

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit Committee held at the Council Offices,
Gloucester Road, Tewkesbury on Wednesday, 26 June 2013
commencing at 2:00 pm**

Present:

Chairman
Vice Chairman

Councillor A L Mackinnon
Councillor D J Waters

and Councillors:

B C J Hesketh, Mrs J M Perez (Substitute for Mrs K J Berry), M G Sztymiak and A C Tugwell

AUD.3 ANNOUNCEMENTS

- 3.1 The Chairman welcomed Councillor M G Sztymiak to the meeting as a new Member of the Committee and introduced Peter Barber, Engagement Lead, and Peter Smith, Audit Manager, from Grant Thornton.
- 3.2 The evacuation procedure, as noted on the Agenda, was taken as read.

AUD.4 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

- 4.1 Apologies for absence were received from Councillors Mrs K J Berry and Dr A L Carter. Councillor Mrs J M Perez would be acting as a substitute for the meeting.

AUD.5 DECLARATIONS OF INTEREST

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

AUD.6 MINUTES

- 6.1 The Minutes of the meetings held on 20 March and 14 May 2013, copies of which had been circulated, were approved as correct records and signed by the Chairman.

AUD.7 GRANT THORNTON PROGRESS REPORT

- 7.1 Attention was drawn to Grant Thornton's progress report, circulated at Pages No. 9-21, which set out the progress which had been made in relation to the audit plan together with any emerging national issues and developments that might be relevant to the Borough Council. Members were asked to consider the report.

- 7.2 Members were advised that the interim accounts audit had been completed and no issues had been identified. The final accounts audit and value for money conclusion work was due to start shortly and would be completed in time for a report to be brought to the Audit Committee meeting on 25 September. In response to a query, the Director of Resources clarified that the Council would effectively retain 20% of the business rates which it collected. At one stage it had been thought that this could be as little as 4.2%, however, the Government had responded to lobbying and it had been agreed that there would be a minimum threshold which would equate to approximately 20%. This was frozen until 2012 and this had been taken into account in the Council's budget for future years. A Member queried whether the Council currently outsourced any ICT and was advised that most ICT was delivered in-house, however, the system used by Housing was hosted outside of the Council by the company which provided the system.
- 7.3 A Member drew attention to the challenge question, set out at Page No. 17 of the report, which asked 'How can you drive more organisational value from internal audit?' and sought clarification as to who this was aimed at. The Engagement Manager from Grant Thornton explained that the report included questions based on the issues raised which the Committee might feel would be appropriate to direct to Officers. In terms of this particular question, the Director of Resources indicated that Members would be discussing the Internal Audit Annual Report 2012/13 and the Annual Review of the Effectiveness of Internal Audit later on the Agenda.

7.4 It was

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

AUD.8 GRANT THORNTON FEES LETTER 2013/14

- 8.1 Attention was drawn to Grant Thornton's fee letter, circulated at Pages No. 22-25, which set out the proposed fee together with the scope and timing of the work for 2013/14.
- 8.2 Members were informed that the Council's scale fee for 2013/14 was £58,995 which was unchanged from 2012/13 and had been fixed for the five year term during which Grant Thornton would be acting as the Council's external auditors, subject to annual review by the Audit Commission. The scale fee included an audit of the Council's financial statements and the issue of a value for money conclusion. The letter included details about the timing of payments and outputs throughout the course of the year.
- 8.3 A Member questioned whether any risk assessments of the Council's investments would be carried out as part of the audit. The Engagement Lead from Grant Thornton explained that consideration would be given as to whether the Council had arrangements in place for investing and that it was all done within budget. The Council was also required to demonstrate that it was achieving value for money for members of the public. It did depend on the size of the investment and, if it involved significant funds, the Council would have to demonstrate what it had done and that the basis for the decision was reasonable. The Member went on to query whether the Council's Icelandic Bank investment would have been considered and he was informed that, based on the timing of the event, it would have been reviewed as the value for money conclusion at that time was based on a whole raft of areas including investments. The Council would have been required to demonstrate that there was an investment strategy in place and that the money had been invested in accordance with that strategy.

8.4 Members were advised that, as part of the 2013/14 audit, following the audit of the accounts it was intended to produce a comparison of the Annual Governance Statements from all Government bodies in the South West; this would allow the Council to see where its own Annual Governance Statement sat in terms of compliance and thoroughness following the changes to Government guidance in relation to how it should be prepared. A similar comparison would also be produced for the explanatory forewords included in the accounts in terms of how they complied with the Code of Conduct. The Performance and Audit Manager confirmed that he was in the process of drafting the Annual Governance Statement which would be brought to the Audit Committee in September.

