

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit Committee held at the Council Offices,
Gloucester Road, Tewkesbury on Wednesday, 22 June 2016 commencing
at 2:00 pm**

Present:

Chair
Vice Chair

Councillor R Furolo
Councillor Mrs H C McLain

and Councillors:

B C J Hesketh and Mrs S E Hillier-Richardson

AUD.3 ANNOUNCEMENTS

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

AUD.4 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

- 4.1 Apologies for absence were received from Councillors K J Cromwell, A J Evans and Mrs P A Godwin. There were no substitutions 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 23 March and 17 May 2016, copies of which had been circulated, were approved as correct records and signed by the Chair.

AUD.7 GRANT THORNTON PROGRESS REPORT

- 7.1 Attention was drawn to Grant Thornton's progress report, circulated at Pages No. 14-23, which set out the progress that 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 fee letter for 2016/17 was the next item on the Agenda. The Audit Plan had been presented to the Audit Committee in March 2016 and there were no further changes to bring to Members' attention. The interim accounts audit had also been presented at the last meeting and, since that time, there had been some spare capacity within the team at Grant Thornton which had enabled additional testing to be carried out on certain items within the accounts. One issue had been identified and resolved in respect of the proposed treatment and accounting arrangements for the Ubico partnership and the requirement for

disclosure of group accounts. Following discussion with the Finance and Asset Management Group Manager and the Finance team, it had been concluded that it was not necessary to prepare group accounts. The final accounts audit was planned for completion by the end of August and the report would be brought to the Audit Committee in September 2016. Work was ongoing in respect of the value for money conclusion and the key messages arising would be reported in the Audit Findings Report once the accounts process had been completed.

7.3 Attention was drawn to two Grant Thornton ‘thinkpieces’ set out at Pages No. 20-21, one of which was ‘Knowing the Ropes – Audit Committee Effectiveness Review’ which had been circulated to the Committee previously. ‘Better Together: Building a successful joint venture company’ had been shared with the Chief Executive and relevant Managers and the Audit Manager from Grant Thornton undertook to circulate this report to Members following the meeting. It was noted that Page No. 22 related to a CIPFA publication in respect of fighting fraud and corruption locally which applied mainly to housing benefit.

7.4 It was

RESOLVED That the Grant Thornton progress report be **NOTED**.

AUD.8 GRANT THORNTON FEES LETTER 2016/17

8.1 Attention was drawn to Grant Thornton’s fees letter, circulated at Pages No. 24-27, which set out the proposed fee, together with the scope and timing, for the work for 2016/17. Members were asked to consider the fee letter.

8.2 The Audit Manager from Grant Thornton explained that the scale fee for 2016/17 was £44,921, which was a reduction from the fee paid in 2014/15 but in line with the fee for the previous year, and included the value for money conclusion. The grant certification was billed separately and had been set at £9,525 based on the previous year. The outline audit timetable was shown at Page No. 26 and, whilst this was subject to change, assurance was provided that reporting would be within standard guidelines and deadlines.

8.3 Page No. 27 of the report set out the key members of the audit team for 2016/17. It was noted that the Engagement Lead was listed as Alex Walling, who was actually the previous Engagement Lead, and assurance was provided that this was just a technicality; Julie Masci would be acting as the Engagement Lead for Tewkesbury Borough Council.

8.4 It was

RESOLVED That the Grant Thornton Fees Letter 2016/17 be **NOTED**.

AUD.9 INTERNAL AUDIT PLAN MONITORING REPORT

9.1 The report of the Corporate Services Group Manager, circulated at Pages No. 28-40, was the final monitoring report of the financial year and summarised the remaining work undertaken by the Internal Audit team during 2015/16. 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 full details of the work undertaken were 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. The Corporate

Services Group Manager advised that there were two audits outstanding, economic development grants and housing benefit, and they would be reported during the current financial year. Appendix 3 to the report contained a summary of all audit recommendations and their status.

