

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit Committee held at the Council Offices,
Gloucester Road, Tewkesbury on Wednesday, 18 July 2018
commencing at 2:00 pm**

Present:

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| Chair | Councillor H C McLain |
| Vice Chair | Councillor V D Smith |

and Councillors:

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

also present:

Councillors R E Allen and E J MacTiernan

AUD.3 ANNOUNCEMENTS

- 3.1 The evacuation procedure, as noted on the Agenda, was taken as read.
- 3.2 The Chair welcomed the Engagement Manager and Engagement Lead from Grant Thornton to the meeting. She indicated that the Counter Fraud Manager from the Counter Fraud Unit was in attendance for Agenda Item 6 – Counter Fraud Unit Report. It was noted that the Lead and Support Members for Corporate Governance were also present to observe the meeting as audit was included in their Portfolio.

AUD.4 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

- 4.1 Apologies for absence were received from Councillor G F Blackwell. 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 28 March and 15 May 2018, copies of which had been circulated, were approved as correct records and signed by the Chair.

AUD.7 AUDIT COMMITTEE WORK PROGRAMME

- 7.1 Attention was drawn to the Audit Committee Work Programme, circulated at Pages No. 11-17, which Members were asked to consider.
- 7.2 It was
RESOLVED That the Audit Committee Work Programme be **NOTED**.

AUD.8 COUNTER-FRAUD UNIT REPORT

- 8.1 Attention was drawn to the report of the Head of Finance and Asset Management, circulated at Pages No. 18-22, which provided assurance over the counter fraud activities of the Council. Members were asked to consider the annual update on the work of the Counter Fraud Team.
- 8.2 The Counter Fraud Manager advised that the Team had supported the Council in a number of areas over the last six months. This included the introduction of a new Corporate Enforcement Policy, an overarching policy for the Council with the specific approaches for each department sitting beneath; a new procedural document in relation to internal investigation processes which had been issued to HR to start the consultation process; and a high level review of staff expenses. Confirmation was also provided that fraud awareness training had now been delivered to all Council staff. It was noted that work had commenced on the review of businesses within the borough and it was intended to bring these results to Members in the next update report; work on serious organised crime and how this affected the authority was also planned. The work plan for 2018/19 was attached at Appendix 1 to the report and had been developed with a focus on the priorities set out in the Home Office UK Anti-Corruption Strategy 2018-22. The Counter Fraud Unit would continue to review the Council's policies and look for opportunities to add value and align them for continuity as well as working with the Department for Work and Pensions on future joint investigations such as the Housing Benefit and Council Tax Reduction Scheme.
- 8.3 A Member noted that Appendix 1 stated that 217 days were to be provided in 2018/19 and sought clarification as to whether this was an estimate of the amount of time that would be dedicated to Tewkesbury Borough Council. The Counter Fraud Manager clarified that this was based on a full-time equivalent post but the work was split across all members of the team. At the end of the year, the Counter Fraud Unit reported back to the Head of Finance and Asset Management on the number of days that had actually been taken up and a refund was issued if that was less than anticipated. Another Member recognised that a significant amount of the work undertaken by the Counter Fraud Unit related to the drafting of policies and procedures and she questioned what happened if changes were required. The Counter Fraud Manager advised that a new policy, such as the Corporate Enforcement Policy, would be drafted by the Counter Fraud Unit and sent to One Legal in the first instance. The policy would then be taken to the Corporate Management Team and relevant Heads of Service for review and any comments would be taken on board and the policy updated accordingly. The final draft would then be taken to the appropriate Council or Committee meeting for approval.
- 8.4 In response to a query as to whether there were any specific target dates for the work that was due to be undertaken during 2018/19, the Counter Fraud Manager explained that a progress update was provided to the Audit Committee every six months and Members would see there had been a number of internal investigations over the last period; whilst a lot were ongoing, several had been completed. The serious organised crime work had started in earnest and was likely to identify areas of improvement where further work was required. She provided assurance that the reports to the Committee would continue to

demonstrate compliance. In response to a query as to whether figures were available to show how much money the work of the Counter Fraud Unit saved the Council in terms of the prevention of fraudulent activity, the Counter Fraud Manager confirmed that this information was reported to the Corporate Leadership Team. The Counter Fraud Unit had to be self-sufficient otherwise it would not be adding value; however, some of the savings were difficult to quantify, for instance, where the work of the team served as a deterrent. A Member questioned whether any information was available in terms of what had been done so far and the Head of Finance and Asset Management indicated that this would be included in the update in December in accordance with the usual reporting cycle.

