

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit Committee held at the Council Offices,
Gloucester Road, Tewkesbury on Wednesday, 16 December 2015
commencing at 2:00 pm**

Present:

Chair
Vice Chair

Councillor R Furolo
Councillor Mrs H C McLain

and Councillors:

K J Cromwell, A J Evans, Mrs P A Godwin, B C J Hesketh and Mrs S E Hillier-Richardson

AUD.26 ANNOUNCEMENTS

- 26.1 The evacuation procedure, as noted on the Agenda, was taken as read.
- 26.2 The Chair welcomed David Johnson, Grant Thornton's Audit Manager for Tewkesbury Borough Council, to the meeting.

AUD.27 DECLARATIONS OF INTEREST

- 27.1 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.
- 27.2 There were no declarations made on this occasion.

AUD.28 MINUTES

- 28.1 The Minutes of the meeting held on 30 September 2015, copies of which had been circulated, were approved as a correct record and signed by the Chairman.

AUD.29 ANNUAL AUDIT LETTER 2014/15

- 29.1 Attention was drawn to Grant Thornton's Annual Audit Letter 2014/15, circulated at Pages No. 12-18, which summarised the key findings from the work that had been carried out at Tewkesbury Borough Council for the year ended 31 March 2015. Members were asked to consider the Annual Audit Letter 2014/15.
- 29.2 The Audit Manager explained that Grant Thornton had reported the findings arising from the audit of the Council's financial statements to the Audit Committee meeting on 30 September 2015 and had issued an unqualified opinion. One of the key matters that had been highlighted was that bad debt provision for housing benefit required further consideration in light of proposed changes to benefit regulations. An unqualified value for money conclusion for 2014/15 was also issued on 30 September 2015. The conclusion had drawn attention to the reliance on New Homes Bonus money; this was now even more pertinent given the Government's Comprehensive Spending Review which had been published in November. Work on the certification of the housing benefit grant claim was complete and the claim was qualified and referred to the Department for Work and Pensions (DWP) in line with its deadline of 30 November 2015. The key recommendations identified during 2014/15 were set out at Appendix A, Page No. 16 of the report, and related to bad

debt provision and the gaps which had been identified within the Medium Term Financial Plan which was an ongoing process that needed to be reviewed and updated in light of future government finance. Appendix B, set out at Page No. 17 of the report, confirmed the audit fee, which included the housing benefit grant certification fee.

- 29.3 In terms of the Council's reliance on New Homes Bonus, a Member queried whether that would affect Grant Thornton's considerations in respect of the future financial stability of the authority. The Audit Manager explained that he would continue to raise over-reliance on New Homes Bonus as a potential issue in discussions with the Finance and Asset Management Group Manager and his team, however, it would not change Grant Thornton's position. In response to a further query, the Audit Manager went on to advise that part of the value for money process was to look at the Council's long term financial strategy and assess whether it was reasonable in light of assumptions and known facts about Tewkesbury Borough Council and central government funding. The Medium Term Financial Plan had shown a gap towards the end which was something an auditor would never be comfortable with. In Grant Thornton's view, reliance on such a large source of income which was centrally controlled was a risk to the Council achieving a balanced budget in future years and ideally a 'plan b' was needed in the event that the government withdrew or diverted that funding. A Member raised concern that this was beyond the scope of the external auditors and the Borough Solicitor provided assurance that reliance upon New Homes Bonus was a common factor for every local authority in the country; it had greater relevance for some than others but it was certainly a financial risk to Tewkesbury Borough Council as it was outside of the Council's control and was being used to fund 65% of its budget. Whilst it was an identifiable risk which was legitimate for Grant Thornton to raise, Officers were well aware of its precarious nature and it was necessary to have a strategy for addressing the fact that it was likely to be withdrawn in the longer term; something which was being considered by the Transform Working Group.

- 29.4 Having considered the information provided, it was

RESOLVED That the Annual Audit Letter 2014/15 be **NOTED**.

AUD.30 CERTIFICATION YEAR-END LETTER 2014/15

- 30.1 The Audit Manager advised that it had been intended to bring the Certification Year-End Letter 2014/15 to the Committee, however, a number of factors had prevented that from happening. He would instead give a verbal update to Members and the letter would be presented at the next meeting of the Committee.
- 30.2 Members were advised that the certification had been completed and submitted to the Department for Work and Pensions in accordance with its deadline. The Audit Manager explained that certification was different from looking at the accounts as there was no degree of materiality whereby the figures could be wrong within a certain margin. Tewkesbury Borough Council's certification related solely to housing benefit, although other local authorities had other claims. The claim had been qualified due to one error being found around the classification of overpayment to the value of £5,000; this was because there were a number of claims which had been classified as local authority error but were actually due to claimant error. An extrapolation had been carried out across the value of the area in order for the Department of Work and Pensions to calculate the potential impact of those errors. As a result of the letter, the Department of Work and Pensions may choose to issue a requirement for further work to be done. The Revenues and Benefits Group Manager advised that other local authorities had been put through very stringent audits and were often required to make substantial repayments which had an impact on finances going forwards. Tewkesbury Borough Council's housing benefit claim was in excess of £18M per year; there were currently in the region of

4,200 claimants with an average of 20-25 claims per week. As such, he considered it to be great news that only one error had been found which did not have a major impact on finances and felt that this demonstrated that the measures which had been put into place to stay on top of claims appeared to be working.