- 9.3 Members were informed that there were three control objectives in relation to the ICT Helpdesk audit: procedures and service level agreements are documented for the ICT helpdesk; helpdesk calls are logged, classified and allocated to an officer for resolution in a timely manner; and a central knowledge base exists for both users and helpdesk staff. All objectives had been achieved to a satisfactory level of assurance and Members were advised that a new 'Freshservice' self-service portal had been created for staff to report any ICT issues or requests; this helped the team to track user issues and assign tasks etc. A number of recommendations had been made including the documentation of supporting procedures; a periodic check of open tickets; and further promotion of the self-service portal. It was noted that, whilst a number of telephone calls were still being received by the helpdesk, there had been a 25% reduction since the self-service portal had been introduced. The Property team was now looking to roll out a similar system to deal with requests for refreshments, room layouts etc.
- 9.4 Ubico and Tewkesbury Borough Council were jointly responsible for delivering the trade waste service, policy and charging: the Council was responsible for debt recovery, promotion, and marketing and invoicing; and Ubico was responsible for contracts and database maintenance. The audit of the service had resulted in two 'limited' opinions and one 'unsatisfactory' opinion had been given. In terms of ensuring that commercial waste charges were approved and reviewed on a regular basis, the audit had identified that, although charges had been updated for 2015/16, no review had been undertaken for 2016/17. As the Council was aiming to become more commercially aware it was considered that the charges should be supported by a business case. In addition, the financial data provided by Ubico was very high level, and more detailed information was required to provide a greater understanding of where expenditure was being incurred. The audit also noted that, although it was something which the Council was proposing to introduce for domestic waste, there was no offer of a separate recycled trade waste collection service in respect of paper, plastic, metal and glass and, as such, there was potential to be non-compliant to legislation. In terms of the raising of invoices and recovery of debt, there was a satisfactory level of assurance in respect of the administration of the database and the way payments were received, however, there was no formal recovery action being taken by the Environmental Health team. Furthermore, the performance of the service was not currently being measured using the Key Performance Indicators (KPIs), of which there were two concerning the percentage of collections completed on schedule and percentage of service complaints received against weekly collections, so an unsatisfactory opinion had been issued in respect of performance monitoring.
- 9.5 In terms of the management response, some operational requirements would be dealt with in year; the Council Plan included a fees and charges strategy for all services and the Corporate Services Group Manager indicated that his team would help to resolve the issue with performance monitoring and ensure that the information was included within Ubico's overall performance management report which was taken to the Overview and Scrutiny Committee. Members were advised that one of the Council Plan actions was to review the trade waste service in its entirety in order to make it more commercially viable as there was scope to generate additional income. The Finance Manager advised that £75,000 of debt had been outstanding in February 2016 and her team had worked with Ubico to reduce that to £11,000. A new, more automated, system had now been introduced whereby a letter was sent after 28 days informing the customer that payment was late; if payment was not made after a further 28 days, a second letter was sent advising that the service would be suspended if payment was not received within

28 days and, if payment was not made by that deadline, the service was suspended with immediate effect. A Member queried why this was not being addressed by Ubico and was informed that the Council carried out the invoicing as it did not have to charge VAT; Ubico could do the invoicing but it would have to charge VAT and therefore would be a greater cost to the Council. The Member went on to question whether this could be given further consideration and assurance was provided that a complete review of the service would be undertaken in accordance with the action in the Council Plan; this would include operational requirements, such as debt recovery, as well as a more strategic review of the future direction of the service. A Member suggested that it might be beneficial for the Overview and Scrutiny Committee to undertake the review and the Corporate Services Group Manager undertook to raise this with the Corporate Leadership Team. It was noted that, on the basis of the limited and unsatisfactory opinions which had been issued, a further update would be brought to the Committee at its meeting in December.

