

# TEWKESBURY BOROUGH COUNCIL

**Minutes of a Special Meeting of the Audit and Governance Committee held at the Council Offices, Gloucester Road, Tewkesbury on Wednesday, 31 January 2024 commencing at 2:00 pm**

**Present:**

Chair

Councillor M R Stewart

**and Councillors:**

H J Bowman, D W Gray, E J MacTiernan, P D McLain, P E Smith and R J G Smith

**also present:**

Councillors M L Jordan and R J Stanley

**A&G.38 ANNOUNCEMENTS**

38.1 The evacuation procedure, as noted on the Agenda, was advised to those present.

**A&G.39 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

39.1 Apologies for absence were received from Councillor S R Dove (Vice-Chair). There were no substitutes for the meeting.

**A&G.40 DECLARATIONS OF INTEREST**

40.1 The Committee's attention was drawn to the Tewkesbury Borough Code of Conduct which was adopted by the Council on 24 January 2023 and took effect on 1 February 2023.

40.2 There were no declarations made on this occasion.

**A&G.41 INTERNAL AUDIT PLAN MONITORING REPORT**

41.1 The report of the Head of Service: Audit and Governance, circulated at Pages No. 3-16, provided an overview of the internal audit work completed during the period. Members were asked to consider the work undertaken and the assurance given on the adequacy of the internal controls operating in the systems audited.

41.2 The Head of Service: Audit and Governance advised that the audit of budgetary controls was a key financial control audit and a fundamental element of the Council's financial planning and operations. She was pleased to report a substantial level of control with processes being followed in accordance with the Financial Procedure Rules and regular budget meetings taking place. Whilst the Finance team offered training to budget holders, this was not always taken up and there was a recommendation for it to be made mandatory. There was also a recommendation around checking the authorised signatory list setting out the financial limits for budget holders corresponded to the values in the system. A Member sought clarification as to how many staff were budget holders and how many of them had not been trained. In response, the Executive Director: Resources

advised that there were around 20-25 budget holders and training take-up had been sporadic with some having training one year but not the next; a reasonable proportion had been trained over the years but the intention was for everyone to be trained regularly and, in the run up to year end, a piece of work was being carried out to put mandatory training in place for all budget holders. A Member sought clarification as to the definition of a virement and was advised that this related to the transfer of funds from one budget heading to another. A Member noted that the report stated one virement would have been more appropriate to transfer from reserves and asked for an explanation in relation to that. The Executive Director: Resources advised this related to the overspend on the Ubico budget resulting from the pay award which required a contract variation to agree the additional amount that would be paid by the Council to Ubico – this had been incorrectly classified by the Finance team as a virement and should have been reported as an overspend.

- 41.3 The Head of Service: Audit and Governance advised that, as Members would be aware, the Council was installing a new air source heating system as part of its carbon reduction programme and, in light of the grant conditions and potential reputation risk associated with the project, it was agreed that an audit should be carried out at an appropriate time. This work had been conducted in December and the audit had confirmed that the contract procedure rules had been complied with and effective project management arrangements were in place with an appropriate risk register and established process for change control where changes in the project impacted either the time, cost or quality of the project – these had followed the proper process and been formally approved. There was assurance that the grant conditions were being met which included monthly reports submitted to the Council by the contractor and payment requests to draw-down monies. Testing was able to confirm that the first payment request was accurate and there were robust challenge processes for invoices submitted by the contractor. Overall it was a well-managed and controlled project. A Member asked whether the all of the grant funding had been received and confirmation was provided that all but £50,000 of the total sum of £708,282 had been received; the final £50,000 would be retained by Salix until completion of the contract. In response to a further query, Members were advised the final payment would be made on submission of the invoices at the end of the month. A Member asked what extra precautions had been taken given that it was a more expensive contract than usual and the Head of Service: Asset Management advised that Officers had previous experience of dealing with these types of contract, for example, delivery of Tewkesbury Leisure Centre. The NEC contract rules and conditions ensured the right systems were in place and all parties were fully aware of the risks and took ownership of them. The Member queried whether the variation on price was due to inflation and was advised the contract had been entered into as a fixed price scheme with a change protocol within the NEC contract and various changes were applied and agreed throughout the course of the work which could be positive or negative variations, for instance, the Council had taken on an element of the asbestos removal using an existing sub-contractor which had cost £7,000 compared to the £25,000 budgeted in the contract. He stressed that all changes were within budget and expected contingencies for the project. A Member noted that Page No. 11 of the report stated that, in the invoice tested, there were some works yet to be completed and, given the number of monthly invoices submitted, he asked if this was cause for concern. The Head of Service: Asset Management advised that an activity schedule was required to be submitted at the end of each month and it was found that some things were being charged at full cost when only 50% had been delivered; in that instance, the Council said it would withhold payment and it was subsequently agreed that the cumulative value of the works completed to date would be reduced for that month and a payment certificate was issued. The Member pointed out that only one invoice had been tested so this raised concern about what may have happened in the other months. The Head of Service: Asset Management advised that a claim was made at the end of each month by the contractor which needed to be verified by the Council and he provided

assurance these were thoroughly investigated and if they were found to be inaccurate they would be sent back to the contractor – no payments were made in advance.

