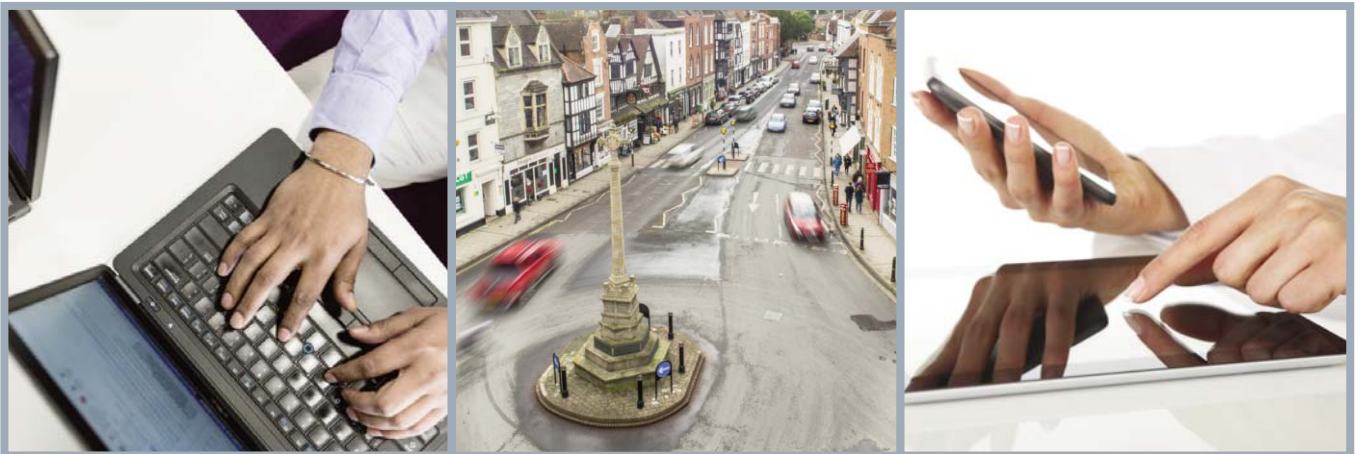


# Audit Committee annual report



July 2018

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## Message from the Chair of 2017/18 Audit Committee



*Councillor Vernon Smith*

Welcome to the first Audit Committee annual report. This was the first year I have been involved with an Audit Committee and as Chair it has been an eye opener as to the breadth of work the committee gets involved with. I believe there is often a misperception that

Audit Committees only get to deal with financial matters. I would encourage all members to read the reports presented at committee as they provide an excellent overview of the council's control environment. For example, the committee has received individual reports on the council's safeguarding arrangements, health and safety framework, Ubico client monitoring and has received reports from the Internal Audit team on how well we manage activities such as cemeteries, absence management, licensing and project management of the Public Services Centre refurbishment. This is only a small snapshot but demonstrates the coverage across all council services.

We have a small but effective Internal Audit team who provide assurance to the committee as to what is working well or not. Likewise we receive similar assurance from our external auditors, Grant Thornton. Between the two, they identify where improvements are required in relation to the various systems, processes and procedures operating across the council. With regards to financial matters, it is comforting to report that the committee

always receives positive reports on the quality of financial reporting and that the financial systems supporting these reports are managed effectively. This can be directly credited to the council's Finance team.

One of my key aims during the year was to raise the profile of the committee and this annual report is one of the first steps. Although I have now stepped down from the Chair's role I will give my full support to the new Chair, Councillor Heather McClain to carry on the good work of the committee. I thank all of the committee for the support they provided me during the year.

Best wishes,

**Councillor Vernon Smith**

### The role of Audit Committee

The role of the committee is an important one. It's key role is that of assurance. The committee needs to be assured that the council's risk, governance and internal control environment is operating effectively. Given the council's complexity of services, processes, procedures and policies there will always be occasions where improvements are required. Where these are identified, the committee seeks assurance the necessary improvements are monitored and implemented. The assurance provided to the committee comes from a number of sources but mainly internal audit, external audit and the finance team.