- 30.3 A Member shared the positive outlook of the Revenues and Benefits Group Manager as £5,000 was a very small amount when considering the overall value of the claim was £18M. The Audit Manager felt that this highlighted the issue of materiality as the claim could currently only be right or wrong, regardless of the degree of error involved. The Revenues and Benefits Operation Manger explained that the staff had put a lot of hard work into the housing benefit claims and they were often disappointed to hear that they had got it 'wrong' so she would welcome an element of flexibility. The Chair asked that congratulations be passed on to the team on behalf of the Committee and it was

RESOLVED That the update on the Certification Year-End Letter 2014/15 be **NOTED**.

AUD.31 GRANT THORNTON PROGRESS REPORT

- 31.1 Attention was drawn to Grant Thornton's progress report, circulated separately, 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.
- 31.2 Members were informed that it was planned to undertake an interim audit in March to inform the Accounts Audit Plan 2015/16 which would be considered at the March Audit Committee meeting. The final accounts audit work was planned for July/August; Grant Thornton had previously been based at the Council Offices for a defined period of time in order to carry out this work with the Finance Team and it was intended to do something similar for the 2015/16 audit. It was noted that there were different criteria for the value for money conclusion which reflected the fact that the National Audit Office was now responsible for issuing value for money guidance. Whereas previously the focus had been on economy, efficiency and effectiveness, the scope of the work now included informed decision making; sustainable resource deployment; and working with partners and other third parties. The Audit Manager was still working his way through the guidance which had only recently been issued but it was intended to complete this work by March in order to relieve the pressures around the year-end accounts reporting timetable.
- 31.3 A number of articles were included in the report which were 'think pieces' designed to help senior management to make informed decisions or provide alternative approaches. The one which was likely to be of most interest to the Committee was 'Knowing the Ropes: Audit Committee Effectiveness Review' and he undertook to circulate a copy of the full report following the meeting. The Corporate Services Group Manager advised that an exercise had been carried out with a previous Audit Committee which had included an assessment against Grant Thornton's checklist for providing effective governance. He felt that it would be good practice to repeat this in the New Year. The Audit Manager went on to explain that the National Audit Office was responsible for setting the Code of Audit Practice which prescribed how local auditors undertook their functions for local authorities. The National Audit Office planned to supplement the new code with detailed auditor guidance in specific areas and any changes in requirements would be discussed with the relevant people once that had been issued.

- 31.4 It was

RESOLVED That Grant Thornton's Progress Report be **NOTED**.