8.5 It was

RESOLVED That the annual update on the work of the Counter Fraud Team be **NOTED**.

AUD.9 EXTERNAL AUDITOR'S AUDIT FINDINGS

9.1 Attention was drawn to Grant Thornton's report, circulated at Pages No. 23-47, which set out the audit findings for the Council for 2017/18. Members were asked to consider the report.

9.2 The Engagement Lead from Grant Thornton explained that the report highlighted the key findings from its audit of the Council's financial statements for the year ended 31 March 2018 and its review of the Council's value for money arrangements. Under the National Audit Office Code of Practice, Grant Thornton was required to report whether, in its opinion, the Council's financial statements represented a true and fair view of its financial position and income and expenditure for the year, and whether they had been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on local authority accounting and the Local Audit and Accountability Act 2014. It was noted that the timetable for the preparation of the accounts had been brought forward considerably compared to previous years – in the past the accounts were provided at the end of June following which they were audited and brought to the Committee in September whereas this year they had been reviewed at the end of May. She was pleased to report that the audit was substantially complete. At the time of writing the report, there were a few areas where work was ongoing; one area, in relation to the work on the Council's valuation of its Property, Plant and Equipment (PPE), was not fully concluded but it was hoped this would not give rise to any significant issues. She explained that Grant Thornton was making enquiries about the underlying assumptions made by the valuer to ensure it was comfortable with the approach taken – the assumptions had changed compared to the previous year and a number of local authorities used the same valuer so this was being considered across the board. This matter was expected to conclude within the next few days with a view to issuing the opinion by the statutory deadline later in the month. Therefore, the final sign-off on the opinion was subject to the resolution of the remaining queries with the valuation. The Engagement Lead from Grant Thornton wished to record her appreciation to the Finance Manager and her team for the preparation of the accounts and, subject to the outstanding queries being satisfactorily resolved, she anticipated issuing an unqualified audit opinion on the financial statements. There were no material issues in the accounts which needed to be brought to Members' attention.

9.3 In terms of the value for money conclusion, one main area of risk had been identified from the audit plan in relation to the Council's arrangements in respect of the preparation of its Medium Term Financial Strategy (MTFS). This was set out in detail at Pages No. 36-38 of the report. The latest version of the Council's MTFS had been reported to Members on 5 December 2017 identifying a £2.99M funding gap over the five year period of the MTFS 2018/19 – 2022/23. In establishing what

arrangements were in place to bridge that gap, it was clear that many were out of the Council's control as they were dictated by funding from central government e.g. reliance on New Homes Bonus; this was something which had been explored with the Committee in previous years. It was important that Grant Thornton was satisfied that the Council had clear plans for how it could bridge the gap and had agreement from Members as to where future savings could be made. The Council's savings plan was in development therefore it was not possible to confirm that those plans were in place. Officer had stated that the plans were being developed and this would continue over the summer period. On that basis, the conclusion on the value for money arrangements was 'acceptable' as it was not possible to conclude that the savings plan was sufficiently developed.

