Levy (CIL) governance arrangements; Local Code of Corporate Governance; and administration of discretionary housing payments. The three new issues identified were: effective recovery of the internal audit function; implementation of the Chartered Institute of

Public Finance and Accountancy (CIPFA) Financial Code; and Licensing Service review. Progress against implementing the proposed actions would be monitored by the Audit and Governance Committee.

24.3 A Member asked for further clarification on the issue with CIL and the current position as he was under the impression that it was completely out of the Council's control. The Head of Corporate Services indicated that he did not know the detail; however, he understood there was due to be a Member seminar in relation to planning and he suggested that CIL could form part of that. The Head of Democratic Services clarified that a seminar on the Joint Core Strategy and the Tewkesbury Borough Plan was in the process of being arranged and, whilst CIL was not part of that, she undertook to speak to the Head of Development Services about providing an update for Members on the current position. The Member indicated that residents saw that the local authority was receiving CIL money and therefore expected that assets would be forthcoming; however, he did not think that was the reality of the situation and he would like a better understanding of how it worked.

24.4 It was

**RESOLVED** That the Annual Governance Statement 2020/21 be  
**APPROVED.**

#### **A&G.25 EXTERNAL AUDITOR'S FINDINGS**

25.1 Attention was drawn to the external auditor's findings report, circulated separately, which Members were asked to consider.

25.2 The representative from Grant Thornton advised that the external auditors had two key responsibilities: the Council's financial statements and issuing an opinion on the 2020/21 accounts; and value for money. A considerable part of the report before Members focused on the findings of the audit. In terms of the overall headlines, based on the work completed, Grant Thornton was proposing to issue an unqualified audit opinion i.e. a 'clean' opinion. It was important to highlight that an Emphasis of Matter paragraph would be included – this was used to draw attention to something of significance within the accounts; in this instance, it related to the valuation of assets. The Council had commissioned an external valuer to undertake valuations and the report as at 31 March 2021 had highlighted a material uncertainty. A valuer used the market to identify similar sales and market data in order to assist with valuations and, in this case, the information supporting the valuation of the Council's car parks was not reliable enough so there would be specific reference to that uncertainty within the audit opinion. In terms of value for money, this had been covered under the previous Agenda Item in relation to the management assurance statements and Grant Thornton would be starting work on that over the coming months after the accounts audit had concluded. Whilst adjustments had been identified, the representative from Grant Thornton wished to put on record her appreciation to the Finance Manager and her team for their continued support over the course of the audit process.

25.3 Moving on to the detail of the report, Members were informed that the materiality thresholds, set out at Page No. 6 of the report, would be familiar from the audit plan and had not been changed. Anything above the triviality threshold of £37,000 was reported as an issue. Pages No. 7-10 of the report outlined the details of the significant risks identified within the audit. Specific attention was drawn to the risks at Pages No. 9-10 of the report which related to the material uncertainty regarding the valuation of the car parks and the valuation of the pension fund. Members were advised that the car parks had not been used for a significant amount of time during the year due to the pandemic, therefore, there was no real data to create an estimate as would be the case in a normal year. In terms of the pension fund net liability, Grant Thornton relied on assurances from the Gloucestershire Pension Fund Audit Team in relation to that and was awaiting receipt of assurance from the Pension Fund Auditor – these were expected in the coming weeks and were required before the audit was finalised. Page No. 11 of the report set out new

issues and risks identified this year and a major change for the Finance Manager and her team was the administering and financial reporting associated with the COVID-19 grants. The team assessed each individual grant received and whether the Council had control over it as that impacted how it was treated in the accounts. As set out in the right hand column, there had been a slight error in the presentation of this within the financial statements which had been amended. Pages No. 12-14 of the report set out the key judgements and estimates in the accounts. Page No. 16 of the report reflected a significant change this year in terms of an adjustment to the going concern. In the past, this had focused on financial sustainability and the ability of the Council to continue to operate for at least two months after the accounts had been finalised. There was now an emphasis on service provision which had resulted in a huge shift in relation to the going concern work as Grant Thornton was very certain Tewkesbury Borough Council would be providing services for at least 12 months after the date of signing. As referenced earlier in the meeting, the Auditor's Annual Report would be brought to the Committee in December. Two significant weaknesses had been identified which related to the Council's arrangements for securing financial sustainability into the medium term and the Head of Internal Audit limitation in scope opinion as outlined at Page No. 19 of the report. Page No. 20 of the report set out the independence and ethics which were standard disclosures similar to previous years. Various appendices were attached which detailed specific adjustments above the responsibility threshold and attention was drawn to Page No. 24 of the report in relation to the grants amendment which had already been mentioned. Page No. 28 of the report gave information on adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements and needed to be considered in terms of their impact on the 2020/21 financial statements. Specific reference was made to the net pension liability which had been adjusted in-year. The actuary had provided an estimated report and an actual report and, although there was movement between the two, it was not significant in financial terms and did not require an amendment to the accounts. Fee details were set out at Page No. 29 of the report and the management letter of representation and the audit letter in respect of the delayed value for money work were attached at Pages No. 30-32 and Page No. 33 respectively.