- 41.4 With regard to the audit of the accuracy of Section 106 data on the Exacom system, the Head of Service: Audit and Governance advised that the two risks audited had been given opinions of 'no assurance' and 'limited assurance' with a number of recommendations identified. The audit had sought assurance that the data from the Exacom and Uniform systems reconciled but comparison of the data had highlighted a vast difference between the two so no assurance could be placed on its accuracy. Since the completion of the audit, Internal Audit had spent a number of corporate improvement days supporting the Development Management team to carry out a more detailed reconciliation to identify anomalies and that would form part of a wider Section 106 action plan. A sample of the individual obligations confirmed the values had been correctly recorded on Exacom; however, there was a lack of procedure notes and roles and responsibilities were not adequately detailed. The Director: Corporate Resources advised that it was unusual to bring an adverse audit opinion of 'no assurance' and this was clearly a legacy issue; Officers had commissioned the audit in the hope it would act as a catalyst for change. Members had raised concerns regarding Section 106 for some time so the outcome of the audit was not unexpected. As the Committee charged with governance, Members needed to seek their own assurances from Officers regarding their commitment to take this forward by carrying out a complete end to end review of the Section 106 process. A Member agreed this was something which had been flagged for a while and he indicated that he would like to see an improvement in terms of transparency. The Associate Director: Planning reiterated that the internal audit looked at the processes and reconciliation between systems, it touched on transparency and the wider availability of information but he suspected that would come out in the broader piece of work Officers were now looking to do – there was a need to look at the processes and also the policy in terms of what the Council collected Section 106 for and why, as well as the governance and decision-making in terms of how monies were spent. In terms of broader improvement, an additional strand was being added to the Development Management Improvement Programme to look at Section 106 in more detail.
- 41.5 A Member noted that no assurance could be given that all Section 106 Agreements had been identified and asked what risk this posed to the Council. In response, the Associate Director: Planning explained that it was about ensuring the monies due to the Council were being collected and making sure they were spent in a timely fashion to avoid having to return them to a developer or applicant. There was potential reputational damage to the Council in terms of the public's faith in the authority to run the services it was responsible for. The Member asked if there was any data available on how much Section 106 money had been returned and asked why this had not been investigated sooner given that Members had flagged it as a concern. The Lead Member for Built Environment welcomed this report which confirmed what a lot of Members had suspected in terms of the system not working properly. This was a broad area with a range of issues so it was very difficult to pick up on individual cases but all areas would need to be addressed within the new workstream in order to become more accessible and transparent. She stressed this would be a long process as the systems themselves were at fault but it was up to Members to ensure this happened so that an efficient system was in place at the end of the process.
- 41.6 A Member indicated that she was unclear about the difference between the Uniform and Exacom systems and the fact that the previous Section 106 Officer had been putting things in manually when the two systems were supposed to be working together was worrying. She asked what the timeframe was for improvement and when the work would be finished given that the Planning department had undergone various reviews over the past years which had not been completed. The Associate

Director: Planning advised that, responding to the recommendations in this report specifically, there were target dates set out and work was well underway on the reconciliation piece which was being supported by the Internal Audit team. It was important to recognise there was a much broader range of activities to be undertaken to address the systematic and broader issues around how the Council operated in terms of Section 106 more widely. It would be necessary to work with Members on the best means for responding but he envisaged the action plan would be based on three areas - policy, process and governance - with actions against each together with anticipated timescales for delivery. A Member raised concern as to whether there was sufficient resource to take this work forward and was informed that the Council had been able to secure additional short term resource through a consultant to firm up and drive forward the action plan. In terms of the resource to deliver the totality of the improvements and changes, it was difficult to know what was required until the list of actions had been produced. The Member expressed their frustration that more money was being spent on a consultant and, given the reliance on the Planning department to produce the action plan, she questioned whether this would be brought to this Committee for consideration. The Associate Director: Planning advised that, whilst Officers had a view on the kind of actions that may be required to address some of the issues with the processes and how Section 106 was managed by the authority, he was hoping to gain a steer from Members as to how that work was taken forward. The Lead Member for Built Environment agreed there was no point in starting this work and not being able to finish it and she provided assurance there was enough financial support to ensure it was completed. The Leader of the Council stressed that this was a huge issue for the new administration which was being taken very seriously and he could assure Members it would not come off the agenda. He had every confidence in the new Officer team who were determined to address what was a known issue as confirmed by the audit.