- 9.4 Several Members raised concern over the value for money conclusion. A Member noted that the process for signing off the accounts had been brought forward and therefore it was out of sync with the Council's previous system for identifying savings. Whilst she felt Officers should have brought this forward, she would also have expected to see some sort of confidence statement from Grant Thornton – given the Council's previous good performance – to recognise that a reason had been identified for the delay in producing the savings plan. In not doing so, she felt there may be a risk to the Council's reputation which would be unfair, given the circumstances. The Engagement Lead from Grant Thornton indicated that the quick wins and easy options had already been delivered so it would only get harder in terms of identifying further potential savings. It was not for the external auditors to determine how the Council would make savings and, whilst Officers could present options, Members could decide whether to accept all, or none, of these. The Member reiterated that there had been a change this year in terms of the timetable and she felt that could have been reflected in Grant Thornton's report in recognition of that. The Engagement Lead indicated that she would be very happy to make that revision to the wording to recognise the previous track record of the Council; however, it was difficult to make a comment on a forward-looking aspect that had not been subject to consideration by Members of the Council. She pointed out that the information was already in the public domain in terms of the presentation of the MTFS and, although she absolutely agreed that management was working hard to look at the options, there were some difficult decisions to be made.
- 9.5 In terms of the timetable, the Head of Finance and Asset Management advised that the MTFS had been presented to Council in December highlighting the deficit and the initial savings plan, following which, the detailed budget and savings plan for the following year was approved in February. The future budget and MTFS was then considered over the early part of the summer and the indicative plan for the next 12-18 months was made into a more detailed plan. The development programme needed to be brought forward to earlier in the year and it was intended to do this in April/May going forward so that Grant Thornton could have a worked-up version which had high-level buy-in from Members to give assurance that a robust plan was in place. In terms of this year, Officers were working on the MTFS for December and the detailed budget for February, as would normally be the case. Years three, four and five of the MTFS would still be indicative but the detail would now cover a 24 month period, as opposed to 12 months. It was noted that, if the detailed savings plan was to be developed in April/May in future, care would need to be taken in 2019 in terms of what information could be presented to Members and shared with Grant Thornton due to Borough Council Elections. He clarified that the savings programme would be considered by the Transform Working Group over the summer and autumn before being presented to the Executive Committee and Council.

- 9.6 In response to a query regarding reliance on New Homes Bonus, the Head of Finance and Asset Management explained that this comprised £2.6M of the base budget. Whilst it was not for Grant Thornton to decide how much New Homes Bonus was used each year, the worry for both Officers and Grant Thornton was the uncertainty of this income stream. It was important to ensure the Council did not rely on this too much, which was difficult given other cost pressures and reduced funding streams. At the moment, he was confident that the Council had a buffer of approximately £600,000 to deal with any cuts this year.
- 9.7 The Audit Manager from Grant Thornton went on to advise that Pages No. 29-30 of the report outlined the significant audit risks reported in the plan earlier in the year and the work that had been carried out against them; these included improper revenue recognition; management override of controls; valuation of PPE; and valuation of pension fund net liability. Reasonably possible audit risks were set out at Page No. 31 of the report and included employee remuneration and operating expenses. All areas had been assessed as 'green' and were in accordance with the Code. Other communication requirements were set out at Pages No. 33-34 and included the standard letter of representation, due to be considered later in the meeting. Page No. 41 set out the value for money approach and it was noted that the Council had put in place a number of processes to address the key risks in respect of the Ubico contract; this was now complete and was no longer a risk. The review of the Corporate Risk Register was ongoing and had been deferred several times so this was an outstanding item on the work programme. Based on the review of the draft financial statements received for audit and the outcomes of the work to date, Grant Thornton was satisfied with the quality of the financial statements prepared, and that they had been subject to appropriate review, so this had been agreed as complete. The audit adjustments were set out at Page No. 42 of the report and included a number of errors which had been amended in the final version of the accounts, namely, Note 31 – Officer remuneration – where there had been a transposition error between the comparators for the five years which had now been updated; and Note 33 – Grant Income - which had included a number of errors in the underlying data and one grant that had been missed from the totals. Two accounting policies had accidentally been omitted from the draft which had now been included and there had also been several amendments to spelling and grammar etc. The audit fees were unchanged from what had been reported in the plan and the audit opinion was outlined in the Appendix to the report.
- 9.8 A Member noted from the Minutes of the previous meeting that Grant Thornton intended to challenge the assumptions around investment property and the Engagement Lead from Grant Thornton explained that the Minutes related to the Audit Plan for 2017/18 - at that stage, Grant Thornton was setting out the work it intended to do around PPE and investment properties. The current report reflected what had actually been done and she confirmed this had been addressed, albeit with a few ongoing enquiries with the valuers to understand the rationale behind the changes from the previous valuation and ensure it was still reasonable. The Member questioned whether any assumptions had been made to forewarn Members of a possible future shortfall in income and the Engagement Lead advised that Grant Thornton would pick up whether there was a programme in place to cover deficits; it did not to look at future projections on investments and properties.
- 9.9 It was
- RESOLVED** That Grant Thornton's audit findings 2017/18 be **NOTED**.