AUD.32 INTERNAL AUDIT PLAN MONITORING REPORT

- 32.1 The report of the Corporate Services Group Manager, circulated at Pages No. 19-47, was the second monitoring report of the financial year and summarised the work undertaken by the Internal Audit team during the period September to November 2015. Members were asked to consider the audit work completed and the assurance given on the adequacy of internal controls operating in the systems audited.
- 32.2 Full details of the work undertaken in the period was attached at Appendix 1 to the report and a list of audits within the 2015/16 Audit Plan and their progress to date could be found at Appendix 2 to the report. It was noted that all audit opinions issued had been either 'good' or 'satisfactory'. The Corporate Services Group Manager explained that Internal Audit was a small team of two full-time equivalents, one of whom was currently on maternity leave. She would be returning on 1 February 2016 on a part-time basis and would share that post with the other current full-time member of staff. As such, he would be advertising for a full-time equivalent post with an audit contractor being used in the interim. It was noted that no incidents of fraud had been reported during the period. As reported at previous meetings, the Internal Audit team had been commissioned by Tewkesbury Town Council to undertake their internal audit. During the period, Tewkesbury Town Council had identified two Councillors who were to act as 'auditors' and help the Town Clerk to improve internal control. In order to support this, Internal Audit had developed a set of checklists to be used in undertaking the role.
- 32.3 Attention was drawn to the treasury management audit, set out at Page No. 22 of the report. A good level of control had been found to be operating in line with previous years. Each investment was made with due regard to the Council's short to medium term cash flow requirements, investments were supported by appropriate documentation and there was adequate segregation of duties with the investment register reconciled to the main accounting system on a monthly basis. In terms of debtors, there was good control in invoices raised for income, with debt requests created by services being raised promptly and accurately, there was an audit trail for payments and a monthly reconciliation process. The Leisure Centre was being delivered within budget and on time and payments were being made in accordance with the contract. Furthermore, the project management arrangements were sound and there was a good reporting process between the Asset Manager and Members. In terms of budgetary control, the 2015/16 budget had been formally approved at Council and the general ledger reflected the overall budget. The Council's Financial Procedure Rules had been updated to reflect the current organisational structure and Officers' roles. They were currently in draft form and awaiting ratification by Council. It was noted that the scheme of budget delegation had not been updated for 2015/16; this was a procedural matter which needed to be addressed. There was good reporting between Managers and Members with monitoring by the Transform Working Group and quarterly reports to the Overview and Scrutiny Committee. In respect of creditors, the payment of supplier invoices was satisfactory, there was a signatory list in place and amendments were adequately controlled. With regard to the corporate improvement work which had been carried out, the Internal Audit team had been tasked by the Corporate Governance Group to conduct an assessment of the Council's overall fraud arrangements and the outcomes would be reported at Agenda Item 10. Internal Audit had also provided advice in relation to the Environmental Health and Development Control service review.
- 32.4 Appendix 3 to the report contained a summary of all audit recommendations and their status. The Corporate Services Group Manager advised that the implementation date for the recommendations around tree inspections had been

changed to March 2017. A transformational project had been launched to resolve the issues identified and progress would be monitored in 2016. There were a number of outstanding recommendations in relation to food control which could be attributed to the recent structure review of the Environmental Health Team. Members were advised that the lead officer for food safety was now in the process of putting together a plan to address the recommendations. A garden waste audit was currently being undertaken and the audit opinion would be brought to the next meeting of the Committee. The recommendations around safeguarding had been implemented and good progress had been made to embed safeguarding arrangements. The Council Tax Reduction Scheme Fraud Policy had been presented to the Audit Committee in September, and had subsequently been approved by the Executive Committee, therefore the recommendations arising from the housing benefit fraud audit had now been implemented. With regard to the Local Transparency Agenda audit 2015/16, the Finance Manager had verbally confirmed that the documents had been published in accordance with the requirements of the Local Transparency Code but a follow-up audit would be carried out during quarter 4 to check that they were in place.

- 32.5 A Member congratulated Officers on the new leisure centre build which was on time and within budget. Another Member queried whether the Committee would be provided with details of any financial discrepancies in order to identify where money may be lost and, in response, the Corporate Services Group Manager clarified that such details were included in the Officers' working papers but anything material would be reported to the Committee. It was subsequently

RESOLVED That the Internal Audit Plan Monitoring Report be **NOTED**.

AUD.33 SAFEGUARDING AUDIT

- 33.1 The report of the Environmental and Housing Services Group Manager, circulated at Pages No. 48-51, provided an update in relation to the recommendations arising from the safeguarding audit. Members were asked to consider the progress which had been made.
- 33.2 The Environmental and Housing Services Group Manager advised that a review of the Safeguarding Children's Self-Assessment had been carried out in September 2014 and had resulted in a number of recommendations. Since that time, all issues within the audit had either been actioned or were ongoing and additional measures had been identified to help to embed safeguarding throughout the organisation. Tewkesbury Borough Council was the first district council within Gloucestershire to deliver training for licensed taxi drivers on child sexual exploitation and that would now be rolled out across the county. It was now compulsory for all new staff and Members to undertake basic safeguarding training which was carried out online and through the induction process. Members were informed that the Section 11 Audit issued by Gloucestershire County Council had now been received and was due for completion by 8 January 2016. The manner in which audit responses were collected had changed and was now in the form of an online survey which it was hoped would be completed to a 95% satisfaction rate; there were one or two areas which needed to be looked into further, for example, the Safeguarding Children's Policy needed to be reviewed. A Member queried whether it was possible to arrange training to take place in the evenings as the last session had been during the daytime and she had not been able to attend. Another Member offered his congratulations on such a fantastic approach to safeguarding. It was

RESOLVED That the progress made against the recommendations arising from the safeguarding audit be **NOTED**.