9.6 With regard to Appendix 3, which set out the outstanding audit recommendations, Members were informed that target follow-up dates had been included on a quarterly basis. During quarter 4, all recommendations had been completed and implemented for car parks, complaints, Disabled Facilities Grants and housing benefit debtors. With regard to tree inspections, one recommendation had not been implemented in respect of establishing a database of tree inspections, however, the Asset Manager had provided verbal confirmation that he was in the process of addressing this.

9.7 Having considered the information provided, it was

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

AUD.10 INTERNAL AUDIT ANNUAL REPORT 2015/16

10.1 Attention was drawn to the report of the Corporate Services Group Manager, circulated at Pages No. 41-47, which provided Members with a summary of the internal audit work undertaken for 2015/16, 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, there was a satisfactory level of assurance in relation to the effectiveness of the Council's framework of governance, risk management and control.

10.2 Members were advised that the Public Sector Internal Audit Standards (PSIAS) required the Council to produce an annual internal audit opinion and report which could be used by the organisation to inform its Annual Governance Statement. Page No. 43, Paragraph 2.2 of the report, gave an overview of the audits undertaken during the year. There were two audits outstanding from the 2015/16 Plan in respect of housing benefits and economic development (grants) and days had been allocated within the 2016/17 Plan to carry out that work. As well as internal work, the team also provided an internal audit service to Tewkesbury Town Council. This arrangement had commenced part way through 2014/15 and days had been formally allocated within the 2016/17 Plan to accommodate that work on an ongoing basis. In addition, the Internal Audit team also undertook a variety of corporate improvement work initiatives. The Audit Plan contained an allocation of days for that type of work and the Corporate Leadership team could request that the Internal Audit team assist with areas of work which needed to be moved forward, for example, during the year the team had assisted with the ICT asset inventory which had been given an unsatisfactory audit opinion; corporate fraud arrangements based on the Chartered Institute of Public Finance and Accountancy (CIPFA) checklist; Environmental Health and Development service reviews; and work on the cost of the Uniform system as part of the Digital Strategy. The team was also represented on key corporate groups such as the Corporate Governance

Group and the 'Keep Safe, Stay Healthy' Group.

- 10.3 Members were advised that 46 audit opinions had been issued during the year, as set out at Page No. 44, Paragraph 3.2. There were four limited opinions which related to the corporate complaints framework, Cascades stock control and aspects of the trade waste service; and two unsatisfactory opinions, relating to trees inspections and trade waste (performance monitoring). The Corporate Services Group Manager explained that Officers worked in a complex environment with a number of schemes, policies and procedures which meant that there would always be areas where assurance was limited or unsatisfactory; the important part was recognising those areas and taking action to make improvements. In relation to the adverse audit opinions given during the year, there was adequate assurance that these had been, or were being, acted upon. For example, a new complaints framework had been introduced, a new regime had been established for tree inspections which was supported with mobile device technology and the issue in relation to stock control at Cascades had been mitigated with the opening of the new leisure centre.
- 10.4 Management of internal audit was overseen by the Corporate Services Group Manager and delivery of the annual Audit Plan was carried out by two full-time employees. During the course of the year, one employee had been on maternity leave and the position had been covered through a combination of an internal audit contractor and a short term secondment from another service area. A small restructure of the team had recently taken place but continued to be based on two full-time employees; the team now comprised two part-time employees and one full time employee who had been in post since 1 April 2016. It was noted that one employee now undertook a Senior Auditor role.
- 10.5 As defined in the Audit Charter, the Internal Audit team had remained organisationally independent during 2015/16. The Corporate Services Group Manager reported directly to the Chief Executive and held quarterly briefings with the Chair and Vice-Chair of the Audit Committee to keep them informed of internal audit activity during the year. It was not uncommon within a small District Council for the Chief Audit Executive, i.e. the Corporate Services Group Manager, to also have operational responsibility for service areas. Moving forward into 2016/17, the team would be working towards demonstrating compliance with PSIAS in preparation for the external peer review of the Internal Audit team and it was to be borne in mind that the independence of the Chief Audit Executive had the potential to be raised due to his operational responsibilities.
- 10.6 It was noted that there had been no reported incidents of fraud, theft, corruption or whistleblowing during the financial year. The Anti-Fraud and Corruption and Whistleblowing Policies were both programmed for review in 2016/17 and would be presented to the Audit Committee. The performance monitoring information for achievement against the Audit Plan was based on the number of completed audits vs. the number of planned audits and Members were advised that the outturn for the 12 month period was 91%. Based upon the work undertaken during the year, particularly in terms of the small number of limited/unsatisfactory opinions and the management response, Internal Audit could provide reasonable assurance that, overall, there was generally a satisfactory level of control in relation to the effectiveness of the Council's governance, risk management and control environment. The team had now started work on the 2016/17 Audit Plan which had been approved by the Audit Committee in March. As previously mentioned,