AUD.10 LETTER OF REPRESENTATION 2017/18

- 10.1 Attention was drawn to the Section 151 Officer's Letter of Representation on the financial statements for the year ended 31 March 2018, which had been circulated at Pages No. 48-54. Members were asked to approve the letter.
- 10.2 The Head of Finance and Asset Management advised that, as the Section 151 Officer, he was required to write a Letter of Representation to the external auditors which outlined the principles on which the accounts were based and confirmed compliance with the law and the level of information provided to Grant Thornton to complete the audit, as well as disclosing any fraudulent activity that may have taken place. The contents of the letter had been agreed with Grant Thornton and formal approval was sought from the Committee.
- 10.3 Accordingly, it was
RESOLVED That the Letter of Representation be **APPROVED** and signed by the Section 151 Officer.

AUD.11 STATEMENT OF ACCOUNTS 2017/18

- 11.1 The report of the Head of Finance and Asset Management, circulated at Pages No. 55-142, attached the Statement of Accounts for 2017/18 which Members were asked to approve.
- 11.2 The Finance Manager explained that the Statement of Accounts for 2017/18 showed the financial position of the Council as at 31 March 2018 as well as performance during the year. This year had seen working balances increase to £550,000 and a net worth increase from £9.9M to £14.4M. This was a surplus of £1.7M in accounting terms; the actual amount of surplus affecting the general fund was £2.6M and the Council achieved a budget surplus of £1.5M. The comprehensive income and expenditure statement was set out at Page No. 65 of the report. It was noted that the deadlines for the production and audit of the accounts had been brought forward by one and two months respectively which had been challenging due to the loss of a key member of the accountancy team and it was a credit to the Finance Team that the accounts had been produced by the new deadline. There had been a surplus of £894,000 in income for the year and the large variance was as a result of substantial grant income being received. The Council had received a number of new burdens grants from the government and had also attracted significant service specific grants, particularly in relation to the delivery for the requirements for infrastructure and the Joint Core Strategy. Treasury had also performed strongly and the Council had been able to borrow cheaply in the short-term and invest at higher rates using different products.
- 11.3 The balance sheet, set out at Page No. 68 of the report, showed that investment properties had increased from £13M to £19.5M due to the purchase of three new properties. Current liabilities had increased by £9M, £6M of which was due to borrowing money to fund the investment property purchase. Other adjustments included a reduction of £1.5M in the capital receipts reserve as the Council paid the final amounts for the new refuse and recycling vehicles and funded the refurbishment of the Public Services Centre. The balance on the Collection Fund for Council Tax at year-end was a surplus of £1.9M and £1.6M of that had already been allocated into the budget for future needs. The balance on the Collection Fund for Business Rates at year-end was a deficit of £1.79M which was a £2M improvement on the previous year. The capital resources balance was £1.979M including capital grants; however, after allowing for commitments, the unallocated budget available for new capital projects was £680,000.

- 11.4 A Member felt it should be recorded that the Audit Committee had attended a training session on the Statement of Accounts immediately prior to the Committee meeting at which Members had engaged in a significant amount of debate and discussion. It was therefore

RESOLVED That the Statement of Accounts 2017/18 be **APPROVED**.

AUD.12 EXTERNAL AUDITOR'S FEE LETTER 2018/19

- 12.1 Attention was drawn to Grant Thornton's fee letter, circulated at Pages No. 143-146, which set out the proposed fee for 2018/19, together with the scope and timing for the work. Members were asked to consider the fee letter.

- 12.2 The Engagement Lead from Grant Thornton explained that Public Sector Audit Appointments (PSAA) set the fee for opted-in local government bodies. For 2018/19, the indicative scale fee had reduced by 23% from the fees applicable for 2017/18 to £34,589. The letter summarised the responsibilities for Grant Thornton for the coming years, the timetable and key members of the team.

- 12.3 The Lead Member for Corporate Governance questioned how the external auditors were appointed and was advised that a significant exercise had been undertaken as part of the PSAA arrangements for 2018/19 and beyond. Individual local authorities had a choice as to whether they went into the exercise or decided to set-up their own independent panel to appoint its own auditors. There were examples of larger authorities, or collective groups of authorities, making their own appointments but over 95%, including Tewkesbury Borough Council, had decided to go into the PSAA arrangement. PSAA appointed auditors on behalf of the authorities that had opted-in based on an exercise that took into account quality and price and Grant Thornton had been appointed on that basis. At the end of the five year contract, the Council could decide whether it wanted to opt-in again or make its own arrangements. The Head of Finance and Asset Management confirmed that a report had been brought to the Audit Committee in September 2017 explaining the options and Officers had recommended the PSAA model due to the efficiencies within the arrangement.