### Work undertaken by the Audit Committee

#### Annual Governance Statement (AGS)

It is a statutory requirement that the council

publishes an AGS. In layman's terms, the document reflects the state of play in relation to the council's overall governance arrangements. A review of these arrangements is undertaken by the internal Corporate Governance Group and any areas for improvement are reported within the AGS. The AGS is approved by Audit Committee who then receive a report on the progress made to resolve the issues identified. The areas identified for improvement for 2018/19 are summarised in the table below.

Governance issue	Proposed action	Timescale	Responsible officer/group
1 Risk Management	<ul style="list-style-type: none"> <li>Develop and approve strategy</li> <li>Implement corporate risk register</li> <li>Member and senior officer session on risk appetite</li> </ul>	December 2018	Head of Corporate Services
2 Constitution	<ul style="list-style-type: none"> <li>Review and update the constitution</li> </ul>	December 2018	Head of Democratic Services
3 Business Continuity	<ul style="list-style-type: none"> <li>Finalise and test draft corporate plan</li> </ul>	September 2018	Head of Corporate Services
4 Audit Committee effectiveness	<ul style="list-style-type: none"> <li>'Role of the audit committee' training to be programmed</li> <li>Review terms of reference and name of committee</li> <li>Increase the profile of the audit committee eg production of annual report, six monthly newsletter</li> </ul>	March 2019	Head of Corporate Services
5 General Data Protection Regulations	<ul style="list-style-type: none"> <li>Respond to and resolve promptly any breaches</li> <li>Ongoing compliance monitoring through reviewing GDPR process and procedures</li> <li>Monitor Privacy Impact Assessment</li> <li>Monitor Action Plan</li> </ul>	March 2019	Head of Corporate Services
6 Workforce development strategy	<ul style="list-style-type: none"> <li>Develop and approve strategy</li> </ul>	December 2018	Human resources Manager
7 Local Code of Corporate Governance	<ul style="list-style-type: none"> <li>Develop and approve a new code of governance</li> </ul>	March 2019	Head of Corporate Services
8 Licensing	<ul style="list-style-type: none"> <li>Deliver licensing action plan</li> </ul>	April 2019	Head of Community

## Audit Committee effectiveness

It is important that the value of the committee is maximised. As mentioned in the Chair's introduction, a desire to improve the committee's effectiveness is shared by all members who sit on the committee.

Supported by officers, ideas have started to emerge on taking this forward. These include;

- Introduction of a six monthly Audit Committee newsletter that can be circulated to the wider membership.
- An escalation procedure whereby any concerns raised by the committee can result in the 'call in' of officers. For example, audit recommendations that have not been implemented.
- Revisit the terms of reference and name of the committee to reflect the broad coverage of work undertaken by the committee.
- Assess the committee's effectiveness against a best practice template.
- Build upon the excellent training undertaken to date to ensure members are fully up to speed on committee related activity.

In terms of effectiveness, it was the Audit Committee which provided the catalyst for some key pieces of work. For example, the highly successful garden waste project. This has currently raised income in excess of £770,000 through the subscription of over 17,000 sticker licences. The inception of the project was a direct result of the committee supporting improvements as recommended by internal audit. Additionally, the committee has sought continued assurance as to improvements in relation to the council's client monitoring arrangements of the Ubico contract. As members are aware, this is a significant contract and the council's monitoring of it is essential to gain assurance that the performance measures within the contract are being delivered.

## Audit Committee training

During the course of the year, training sessions have been held to keep members abreast of key areas of work. These were;

- **Statement of accounts training** – the accounts are approved by the committee and the Finance team do a sterling job to explain a complex subject in layman's terms.
- **Meet the internal audit team** – this was an informal session to explain to members how audit assignments are actually undertaken. This included going through an audit from start to finish. Committee members learnt a lot about tree inspections that day!! They were appreciative of the session and acknowledged the amount of detailed work that supports the internal audit opinions presented at Audit Committee.
- **The role of the Audit Committee** – this was a session facilitated by the council's external auditors, Grant Thornton. This provided a useful overview as to the committee's remit and responsibilities particularly focussed upon assurance, governance and risk.
- **Internal audit peer review** – the committee were taken through the findings of the peer review and how the recommendations were to be implemented. This was an interactive session with good discussion around how the internal audit team could work in partnership with the committee to improve the audit process. This included agreement on categorisation of recommendations, wording of internal audit opinions, amendments to the internal audit charter and escalation of recommendations that had not been implemented.