8.5 It was

RESOLVED That Grant Thornton's fee letter 2013/14 be **NOTED**.

AUD.9 INTERNAL AUDIT PLAN MONITORING REPORT

9.1 The report of the Performance and Audit Manager, circulated at Pages No. 26-51, summarised the work undertaken in relation to the 2012/13 Internal Audit Plan for the period January to March 2013. Members were asked to consider the audit work completed and the assurance given on the adequacy of internal controls operating in the systems audited.

9.2 Members were advised that this was the final monitoring report for the year 2012/13 and the work which had been completed was summarised at Appendix A to the report. 92% of the Audit Plan had been achieved and there were two outstanding audits as at 31 March 2013: Equalities and ICT. The Equalities audit had now been completed and the Performance and Audit Manager was in discussion with Grant Thornton in relation to carrying out a formal risk assessment of the ICT environment. This had never been done in the past and he felt that it would be beneficial to understand where the risks were in relation to ICT to ensure that resources could be directed appropriately, particularly given how quickly this was advancing. In addition to the work around key financial systems and service related audits, which included Housing Benefit, Council Tax and Sundry Debtors, corporate improvement work had also been carried out in respect of Playground Inspections and Business Continuity, which was included as a separate item later on the Agenda. Essential recommendations that remained outstanding as a result of follow-up audits were detailed at Appendix B to the report. In relation to the procurement of small building works which was part of a previous Creditors audit, Members were informed that tenders had been evaluated and a select list drawn up for each category of works which would be operational from 1 July 2013. In addition, the audit on the implementation of the property services database confirmed that maintenance files were now being retained and could be linked to each asset on the database, therefore the recommendation was considered to be implemented.

9.3 Limited assurance opinions had been given in relation to the audits of Creditors and Playground Inspections. In terms of Creditors, there had been found to be non-compliance with the Financial Procedure Rules as, from a selection of higher value invoices, five invoices had been found to have no purchase order raised and there were a number which had been authorised by Officers where the value had exceeded their approved signatory limit. These invoices had been retrospectively reviewed and authorised by the Director of Resources. In addition to the procedural issues identified, two of the sampled invoices had been found to be non-compliant with the Contract Procedure Rules: the corporate printing of Committee papers and the provision of bed and breakfast accommodation to homeless persons. In these cases the expenditure had been above the low value procurement threshold. In terms of Playground Inspections, the audit confirmed that the playgrounds currently being investigated were owned by the Council. Prior

to the commencement of the audit it had been identified that there were three playgrounds within the Wheatpieces area that were being inspected and maintained by the Council but which had not been formally adopted. Officers had agreed a recommendation to investigate the ownership of playgrounds detailed within the previous Play Strategy, which included non-Council owned playgrounds, to help give assurance that there were no playgrounds which the Council should be inspecting. A review of the inspection regime had identified a number of areas for improvement and had resulted in a limited assurance opinion being given for a number of reasons: the Royal Society for the Prevention of Accidents (RoSPA) set out that it was good practice for all playgrounds to be risk assessed, however, there was no evidence that risk assessments had been recorded; no historical documentation had been retained in relation to warranties, manufacturer equipment specifications and their associated maintenance requirements; annual inspections were carried out on behalf of the Council's insurers and a review of these inspection records compared to the internal inspections carried out at the same time identified defects that had not been picked up through the internal inspections; there was no clear audit trail to confirm that the defects identified by either the internal or external inspections had been resolved; the last training records for inspecting Officers were dated 2000; only informal inspections had been undertaken at The Finches, Winchcombe and no inspections had been documented; and The Finches and the Rollerblade Park, Link Road had not been included on the Council's engineering insurance policy, therefore they had never been subject to an annual independent inspection by the Council's insurers. The Performance and Audit Manager provided an assurance that, as part of the organisational review, responsibility for the management of the playgrounds would transfer to the Finance and Asset Management Team, supported by the Environmental Health Team which would physically inspect the playgrounds. The new Asset Manager had already carried out some improvements, prior to taking up his new post, and a management response to the issues identified would be circulated to the Committee following the meeting. Limited assurance statements for each of these two audits, providing more detail on the matters identified, were attached at Appendices C and D to the report.