- 12.4 It was

RESOLVED That the Grant Thornton fee letter 2018/19 be **NOTED**.

AUD.13 INTERNAL AUDIT PLAN MONITORING REPORT

- 13.1 The report of the Head of Corporate Services, circulated at Pages No. 147-168, was the final monitoring report of the financial year and detailed the findings of Internal Audit for the remaining audits within the Audit Plan 2017/18. Members were asked to consider the audit work completed and the assurance given on the adequacy of the internal controls operating within the systems audited.

- 13.2 Members were advised that full details of the work undertaken were attached at Appendix 1 to the report and Appendix 2 included a list of all recommendations reviewed in the period and their status. It was noted that a number of recommendations had been identified as a result of a previous audit of the leisure centre, particularly in respect of the importance of client monitoring, and a follow-up audit had provided good assurance that those recommendations had been implemented. An audit of the Council's Occupational Road Risk Policy had found that the policy had been appropriately approved and communicated to staff, and Managers/Heads of Service had received training and were carrying out checks. This was something which would be incorporated into the new HR 'Breathe' system and would be subject to a further audit review when the system was live. As such, a 'good' audit opinion had been issued. It was noted that volunteers were incorporated in the policy; however, it was considered unlikely that they would be classed as driving whilst at work and therefore the risk was minimal. Given the

difficulty enforcing this policy it was considered reasonable not to complete these checks, although volunteers should be made aware of the policy. The audit on housing benefit and the current controls in place in respect of Universal Credit had resulted in a good level of assurance and the arrangements in place between the Council and the Department for Work and Pensions were adequate. Training had been provided for staff on the introduction of Universal Credit, the Council's website had been updated with relevant information and a leaflet had been produced for residents. The Public Services Centre refurbishment had also been audited and there was a satisfactory level of control in relation to the project management arrangements. In terms of risk management, a detailed risk register was in place for the project which identified key risks and was frequently updated. The risks were reported at monthly progress meetings and discussed at the Transform Working Group. Health and safety issues formed part of the risk management process and were also discussed at meetings. With regard to the budgetary element of the project, it was noted that there had been an increase from £1.8M to £2.2M due to a change in the design brief which had been reported to Transform Working Group. Overall there was a good level of budgetary control and audit testing on expenditure had confirmed it was valid and within the remit of the project.

- 13.3 In terms of corporate improvement work, the Internal Audit team had worked with Housing to address an outstanding audit recommendation relating to the storage of personal belongings for homeless individuals and discussions had taken place in relation to a draft specification. Prior to the introduction of the General Data Protection Regulation (GDPR) in May 2018, work had also been carried out to quality assure the Council's retention schedules for the go live date. Trade waste debt recovery had been an outstanding audit recommendation since 2015/16 and corporate improvement days had been used to review the level of debt for the service and test the procedures currently in place. The audit review had established that the majority of customers with debt exceeding a year, and/or with one or more outstanding debts, were still receiving collections. 34 customers had been identified who should potentially have their service suspended therefore this recommendation was still outstanding and was included in Appendix 2. In addition, Internal Audit had helped to review the processes and controls in place for the dissemination of Section 106 monies. A survey undertaken by staff some 18 months ago had resulted in a number of management commitments and Internal Audit had been tasked with identifying how well these had been embedded. This work had confirmed that team meetings were held on a monthly basis for the majority of services and, where a monthly meeting did not take place, this was reasonable for the size of the service; a core briefing note of key issues arising from Management Team meetings was posted on the intranet; staff briefings were programmed in advance on a quarterly basis and attendance had improved dramatically following a change in timings and since all staff had been formally invited through their Outlook diaries; 12 out of 20 staff confirmed they had had a Personal and Professional Development (PPD) meeting and a further three had stated they had regular one to one's with their manager – there was a management instruction that all PPDs must be completed by September; and it had been established that sickness was being managed in accordance with the Council's Absence Management Policy.
- 13.4 With regard to the outstanding audit recommendations, attached at Appendix 2, it was noted that there were a number of recommendations on cemeteries one of which had only been partially implemented; this was around payments and Members were informed that a new platform was in place and ready to go live imminently. A recommendation about the monitoring of Freedom of Information (FOI) requests was outstanding as priority had been given to the garden waste project. The FOI system had been in place for 18 months and was a much-improved system; however, it had been recommended that this be reviewed after 12 months and a new target date had now been set for the end of September 2018. The Head of Corporate Services explained that there was a long-term