the team would also be working towards broad compliance with PSIAS in readiness for the peer review, which it was anticipated would be programmed for the first quarter of 2017/18, and it was noted that a report would be brought to the

Committee in due course to approve the format of the review.

- 10.7 In response to a query regarding the leisure centre, the Finance and Asset Management Group Manager advised that Places for People had its own accounts as the operator of the facility; the only impact on the Council was the management fee which would be paid annually. Having considered the information provided, it was

RESOLVED That the internal audit annual report be **NOTED**.

AUD.11 CRITICAL JUDGEMENTS AND ASSUMPTIONS MADE DURING THE PREPARATION OF THE STATEMENT OF ACCOUNTS

- 11.1 The report of the Finance and Asset Management Group Manager, circulated at Pages No. 48-55, set out the critical accounting judgements and key sources of estimation uncertainty that would be used in preparing the 2015/16 accounts. Members were asked to approve the judgements and to note the key sources of estimation uncertainty.
- 11.2 The Finance Manager explained that the Council was required to produce an annual Statement of Accounts and the Audit Committee had approved the accounting policies to be used during the 2015/16 closedown at its meeting in March 2016. In applying the Council's accounting policies, certain judgements had to be made about complex transactions, or those involving uncertainty about future events. The judgements were set out at Appendix A of the report and would be included as a note in the Statement of Accounts; Members were informed that the main ones were the same as the previous year, for example, it had been deemed that the Council had control of the Swimming Bath Trust on the basis that it had the right to appoint the majority of representatives to the board and, as the management agent, it had control over the financial and operating policies of the pool. However, as the site had been revalued to nil in 2014/15, a decision had been taken not to prepare group accounts on the basis of immateriality. In terms of the Council joining Ubico on 1 April 2015, consideration needed to be given as to whether the Council had an interest in the company, and whether group accounts should be produced, and the Finance team had been in discussion with Grant Thornton in this regard. The conclusion which had been reached was that the Council did not have control over Ubico in an accounting sense; Tewkesbury Borough Council was one of six partners, each with a 16.7% share which was below the 20% threshold which was an indication of holding significant influence. Other factors which had been considered included representation on the board, participation in policy making, material transactions and management influence. It had been determined that there was no persuasive evidence that the Council had a significant level of control over the strategic direction and operation of Ubico and, therefore, group accounts did not need to be produced. In response to a Member query, the Finance Manager explained that Tewkesbury Borough Council had previously been one of three partners in Ubico but this had recently increased to six meaning that its influence had reduced and would continue to diminish as more partners joined over time. As there was no overall control, decisions were taken by the board based on a majority vote and clarification was provided that the board was comprised solely of Officers. The Member went on to question how the Council could ensure that the residents of the Borough were getting the best service if it did not have any influence and assurance was provided that the Council had taken a decision to retain control of service delivery through its contract with Ubico.
- 11.3 The Finance Manager advised that, in preparing the Statement of Accounts, there were areas where estimates were made. These areas were set out in detail at Appendix 3 to the report and included useful lives and valuations of properties