## Internal Audit peer review

The work of internal audit is pivotal to the committee receiving independent assurance on how well the council's internal control environment is operating. It is therefore important the internal audit activity is as effective as possible. The work of internal audit is governed by a set of standards – Public Sector Internal Audit Standards (PSIAS). It is a requirement of PSIAS that at least every five years internal audit is subject to an independent assessment undertaken by a suitably qualified person.

This assessment took place in November 2017 and was undertaken by Elizabeth Humphries. Elizabeth has extensive audit experience both nationally and internationally and is an accredited assessor. The review was both challenging and positive and was certainly thorough. Elizabeth interviewed a range of senior officers, members, internal clients and the internal audit team as well as reviewing completed audit work and a plethora of other audit documentation.

Following completion of 42 pages of working papers it was pleasing that Elizabeth concluded there were no areas of non-compliance with PSIAS that would affect the overall scope or operation of the internal audit activity. As with any review, a number of recommendations were made to improve the audit process further. The recommendations can essentially be categorised as follows;

- Textual amendments to the internal audit charter to define more clearly parts of the internal audit activity.
- Formal safeguards to maintain the independence of the Chief Audit Executive.
- Undertake audit planning by using a more strategic focus.
- Revision of audit documentation to improve the audit planning process.

An action plan to implement the recommendations was approved by Audit Committee and delivery of this plan will be monitored during 2018/19. Overall, it is comforting that the work of internal audit is undertaken in an independent, professional and objective manner. This provides assurance to the committee as to the standard of work being undertaken and they can place reliance upon it. A workshop was held with the committee to take them through the report in greater detail.

## Annual summary of Internal Audit work

At each Audit Committee, a monitoring report is presented of the areas audited by the internal audit team. For each area audited, an audit opinion is given on how well it is controlled. It is encouraging that of 39 opinions given, 37 are either of a 'good' or 'satisfactory' level of control. Two opinions were given as 'limited'. This means improvements need to be made as the level of control is not as it should be. The two opinions related to the Licensing function. There has been a positive management response with an improvement action plan implemented and this has been reported to the licensing Committee for monitoring purposes. Internal audit will also follow up on the recommendations made to give the Audit Committee independent assurance they have been implemented.

Other audits undertaken during the course of the year include project management of the Public Services Centre refurbishment, cemeteries, land charges, leisure centre client monitoring, absence management, budgetary control and members allowances. Overall, of the areas audited, the control environment can be considered effective. This is exemplified by the low number of recommendations made in total (27) of which only two were categorised as medium and two categorised as high.



Ten audits had no recommendations at all. All individual audit recommendations are followed up by internal audit to determine if they have been implemented and the findings reported to Audit Committee.

Two update reports on specific areas of previous audit concern were also considered during the year. These related to bulky waste and client monitoring of the Ubico contract. In relation to bulky waste, the update confirmed that a review of charges had been undertaken and the wait times for collections had improved, both being previous audit recommendations. In relation to monitoring of the Ubico contract, improvements were reported around the quality of financial reporting, development of new performance indicators, regular contract meetings and improved bin stock procedures.

## External Audit assurance

In addition to the work of internal audit, reliance on how well the council is performing is given by the council's external auditors, Grant Thornton. A summary of their findings during the year were as follows;

- They concluded that the council's financial statements were a true and accurate reflection and took the opportunity to thank the council's finance team for their support and engagement during the review process. No amendments were required to the accounts as a result of their accuracy.
- They were satisfied that, in all significant aspects, the council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. This included follow up work on the client monitoring of the Ubico contract which had been flagged by

internal audit in 2016/17 as unsatisfactory.

Based upon the processes that had been put in place by the council since the internal audit review, Grant Thornton were satisfied that risks had been sufficiently mitigated.

- A review of the housing benefit subsidy claim led to a minor amendment of £1,421 against an overall claim of £19,130, 659. This is another endorsement regarding the accuracy of the council's financial information.