recommendation outstanding regarding the Council's discretionary policy and the changes to business rates introduced by the Localism Act 2011; this would be picked up over the summer as part of a wider agenda in relation to economic development. The audit of risk management had identified that refresher training should be provided to staff and Members involved with the risk management framework and a session had been held for Members and senior management in June. It was noted that a new Corporate Risk Register was currently being developed and follow-up training on risk appetite would be held in September and would inform the scoring of the register. Two audit recommendations were outstanding in respect of trade waste, one around debt recovery and one to ensure it was operating on a commercially viable level. It was intended to undertake a review of the service in its entirety and this was a Council Plan action. Trade waste had also been discussed by the Overview and Scrutiny and Executive Committees where assurance had been given that the full review would be undertaken by March 2019.

- 13.5 With regard to the housing benefit audit, a Member noted that a sample of 20 Universal Credit accounts had found that seven had variances in the information manually input into the system and two additional cases had an incorrect housing benefit stop date. Furthermore, a sample of five overpayment returns had found one had been incorrectly coded. This meant that half of the 20 sampled had something wrong with them and yet the audit had still found a good level of assurance. In addition, she queried whether the additional training that was to be provided to staff by the end of July 2018 had been delivered. In response, the Head of Corporate Services explained that, of the seven variances, three had not been relevant so, overall this was a good materiality level. Whilst some had been incorrectly inputted this was very low and was not a significant financial risk. In terms of the sample of five overpayments, the one which had been incorrectly coded had been attributed to an internal sundry debt and should have been a Department for Work and Pensions error therefore this was not for the Council to chase. In terms of the training, he understood this had taken place. Overall the framework for how the team had handled Universal Credit was good.
- 13.6 In response to a query regarding the overspend on the Public Services Refurbishment, the Head of Finance and Asset Management advised that this was as a result of taking the opportunity to do additional work which was planned for future years in order to benefit from efficiencies associated with already having the contractors on site. This had been funded through asset management reserves which had already been approved and he had delegated authority to expend.
- 13.7 Having considered the information provided, it was
RESOLVED That the Internal Audit Plan Monitoring Report be **NOTED**.

AUD.14 INTERNAL AUDIT ANNUAL REPORT 2017/18

- 14.1 Attention was drawn to the report of the Head of Corporate Services, circulated at Pages No. 169-176, which provided Members with a summary of the internal audit work undertaken in 2017/18, 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, the Council's framework of governance, risk management and control was generally effective and, where concerns had been identified there has been a positive management response.
- 14.2 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. 170, Paragraph 2.2 of the report, gave an overview of the audits undertaken during the year and Paragraph 2.3 set out the corporate improvement

work that had been carried out. It was noted that the team was also represented on key corporate groups such as the 'Keep Safe, Stay Healthy' Group.

- 14.3 A summary of the audit opinions reported throughout the year was set out at Page No. 172, Paragraph 3.2 of the report, and it was pleasing to note there had been no 'unsatisfactory' opinions. Two 'limited' opinions had been issued, both in relation to the licensing function, and the key areas for improvement were outlined within the report. There had been a positive response to these findings and the Head of Community Services had attended the Audit Committee meeting in December 2017 where he had explained that he had discussed the audit with the Chair of the Licensing Committee and they had worked together on an action plan which was being monitored by that Committee. These recommendations would be followed-up via the internal audit process and the outcomes would be presented as part of the quarterly monitoring report. It was noted that 27 recommendations had been made overall and 10 of the audits had resulted in no recommendations.
- 14.4 The structure of the Internal Audit team was outlined at Page No. 173, Paragraph 4.0 of the report, and Members were informed that one member of staff's absence had been covered by a secondment from another service area during the course of the year. With regard to the independence of the Head of Corporate Services, it was not uncommon for the internal audit strategic lead to also have operational responsibility for service areas. The Head of Corporate Services explained that he had a wide managerial remit including ICT, Customer Services, Human Resources and Policy and Communications. In cases where an audit was undertaken in any of those areas, he could give assurance that all audit opinions were exercised objectively and with integrity so that the opinions issued were open, transparent and accurate. Moving forward to 2018/19, and in response to a recommendation made in the peer review, additional safeguards had been put in place to maintain his independence in this role. Members were reminded that an independent assessment of internal audit activity had been undertaken in November 2017 as required by PSIAS and the outcome of the review had been formally reported at the last Audit Committee meeting. A small number of recommendations had been made and these had been added to the existing quality assurance and improvement programme so there was one overall action plan for internal audit activity. A workshop had been held for Audit Committee Members in May to go through the content of the report and progress would be reported at least annually to the Audit Committee.
- 14.5 It was
RESOLVED That the internal audit annual report be **NOTED**.