- 9.4 A Member raised concern with regard to the numerous issues which had been identified during the audit of Playground Inspections. He considered that it was unacceptable that training had not been provided since 2000 and he questioned why the issues had not been picked up during previous audits. He felt that the Council had not been taking its responsibility seriously enough and, although he accepted that this would be addressed as a result of the management changes under the new organisational structure, he felt that it should be kept under review and brought back before the Committee as soon as possible. The Director of Resources explained that, if the Performance and Audit Manager carried out a follow-up audit there would not be time to implement the changes prior to the next Audit Committee meeting, however, he reiterated that the new Asset Manager had already done a lot of work in this area and it would be more effective for him to provide an update presentation at the Audit Committee meeting on 25 September 2013. The Performance and Audit Manager confirmed that a follow-up audit would then be undertaken in 6-12 months time.
- 9.5 In response to a Member query, clarification was provided that there had been no written procedures in place for inspecting the playgrounds and this had never been picked up in the risk assessments. The Performance and Audit Manager explained that, prior to consideration by the Overview and Scrutiny Committee, the summary service plans which formed part of the quarterly performance management reports, were considered by the Corporate Management Team. It was during this process that it had come to light that there was an issue with the inspection regime and it had subsequently been referred to the internal auditors. This demonstrated the advantage of combining the performance and audit

functions into one team. The Chairman indicated that, over the last three to four years, the Council had aimed to transfer the Tewkesbury Borough Council-owned playgrounds to Town and Parish Councils where possible; however, they had been reluctant to take them on in their existing condition. The Performance and Audit Manager explained that part of the management response to the audit was that all playgrounds would now be subject to RoSPA inspections to help to facilitate the transfer of The Finches, Winchcombe and Zinnia Close, Churchdown to their respective Parish Councils. A Member indicated that, in his experience, the concerns were more to do with long term funding and he felt that there was an opportunity for the Finance Team to provide advice to Parish Councils about how to use the initial pot of money and to make allowances for the future within their own precepts.

9.6 A Member sought a further explanation as to why consideration was being given to appointing Grant Thornton to undertake an audit of ICT. The Performance and Audit Manager advised that he was currently in discussion with another company in addition to Grant Thornton; if the total cost of the audit was more than £5,000 he would need to obtain three quotes in accordance with the Council's Contract Procedure Rules. He explained that a lot of small District Councils did not have the necessary ICT expertise in-house given that it was such a technical area. He did not have the knowledge to carry out the work and the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 set out that any gaps should be bridged.

9.7 Having considered the information provided it was

- RESOLVED**
1. That the Internal Audit Plan Monitoring Report be **NOTED**.
 2. That a management response in relation to the issues identified as a result of the audit of playground inspections be circulated to the Committee following the meeting.

AUD.10 INTERNAL AUDIT ANNUAL REPORT 2012/13

10.1 Attention was drawn to the report of the Performance and Audit Manager, circulated at Pages No. 52-56, which provided Members with a summary of the internal audit work undertaken for the financial year 1 April 2012 to 31 March 2013, together with an opinion on the overall adequacy and effectiveness of the organisation's control environment. Members were asked to consider the report and the assurance that overall a satisfactory level of internal control existed within the systems audited during the year.

10.2 Members were referred to Page No. 53, Paragraph 2.2, of the report which explained that a number of days within the Internal Audit Plan had been allocated for corporate improvement work during 2012/13. In addition to the traditional assurance work undertaken by internal audit, this could be seen as 'added value' work. This had included: production of a new Procurement Strategy; update of the corporate signatory list; audit of Business Grants scheme; audit of inspection regime for Council-owned playgrounds; provision of initial administrative support for the office refurbishment project; production of a Tree Management Policy and methodology for the inspection of trees; and risk management. The Internal Audit Team was also represented on key corporate groups such as the Corporate Governance Group, Equalities Steering Group and Programme Board as well as the Procurement Group and Business Continuity Group which were to be reformed during 2013/14. The audits which had been undertaken in respect of key financial systems and service-related audits were set out at Paragraph 2.4 of the report.

- 10.3 In terms of the opinion on the overall adequacy of the control environment, Members were informed that internal audit provided a split opinion which meant that individual opinions were given for different parts of the system being audited. A total of 73 opinions had been issued during 2012/13, the majority of which were good or satisfactory. Four limited opinions had been issued; Playground Inspections and Creditors which had been discussed in detail under the previous Agenda Item, and Section 106 Agreements and Trade Waste which had previously been reported to the Committee. Follow-up audits would be carried out for all four of these areas during 2013/14. Although there had been no fraud issues identified or reported to internal audit during the year, there had been one minor incident at Cascades, the theft of a £20 float from the cash register, which had been reported to the Committee in September 2012.
- 10.4 A Member sought clarification as to what was meant by a satisfactory audit opinion and was informed that this was defined as 'a sufficient framework of controls – provides satisfactory assurance – minimal risk'. In response to a Member query, the Director of Resources explained that the regime to control housing benefit fraud was specified by the Government. The Government set targets for local authorities and there was an additional item in the annual audit fee for claims and returns, the largest of which was the benefit return. This was scrutinised every year by external auditors on behalf of the Government and it was noted that the Council had never received a qualified opinion to date. The Council employed a Fraud Investigation Officer who looked at specific cases and compared lists from different organisations to identify any anomalies, for instance, claims for single person occupancy, and investigated these cases. The Audit Manager from Grant Thornton advised that the Audit Commission required the external auditors to review the progress made in respect of the responsibilities within the National Fraud Initiative and the matches of data which suggested a risk of fraud. Grant Thornton had recently returned its response and Tewkesbury Borough Council had been given a 'green' status which meant that adequate arrangements were in place.
- 10.5 It was
RESOLVED That the Internal Audit Annual Report 2012/13 be **NOTED**.