- 25.4 A Member asked for an explanation of the impact of COVID-19 on the assessment of materiality thresholds given that there was a lot more money being received by the Council than in previous years due to the government grants. The representative from Grant Thornton explained that COVID-19 and its impact was considered as part of the calculation of materiality; however, the Council treated the majority of grants on an agency basis which meant they were not named on the comprehensive expenditure statement and were instead included further down as money administered on behalf of the government. The materiality thresholds were fairly consistent with the previous year as there had only been small changes to grant income in the accounts. The Member asked what specific risks were associated with agency money and was informed that the risk itself was not necessarily any greater than with normal grants administered by the Council – they were administered in a very similar way and the conditions set by the government were so strict that there was not a lot of judgement involved. A Member noted that the deadline for the value for money work had been extended until December and she questioned what impact that would have on next year's audit. In response, the representative from Grant Thornton explained that it was not expected to have an impact and the normal planning work would be done around February/March.
- 25.5 The Head of Finance and Asset Management wished to comment on the production of the accounts which was a significant task for local government at the best of times and COVID-19, along with changes to ways of working over the last 18 months, had only added to this. There had also been changes in staffing and significant procedural amendments; however, regardless of this, the accounts had

been provided in May 2021, two months ahead of the rescheduled date. To then receive an audit findings report with only minor adjustments and a recommendation for an unqualified opinion was a fantastic achievement and he was very lucky to have such a dedicated Finance team which was essential to producing good quality accounts. The Chair agreed that the team had done a brilliant job against the difficult backdrop of the pandemic and he thanked them on behalf of the Committee.

25.6 It was

**RESOLVED** That the external auditor's findings 2020/21 be **NOTED**.

#### **A&G.26 LETTER OF REPRESENTATION 2020/21**

26.1 Attention was drawn to the Section 151 Officer's Letter of Representation on the financial statements for the year ended 31 March 2021, which had been circulated at Pages No. 21-28. Members were asked to approve the letter.

26.2 The Head of Finance and Asset Management advised that, as Section 151 Officer, he was required to write a Letter of Representation to the external auditors which formally and publicly confirmed the accuracy and completeness of the presented Statement of Accounts. The letter 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. A copy of the draft letter for 2020/21 was attached at Appendix A to the report and the Committee was asked to approve it for signature by the Chief Finance Officer, on behalf of the Council, in order for the external auditor to formally issue an opinion on the financial statements.

26.3 Accordingly, it was

**RESOLVED** That the Letter of Representation be **APPROVED** and signed by the Section 151 Officer.

#### **A&G.27 STATEMENT OF ACCOUNTS 2020/21**

27.1 Attention was drawn to the report of the Finance Manager, circulated at Pages No. 29-119, which attached the Statement of Accounts for 2020/21 showing the financial position of the Council as at 31 March 2021 as well as performance during the year. Members were asked to approve the Statement of Accounts and to delegate authority to the Head of Finance and Asset Management, in consultation with the Chair of the Audit and Governance Committee, to amend the approved Statement of Accounts to reflect advice from the external auditor as appropriate.

27.2 The Finance Manager drew attention to Page No. 32 of the report which summarised the financial position of the Council as at 31 March 2021. 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. Several Members expressed the view that the accounts were very difficult to understand and the Chair suggested that it would be helpful to have a summary document to assist Members. The Finance Manager recognised that the accounts were not designed for the layperson and she undertook to consider how best to provide the appropriate level of information without being confusing.

27.3 Upon being put to the vote, it was

**RESOLVED**

1. That the Statement of Accounts for 2020/21 be **APPROVED**.
2. That authority be delegated to the Head of Finance and Asset Management, in consultation with the Chair of the Audit and Governance Committee, to amend the approved Statement of

Accounts to reflect advice from the external auditor as appropriate.

The meeting closed at 2:56 pm