AUD.34 FIGHTING FRAUD CHECKLIST

- 34.1 Attention was drawn to the report of the Borough Solicitor, as Chair of the Corporate Governance Group, which contained the findings from the review of the Council's fraud arrangements based on an assessment against the 'fighting fraud' checklist. Members were asked to consider the Council's overall fraud arrangements.
- 34.2 The Borough Solicitor explained that the Corporate Governance Group had tasked Internal Audit with reviewing the Council's arrangements for fraud, corruption, bribery and theft using the 'fighting fraud' checklist. The completed checklist was attached at Appendix 1 to the report and showed whether the Council was compliant in the different areas. On the whole Tewkesbury Borough Council's fraud arrangements were considered to be satisfactory and were relevant and appropriate for a Council of its size, for example, there were formally approved policies in place and local, regional and national fraud networks were used including data matching investigations through the National Fraud Initiative. Paragraph 2.3 of the Officer's report set out the area where the Council was not fully compliant and it was noted that it was necessary to raise awareness of fraud risks with staff, Members and contractors; to look at more effective ways for reporting fraud e.g. through the Council's website; and to review the arrangements for verification of agency workers. Those areas would be reviewed further by the Corporate Governance Group.
- 34.3 Paragraph 3.0 of the Officer report provided information on the Gloucestershire Fraud Hub which was led by Audit Cotswold and had been successful in obtaining funding from the Department for Communities and Local Government for initial set-up costs. The bid had been supported by all of the Gloucestershire districts and the county council. Tewkesbury Borough Council had supported the bid only and had not committed any financial resource to the project but, if it was successful, it would be a fraud resource which could be used by all of the Gloucestershire authorities. Audit Cotswold would be undertaking a counter-fraud exercise within each of the districts centred upon the housing list, housing benefits and electoral registration. The work would shortly commence at Tewkesbury Borough Council and updates would be provided at future meetings as to how it was progressing.
- 34.4 A Member drew attention to Page No. 58 of the checklist and questioned whether there were any timescales in place to address the questions which had been answered negatively. The Borough Solicitor explained that, whilst these were not areas where the Council was at significant risk, it was important to be fully compliant with the checklist. It was anticipated that it would take approximately six to nine months to address these items as there were other more pressing matters. The Corporate Services Group Manager advised that some of them were 'quick wins' such as updating the information on the Council's website/intranet and holding an anti-fraud and corruption day. He confirmed that timescales would be attributed to the actions when the report was brought back to the Committee in September 2016. A Member raised concern in respect of the verification of agency workers which had been highlighted as an area that needed to be addressed and he queried what arrangements were currently in place. He was advised that when contractors were hired through an agency to carry out work for the Council it was accepted that the agency checks were valid, however, it was important to go beyond that and ensure that the Council carried out its own independent checks.
- 34.5 It was
- RESOLVED** That the Council's overall fraud arrangements, as assessed

against the 'fighting fraud' checklist, be **NOTED**.

AUD.35 MONITORING OF SIGNIFICANT GOVERNANCE ISSUES

35.1 The report of the Borough Solicitor, circulated at Pages No. 66-70, 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.

35.2 Members were advised that the table set out at Appendix 1 to the report comprised the Significant Governance Issues and the proposed actions and timescales for completion, with a further column indicating the progress by 30 November 2015. It was noted that progress was being made against all identified issues and the actions proposed were currently on target to achieve the intended timescales.

35.3 It was

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

AUD.36 CORPORATE RISK REGISTER

36.1 The report of the Corporate Services Group Manager, circulated at Pages No. 71-79, attached the corporate risk register which Members were asked to consider.

36.2 Members were advised that the Council's overall risk management arrangements were overseen by the Corporate Governance Group and the corporate risk register, attached at Appendix 1, was a high level summary document which had been endorsed by the Corporate Leadership Team; changes to the register since the last update were highlighted in bold. It was noted that the Risk Management Strategy had been discussed at the Transform Working Group where there had been evidence of a shift in the risk appetite of the Council, for example, the exploration of commercial opportunities. This needed to be reflected in the new strategy which was programmed for review during 2015/16. With regard to Appendix 1, particular attention was drawn to business transformation as the project management framework review had now been completed. A channel-shift strategy was currently being developed in order to maximise digital opportunities. A significant amount of work had been carried out in respect of asset management with the Asset Management Strategy being approved by the Executive Committee meeting in November 2015. It was noted that the Finance and Asset Management Group Manager was currently working on an annual asset action plan. In terms of customer expectation, a new Customer Services Strategy had been produced and would be considered by the Overview and Scrutiny Committee at a workshop in January 2016. The strategy would include corporate care standards which set out guidelines for answering the telephone, emails etc. Finally, business continuity had been identified as a Significant Governance Issue in the Annual Governance Statement and a testing exercise would be facilitated in February 2016 to identify gaps. It was also intended to review the Corporate Business Continuity Plan and individual service plans and to consider an alternative operational facility in the event that the Council Offices building was out of action.

36.3 It was

RESOLVED That the information contained within the corporate risk register be **NOTED**.

The meeting closed at 3:05 pm