AUD.11 ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

- 11.1 The report of the Director of Resources, circulated at Pages No. 57-61, informed Members of the outcome of the annual review of the effectiveness of Internal Audit. Members were asked to approve the review process and to consider the outcome of the review.
- 11.2 The Accounts and Audit Regulations 2011 included the requirement for authorities to review the effectiveness of internal audit at least annually and CIPFA had established a Code of Practice for Internal Audit in Local Government which was 'proper practice' for the purpose of the regulations. A light touch review had been undertaken for this review on the basis that a new set of standards, the Public Sector Internal Audit Standards (PSIAS), had come into effect on 1 April 2013. The 2013/14 review of effectiveness would measure compliance against these standards and the outcome would be reported to the Committee in June 2014. A requirement of these standards was that an independent assessment of internal audits compliance be undertaken every five years and the Performance and Audit Manager would report back in the future as to how this would be approached.

11.3 The checklist provided with the CIPFA Code had been reviewed and the section remained broadly compliant. There were no areas of material non-compliance. The Council's previous auditors, the Audit Commission, had felt able to place reliance on the work of internal audit and it was hoped that this would continue with Grant Thornton. Members were advised that a formal review of the effectiveness of the Audit Committee had last been carried out in 2010 and it was considered prudent and timely to conduct a further review. Further details of this would be brought back to the Committee in due course. Details of the corporate improvement work and corporate support were set out at Paragraphs 2.4 and 2.5 of the report. Good scores had been achieved in relation to the two key performance indicators, percentage of Audit Plan completed and level of customer satisfaction, as set out at Paragraph 2.6 of the report. In terms of additional scrutiny, Members were reminded that performance was also reported to the Overview and Scrutiny Committee through the Council's performance management framework. Monthly meetings were held with the Lead Member for Corporate Governance and regular meetings were also held between the Performance and Audit Manager and the Director of Resources which would continue with the new Chief Finance Officer in the future. Taking all of this into consideration, it was concluded that the Council had an effective system of internal audit.

11.4 It was

RESOLVED That the review process for the annual review of the effectiveness of internal audit be **APPROVED** and that the outcomes of the review be **NOTED**.

AUD.12 CORPORATE BUSINESS CONTINUITY PLAN

12.1 The report of the Director of Resources, circulated at Pages No. 62-64, invited Members to consider the updated Corporate Business Continuity Plan and associated action plan and to recommend to the Executive Committee that the Plan be approved.

12.2 Attention was drawn to the revised Corporate Business Continuity Plan, attached at Appendix 1 to the report, and Members were informed that any amendments/additions to the previous plan were highlighted in yellow. The most significant change was in relation to service continuity risks. In the past the Business Continuity Plan had been based on what would happen if access to the Council Offices was lost, however, the latest guidance indicated that it was necessary to consider other issues e.g. loss of staff (flu pandemic, strike, severe weather, transport disruption etc.), loss of utilities (gas, electricity, water, fuel etc.), loss of ICT and communication systems (virus, hacking, theft, fire, flood etc.), loss of key suppliers. The Plan had also been amended to refer to the latest regulations. Members were advised that the Plan still contained references to the Council's existing organisational structure as the new structure had not yet taken effect. In addition, the Schedule of Departmental Business Continuity Plans, set out at Annex C of Appendix A to the report, needed to be reviewed as there were still decisions to be made as to where responsibility fell.

- 12.3 A Member queried whether the Council would be able to continue to do business if the computer system failed and assurance was provided that this would be the case. The data was well protected and this was reviewed on a regular basis. A Member drew attention to Page No. 83, Annex G of Appendix A to the report, which set out a list of corporate contacts and indicated that Star FM which was listed under Media was now called Breeze FM. It was subsequently

RESOLVED That the Corporate Business Continuity Plan and associated action plan be **NOTED** and it be **RECOMMENDED TO THE EXECUTIVE COMMITTEE** that the Plan be **APPROVED**, subject to an amendment at Page No. 83, Annex G, to replace Star FM with Breeze FM.

The meeting closed at 2:55 pm