which were estimated by qualified valuers; the amount of arrears which were not collected based on past experience of collection of different types of debt; and the liability for future pension payments, which was estimated by qualified actuaries. It was noted that one new area of estimation had been identified by Grant Thornton in relation to income from garden waste payments. Members were advised that the database contained 14,000 customers and it was impossible to look at every payment, given their value. It was noted that customers all had different renewal dates which meant that an annual payment could potentially span two different financial years, as such, a view had been taken that payments taken within the month were for renewals starting the following month; this was referred to as Receipts in Advance. A Member suggested that alternative systems could be considered, for example, in America, people paid for their bins upfront and a tag/sticker was attached to their gate; any properties without a tag/sticker did not have their bins collected. The Corporate Services Group Manager explained that this issue had been discussed at the last meeting of the Committee as part of the garden waste audit. It was recognised that a number of bins were being collected which had potentially not been paid for and he provided assurance that consideration was being given to alternative systems, including a sticker system, as part of the Joint Waste Team's review of the garden waste service.

11.4 Having considered the information provided, it was

RESOLVED That the critical accounting judgements that would be used in completing the 2015/16 annual accounts be **APPROVED** and the key sources of estimation uncertainty be **NOTED**.

AUD.12 ANNUAL GOVERNANCE STATEMENT 2015/16

12.1 The report of the Corporate Governance Group, circulated at Pages No. 56-74, set out the Council's Annual Governance Statement 2015/16 which Members were asked to approve.

12.2 In introducing the report, the Borough Solicitor explained that the Annual Governance Statement provided assurance that the Council was following the code of corporate governance that it had approved and adopted, which was consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The Annual Governance Statement for 2015/16 was attached at Appendix 1 to the report and included five significant governance issues which would address the need for improvements that had been identified. These significant governance issues would be monitored throughout the year and the progress would be reported to the Audit Committee. The significant governance issues identified were: review and update of the Constitution, which had been identified previously but had not been delivered due to the Police and Crime Commissioner Elections and the EU Referendum which had been held in quick succession; risk management, which included a review of the Risk Management Strategy and a workshop on risk appetite; business continuity; Audit Committee effectiveness; and the development and approval of a Workforce Development Strategy.

12.3 It was

RESOLVED That the Annual Governance Statement 2015/16 be **APPROVED**.

AUD.13 CORPORATE RISK REGISTER

13.1 The report of the Corporate Services Group Manager, circulated at Pages No. 75-83, attached the corporate risk register which had been reintroduced in 2014. Members were asked to consider the corporate risk register and the risks

contained within it.

- 13.2 Members were advised that the risk management framework, including the Risk Management Strategy and risk register, would be formally reviewed during 2016/17 as identified within the Annual Governance Statement 2015/16. The Transform Working Group had suggested that there was a shift in the risk appetite of the Council, for instance, a willingness to explore commercial opportunities, and this should be reflected in the new strategy. The target date for the completion of this work was December 2017. The Council's overall risk management arrangements were overseen by the Corporate Governance Group and the register, attached at Appendix 1 to the report, was a corporate document which had been endorsed by the Corporate Leadership Team. Members were informed that any changes since the last meeting of the Committee were highlighted in bold.
- 13.3 In terms of financial sustainability, it was noted that one of the Council Plan actions was to develop a programme of commercial projects which may assist with this risk. With regard to leadership capability, Members were reminded that the Protocol for Member/Officer Relations had been approved by the Council in April, as had the broad regeneration proposals for the Spring Gardens and Oldbury Road site which related to the risk around asset management. Members were informed that the production of a new Workforce Development Strategy had been put on hold due to sickness absence of the Lead Officer but this was now back on track with a completion date of September 2016. In relation to the delivery of operational services, it was noted that there would be a review of the performance monitoring report template during 2016/17 to ensure that a comprehensive picture was being presented to Members.
- 13.4 A Member pointed out that the implementation date for the Joint Core Strategy was likely to slip even further based on the latest information and this should be updated within the register. It was