AUD.15 INTERNAL AUDIT CHARTER

- 15.1 The report of the Head of Corporate Services, circulated at Pages No. 177-191, attached the Internal Audit Charter which must be periodically reviewed. Members were asked to approve the Internal Audit Charter.
- 15.2 Members were advised that the Public Sector Internal Audit Standards (PSIAS) required the purpose, authority and responsibility of the internal audit activity to be formally defined in an Internal Audit Charter. The charter must be periodically reviewed by the Chief Audit Executive and presented to senior management and 'the board' for approval. For Tewkesbury Borough Council, the charter defined the board as the Audit Committee and the Chief Audit Executive as the Head of Corporate Services. As previously reported to the Committee, it was a requirement of PSIAS that an external assessment of internal audit activity be undertaken at least every five years by a qualified, independent assessor. This had taken place in November 2017 and had resulted in 16 recommendations, a small number of which related to the Internal Audit Charter and were set out at Page No. 179, Paragraph

3.2 of the report. Amendments had been made to take account of these recommendations and an updated charter was attached at Appendix 1 to the report. Particular reference was made to Page No. 184 of the report which had been included to address the recommendation that core principles for the professional practice of internal audit be included with examples, and Page No. 186 which included the safeguards to protect the independence and objectivity of the Chief Audit Executive.

15.3 A Member noted that Paragraph 13 of the Internal Audit Charter made reference to the annual review of the charter by the Chief Audit Executive and she questioned when this would be undertaken. The Head of Corporate Services advised that this was likely to be towards the end of the financial year. If any significant changes were needed they would be brought back to the Audit Committee for approval, otherwise the charter would be taken to the Committee for formal approval every three years.

15.4 The Chair congratulated the Head of Corporate Services on the revised charter which she felt was well set out and very easy to read. It was subsequently

RESOLVED That the Internal Audit Charter be **APPROVED**.

AUD.16 ANNUAL GOVERNANCE STATEMENT 2017/18

16.1 The report of the Corporate Governance Group, circulated at Pages No. 192-205, attached, at Appendix 1, the Council's Annual Governance Statement 2017/18 which Members were asked to approve.

16.2 The Borough Solicitor explained that the Accounts and Audit Regulations 2015 required local authorities to conduct a review, at least once a year, of the effectiveness of its systems of internal control and include an Annual Governance Statement reporting on the review with any published Statement of Accounts. The Annual Governance Statement should normally be approved at the same time, or prior to, the Statement of Accounts. The draft Annual Governance Statement for 2017/18 was attached at Appendix 1 to the report and identified eight Significant Governance Issues that required improvement, set out in the table at Page No. 204. The eight areas identified were: risk management; Council Constitution; business continuity; Audit Committee effectiveness; General Data Protection Regulation (GDPR); workforce development strategy; Local Code of Corporate Governance; and licensing. Progress against implementing the proposed actions would be monitored by the Audit Committee.

16.3 In response to a query regarding the review of the Council's Constitution, the Borough Solicitor recognised this had been delayed but provided assurance that the review would be complete by December 2018 in accordance with the timescale set out in the table. Accordingly, it was

RESOLVED That the Annual Governance Statement 2017/18 be **APPROVED**.