## Gloucestershire County Fraud Unit update

The committee receives a six month update on the work of the Counter Fraud Unit (CFU). The CFU works directly on behalf of all the Gloucestershire authorities, West Oxfordshire District Council and other public sector bodies such as Cheltenham Borough Homes. Included within the report to Audit Committee were examples of how the CFU has supported the council. These include;

- The introduction of a new council tax, housing benefit and Council Tax Reduction Scheme (CTRS) Penalty and Prosecution Policy to assist with the investigation of alleged fraud and abuse in relation to CTRS.
- Review of council tax properties listed as long term empty and the introduction of the empty homes premium policy.
- Processing of National Fraud Initiative referrals matching single person discount accounts against the electoral register. Nearly £50,000 in retrospective liability has been identified.
- Training to both members and staff on general fraud awareness.
- Development of a new corporate enforcement policy (currently at draft stage).
- Assisting with disciplinary investigations.

- Assisting the Environment Team with intelligence for alleged fly tipping offences.

In response to committee questioning around if the CFU had identified any areas of risk which needed to be tightened up it was pleasing to be informed that nothing significant had been identified. An emerging risk facing councils is that of serious and organised crime. Although this may not necessarily be relevant to Tewkesbury Borough Council, it is important all members and senior management are aware of this risk and its impact. A session for Members is programmed for 2 October 2018.

### Health and safety and safeguarding annual updates

Audit Committee receive annually a report on two of the council's key governance frameworks. With regards to Health and Safety the report confirms Tewkesbury Borough Council is a safe and healthy place to work. The key messages within the report were;

- The council has a health, safety and welfare policy which is reviewed regularly and supported by a suite of other related policies e.g. managing contractors safely policy, the control of substances hazardous to health, cemetery and memorial safety management, lone working etc.
- Regular reporting to corporate management team on both operational and strategic issues.
- The council being awarded the Workforce Wellbeing Charter.
- The Keep Safe, Stay Healthy group is a positive forum to oversee all operational aspects of the council's health and safety responsibilities.
- The completion of risk assessments for all service areas aided by a new generic template.
- Related training is programmed e.g. resilience training, assertiveness and dealing with difficult

people, managing contractors safely, asbestos training etc.

- Basic awareness training provided to volunteers.
- The number of reported accidents and incidents are very low.
- Robust reporting mechanisms in place for the key contracts e.g. leisure centre, Ubico.

With regards to safeguarding, an annual report is presented at Audit Committee to provide assurance the council is fulfilling its responsibilities. The report demonstrated that on the whole, the council is fully meeting this requirement. As independent assurance, internal audit had reviewed the council's self-assessment on its safeguarding arrangements. A small number of recommendations had been made around strengthening these arrangements, namely through incorporating these into staff appraisals, volunteer awareness and safeguarding awareness training for hackney carriage and private hire drivers. The latter recommendation has now been implemented.

### Looking forward

Councillor Heather McLain takes up the mantle of Chair for 2018/19, supported by Councillor Vernon Smith as Vice-Chair. The committee also welcomes a new member in Councillor Gill Blackwell, who replaces Councillor Alex Evans. There is also a new Lead Member for Corporate Governance, Councillor Elaine MacTiernan. One of Elaine's key roles will be to oversee the effectiveness of the committee and the internal audit function.

In terms of the workings of the committee, again it will be business as usual to ensure the committee continues to receive the assurance it needs. This will be improved through the development of a new corporate risk register and a new risk management



strategy. With regards to the internal audit function, the implementation of recommendations made arising from the peer review will only strengthen the existing good quality and remit of its work. In terms of the effectiveness of the committee itself, then officers, working in partnership with committee members will ensure the value of the committee itself is maximised during the year.

## 2017/18 Audit Committee members



Cllr Kevin Cromwell



Cllr Pauline Godwin



Cllr John Hesketh



Cllr Sue Hillier-Richardson



Cllr Heather McLain



Cllr Vernon Smith



Cllr Alex Evans

## New members



Cllr Gill Blackwell, 2018/19  
(replacing Alex Evans)



Cllr Elaine MacTiernan,  
Lead Member - Corporate  
Governance for 2018/19

**Mike Dawson**  
**Chief Executive**  
Tewkesbury Borough Council