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

AUD.14 ANNUAL REPORT ON HEALTH AND SAFETY ACTIVITIES

- 14.1 Attention was drawn to the report of the Interim Environmental and Housing Services Group Manager, circulated at Pages No. 84-108, which attached, at Appendix 1, a summary of the activities carried out to secure health and safety compliance during 2015/16. Members were asked to consider the contents of the report and to agree that an annual report on health, safety and welfare-related matters be presented to the Audit Committee at its meeting following the end of the financial year.
- 14.2 Members received a presentation during which the following key points were raised
- Health and Safety Executive – “Organisations need to manage health and safety with the same degree of expertise and to the same standards as other core business activities, if they are effectively to control risks and prevent harm to people”.
 - HSG65 “Managing Health and Safety” – A best-seller for the Health and Safety Executive; provides sound guidance on good practice in health and safety management; advocates action beyond what is strictly required by legislation e.g. audit or tool box talks.
 - Plan [make policy and arrangements] – Effective health and safety policies set

a clear direction for the organisation to follow: they contribute to all aspects of business performance as part of a demonstrable commitment to continuous improvement; responsibilities to people and the environment are met; stakeholders expectations in the activity are satisfied; there are cost-effective approaches to preserving and developing physical and human resources, which reduce financial losses and liabilities.

- Do (1) [take plans, objectives and make them happen] – An effective management structure and arrangements are in place for delivering the policy: all staff are motivated and empowered to work safely and to protect their long-term health, not simply to avoid accidents; there is a shared common understanding of the organisation’s vision, values and beliefs; a positive health and safety culture is fostered by the visible and active leadership of senior managers.
- Do (2) – There is a planned and systematic approach to implementing the health and safety policy through an effective health and safety management system: the aim is to minimise risks; risk assessment methods are used to prioritise; risks are eliminated through selection and design of facilities, equipment and processes; if risks cannot be eliminated, they are minimised; performance standards are established and used for measuring achievement; specific actions to promote a positive health and safety culture are identified.
- Check [measure performance, monitor, investigate] – Performance is measured against agreed standards to reveal when and where improvement is needed: active self-monitoring reveals how effectively the health and safety management system is functioning; look at both hardware (premises, plant and substances) and software (people, procedures and systems); if control fails, reactive monitoring discovers why by investigating accidents, ill-health or incidents which could cause harm or loss; the objectives of active and reactive monitoring were to determine the immediate causes of sub-standard performance and to identify the underlying causes and implications for the design and operation of the health and safety management system; longer-term objectives are also monitored.
- Act [review findings from observation of practice] – The organisation learns from all relevant experience and applies the lessons: there is a systematic review of performance based on data from monitoring and from independent audits of the whole health and safety management system; strong commitment to continuous improvement involving the constant development of policies, systems and techniques of risk control; performance is also often recorded in annual reports.

14.3

A Member drew attention to Page No. 92 of Appendix 1 to the report, which stated that the health, safety and welfare policy was updated ‘regularly’ and he sought clarification as to how often that actually was. The Environmental Health Manager advised that the policy was updated annually and was currently going through minor revisions to amend job titles etc. Any substantial changes would be taken to

the 'Keep Safe, Stay Healthy' Group. A Member questioned how the Council proved that it was compliant with HSG65 and was informed that the Health and Safety Executive provided a lot of online documentation including a checklist which was used by the Council to assess its performance. The Council was currently approximately 80% compliant against the self-assessment. A Member drew attention to Page No. 100 of Appendix 1 to the report which still referred to there being three partners in Ubico. The Borough Solicitor confirmed that the number of partners had increased from three to six as of 1 April 2016 which was outside of the period covered by the report.

14.4

It was

RESOLVED

1. That the contents of the Health and Safety Annual Report 2016 be **NOTED**.
2. That an annual report on health, safety and welfare-related matters be presented to the Audit Committee at the meeting following the end of the financial year.

The meeting closed at 3:25 pm