AUD.17 DATA PROTECTION POLICY

17.1 Attention was drawn to the report of the Head of Corporate Services, circulated at Pages No. 206-223, which attached, at Appendix 1, a draft Data Protection Policy describing the Council's arrangements for compliance with the General Data Protection Regulation (GDPR). Members were asked to recommend to the Executive Committee that the Data Protection Policy be approved.

17.2 The Head of Corporate Services advised that anyone processing personal data must comply with six principles of good practice i.e. that personal data must be: processed lawfully, fairly and in a transparent manner; only obtained for specified,

explicit and legitimate purposes; adequate, relevant and not excessive; accurate and kept up-to-date; not be kept for longer than necessary; and processed in a secure manner. Page No. 208, Paragraph 3 of the report, set out the roles and responsibilities that had been established to oversee compliance which included appointment of a Senior Information Risk Owner (SIRO) - to ensure that information was appropriately managed and to take responsibility for the whole information governance framework and the risks associated with it - and a Data Protection Officer - to undertake the statutory role by monitoring compliance and providing training advice and assistance to the SIRO. A summary of the key roles of the Data Controller, Data Protection Officer and the Information Commissioner was set out at Appendix 2 to the report. The Council's Data Protection Policy had been revised to take account of the changes and this was attached at Appendix 1 to the report.

17.3 A Member questioned whether Members' roles and responsibilities were outlined in the policy and was advised that this was covered at Page No. 218. A Member indicated that he was also a Gloucestershire County Councillor and a footer had been produced for Members of that authority to use on emails to explain what they did with personal data, for example, how long it was retained. The Borough Solicitor explained that a template footer was currently being developed which Tewkesbury Borough Councillors may choose to use along with a template for a privacy page which could be made available on the Council's website alongside the existing information about each Councillor. Notwithstanding this, it was important to recognise that Members had a responsibility to protect themselves and, whilst these templates would be available to use, each individual Member would need to decide for themselves how long they wished to retain data.

17.4 A Member indicated that her biggest concern was residents contacting Members with questions as it was very rare that the Member could answer outright and therefore the information needed to be shared. The Borough Solicitor felt that this needed to be addressed in the privacy pages but her general advice would be that, if the query was being passed on to anyone other than an Officer of the Council, it would be necessary to go back to the person to ask for permission; this included passing the query on to other Members. Whilst it was reasonable to expect that Members would not be able to answer a query without reference to an Officer, it was not reasonable to expect that it would be passed to another agency or another Member. Another Member raised concern about retention of personal data, particularly electronic data and how to ensure that it was actually deleted from a computer. The Borough Solicitor stressed that actions to protect data had to be reasonable so if Members permanently deleted emails etc. they should no longer be able to access them and this would be deemed to be reasonable. The Head of Corporate Services reiterated that the Internal Audit Plan included more work on GDPR to ensure that the Council remained compliant.

17.5 Having considered the information provided, it was

RESOLVED That it be **RECOMMENDED TO THE EXECUTIVE COMMITTEE** that the Data Protection Policy be **APPROVED**.

AUD.18 ANNUAL AUDIT COMMITTEE REPORT

18.1 Attention was drawn to the report of the Head of Corporate Services, circulated separately, which attached, at Appendix 1, the Audit Committee Annual Report 2017/18 for approval.

18.2 The Head of Corporate Services explained that it was good practice to produce an annual report to demonstrate the broad range of issues that the Audit Committee had considered and reviewed throughout the year. It had also been agreed at an Audit Committee Workshop that an annual report would help to raise the profile of the Committee as the perception among the wider Membership was that it was

purely financial. A report had been compiled based on the work that the Committee had undertaken in 2017/18 including: Internal Audit monitoring reports; Annual Governance Statement; financial reporting including the presentation and approval of the Council's Statement of Accounts; Gloucestershire Counter Fraud Unit reports; external audit monitoring reports; reports on key governance frameworks e.g. safeguarding, health and safety etc.; and Internal Audit operational reports such as the Internal Audit Charter and Internal Audit Peer Review. Following approval, the annual report would be presented by the Chair of the Audit Committee at Council in September 2018.

- 18.3 The Chair felt this was a good start in terms of changing perceptions of the Audit Committee which was much more than just a finance committee and was actually becoming increasingly about policy and governance. It was subsequently

RESOLVED That the Annual Audit Committee Report 2017/18 be
APPROVED.

The meeting closed at 4:07 pm