- 41.7 A Member asked how widely the two systems were used as the report made reference to part of the problem being lack of familiarity with the functionality of Uniform and she asked if it was a system problem or a human one. In response, the Associate Director: Planning explained that Councils often had multiple systems capable of doing broadly the same thing having been procured at different times for different purposes which was not the most efficient way to do things and resulted in more scope for human error. The Uniform system was used by a number of Officers in the Planning department whereas the Exacom system was used by far fewer, generally confined to Section 106 and CIL Officers. There was an issue with understanding the capabilities of the system and a need to work through process mapping and procedure guidance so when new Officers came in they were clear on the steps they needed to take to do the job effectively. The Section 106 Officer was relatively new and, at the point they had taken up their post, some of the things that it was hoped might be in place for a new starter, and someone who was new to the role, had not been. The Member asked if the systems were widely used by other authorities and confirmation was provided that they were, although it was likely that some used one or the other. The Development Management Improvement Programme would be looking at the broader issue of reconciliation of back office systems. The Director: Corporate Services explained that the audit had identified a lack of ownership over processes. The Uniform system required Officers to tick a box if there was a Section 106 Agreement in place in order for it to pull through to Exacom which was the system used by the Section 106 Officer. Some Officers were typing 'No' which was registering as a tick and pulling it through to that system; this had been going on for a number of years which had compounded the problem. That particular issue could be resolved relatively easily but it was just one of a number of things which needed to be addressed. The Member expressed the view that it was essential to have systems which talked to one another with staff properly trained to use them and she asked whether the Business Transformation team was involved in that. The Business Transformation Programme Manager advised that

Uniform was a legacy system which had been purchased in 2003 with very few upgrades since that time so it was recognised it was somewhat clunky. The contract was up for renewal in March so there was little that could be done ahead of that but, through the wider Section 106 review, it was intended to establish what was needed before the next contract review in order to move forward whether that was with Uniform or not.

- 41.8 Several Members expressed the view that the action plan should come back to the Audit and Governance Committee and it was subsequently

**RESOLVED**

1. That the internal audit monitoring report be **NOTED**.
2. That the Section 106 action plan be brought to the next meeting of the Audit and Governance Committee.

#### **A&G.42 INTERNAL AUDIT EXTERNAL REVIEW**

- 42.1 The report of the Director: Corporate Resources (Chief Audit Executive), circulated at Pages No. 17-19, set out the requirement for an independent external review. Members were asked to delegate authority to the Chief Audit Executive, in consultation with the Chair of the Audit and Governance Committee, to agree the scope and form of the assessment and to appoint an appropriate assessor.

- 42.2 The Director: Corporate Resources advised that it was a requirement of the Public Section Internal Audit Standards (PSIAS) that the internal audit function be subject to an external assessment at least once every five years. The last assessment had been carried out in 2017/18 and Members may recall an action in the 2023/24 Quality Assurance and Improvement Programme for the next one to be procured. The assessment would cover a number of areas, as set out at Page No. 18, Paragraph 2.1 of the report. The undertaking of the assessment would require significant input from the Internal Audit team as well as the support and engagement of relevant Officers and Members who would be interviewed as part of the process. The preferred option was to carry out a full assessment which would be over five days in the last quarter of the new financial year. PSIAS required the Chief Audit Executive to agree the scope of the external assessment with the Chair of the Audit and Governance Committee and delegated authority was being sought on that basis.

- 42.3 A Member indicated he was supportive of the assessment provided there was money available in the budget and assurance was provided it had been accounted for. In terms of the areas covered by the assessment, a Member questioned what was meant by 'engagement planning', 'nature of work' and 'performing the engagement'. The Head of Service: Audit and Governance explained that the assessor would carry out an in-depth review of the work of the Internal Audit team which would include looking at how key documents were put together, how risks were assessed, the controls looked at, working papers etc.

- 42.4 It was

**RESOLVED**

1. That the requirement for an independent external review be **NOTED**.
2. That authority be delegated to the Chief Audit Executive, in consultation with the Chair of the Audit and Governance Committee, to agree the scope and form of the assessment and to appoint an appropriate assessor.

The meeting closed at 3:05 pm