

Audit and governance committee **annual report**

2018/19



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Message from the Chair of 2018/19 Audit and Governance Committee



Councillor Heather McLain

Welcome to the annual report of the newly named Audit and Governance Committee. This was the first year I have chaired the committee but it did help that I have been a member of the committee for a few years. I therefore appreciate the committee's breadth

of work and I can dispel the myth it is all about financial matters. I would encourage all members to read the reports presented at committee as they provide an excellent overview of the council's internal control environment.

For example, the committee has received reports from our internal audit team on the Community Infrastructure Levy, Ubico client monitoring, General Data Protection Regulation, Disabled Facility Grants, Project Management, Garden Waste. 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 the key aims during the last year has been to raise the profile of the committee. This annual report, first introduced last year, hopefully helps to do this. The rename of 'Audit and Governance' supported with a revised terms of reference now recognises the full remit of the committee. Moving forward to 2019/20, the increased membership, from seven to nine members should provide new challenge and a new set of 'eyes and ears'. I thank all of the committee for the support they provided me during the year.

Best wishes,

Councillor Heather McLain

The role of Audit and Governance Committee

The role of the committee is an important one. The 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 then there will always be occasions where improvements are required. Where these are identified, then the committee should seek assurance the necessary improvements are monitored and implemented. The assurance provided to the committee comes from a number of sources including internal audit, external audit, the finance team and the Counter Fraud Unit.

Work undertaken by the Audit and Governance 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 are undertaken by the internal Corporate Governance Group. This is a group comprising senior officers and the Lead Member for Corporate Governance. The AGS recognises improvements made to the governance framework during the year. These include;

- Approval of a new council constitution.
- Approval of a new risk management strategy.
- Implementation of a new corporate risk register.
- Approval of a new workforce development strategy.

The AGS is approved by the committee who then receive progress reports to resolve the issues identified. The areas identified for improvement for 2019/20 are summarised in the table on page 3

Governance issue	Proposed action	Timescale	Responsible officer/group
1 Community Infrastructure Levy (CIL) - governance arrangements	Deliver key internal audit recommendations; <ul style="list-style-type: none"> Overall governance arrangements to be formalised Operational processes to be agreed e.g. monitoring, reporting and reconciliation Greater clarity of S123 list 	September 2019	CIL Working Group (Head of Development as lead officer)
2 Ubico – financial governance	Implement financial governance improvement plan; <ul style="list-style-type: none"> Explanation of overspend to be provided Final outturn figure to be reported to June Executive Committee (supported by Ubico officer representation) Internal audit review Review of financial controls 	September 2019	Head of Community/Head of Finance and Asset Management
3 Serious Crime Framework – key policy review	Review the following policies; <ul style="list-style-type: none"> Whistleblowing Bullying and Harassment Gifts and Hospitality Code of Conduct Anti-Fraud and Corruption 	March 2020	Borough Solicitor/Head of Corporate Services/Counter Fraud Unit
4 Local Code of Corporate Governance	<ul style="list-style-type: none"> Develop and approve a new code of governance 	March 2020	Head of Corporate Services

Effectiveness of Audit and Governance Committee

It is important 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, this work has commenced. For example;

- Introduction of 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.
- Development and reporting through the new corporate risk register.
- Updated terms of reference and subtle committee name change.
- Increased committee membership for 2019/20 (7 to 9 members).
- Establishment of an annual report and presentation to council.
- Quarterly update meetings attended by internal audit, Chair of the committee and Lead Member for Corporate Governance.

Moving forward, actions are;

- Training for new members of the committee.
- Introduction of a six monthly committee newsletter that can be circulated to the wider membership.

In terms of operational effectiveness, it is this committee, working hand in hand with internal audit that has driven key improvement initiatives. For example, the highly successful garden waste scheme which has resulted in excess of £830,000 was a direct result of the committee supporting improvements as recommended by internal audit. Additionally, the committee has sought continued assurance regarding the adequacy of the council's client monitoring arrangements of the Ubico contract. As a result, a new suite of key performance indicators have been agreed across partner councils.

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. 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. Following completion of 42 pages of working papers it was pleasing the assessment 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 and these have been implemented during the course of 2018/19. These include;

- Review and update of the internal audit charter.
- Putting in place safeguards to protect the independence of the Chief Audit Executive (Head of Corporate Services).
- Review and update of internal audit documentation.
- Adopting a more risk based approach to internal audit assignments.
- Adoption of a flexible, half year audit plan.
- Review of audit recommendation categorisation.

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 that work.

Annual summary of Internal Audit work

At each committee meeting, a monitoring report is presented of the areas audited by the internal audit team. Examples of audit assignments completed during the year include; garden waste, council tax, GDPR, e-ordering, fleet management, Ubico client monitoring, serious and organised crime framework, Community Infrastructure Levy. For each area audited, an audit opinion is given on how well it is controlled. It is encouraging that the bulk of opinions conclude either a satisfactory or good level of control.

As the council is responsible for an array of services with varying degrees of complexity, then it should not be unexpected the opinion will not always be positive. In audit terms where the level of control is not as it should be, a 'limited' assurance opinion is given. Where there is a fundamental lapse in control, this can lead to an 'unsatisfactory' opinion. With regards to the latter, it is pleasing to report no such opinions were reached during the course of the year.

In terms of 'limited' opinions, specific areas were identified; garden waste (data retention and stock control of licences), fleet management (lack of annual service report/stock control/usage between partners), Ubico client monitoring (financial governance), Community Infrastructure Levy (governance) and GDPR (privacy statements). Audit recommendations to improve control have been accepted by management and all will be followed up to give assurance they have been implemented.

All recommendations that were due to be followed up in the year were actually followed up.

Financial reporting

The finance bit!! – Committee does receive an element of financial reporting information as follows;

- Statement of Accounts (SoA) – it is a requirement of the committee to approve the council's accounts. This is no mean task as they are technically complex. Excellent training is given by the finance team so the committee can understand the key elements. Committee were greatly impressed to receive a positive report from the council's external auditors, Grant Thornton on the accuracy and promptness of the accounts, particularly as the deadline for producing them had been brought forward.
- Letter of representation – prior to approving the accounts, committee consider a statement from the council's Head of Finance on the principles under which the accounts have been prepared.
- Statement of Accounting Policies and Critical Judgements – in advance of the year-end closedown and preparation of accounts, committee also received a report on the judgements that management have made in the process of applying the authority's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

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. A word of caution - in their risk assessment they have highlighted the Council must ensure it develops a robust savings plan in order to deliver its annual budgets with sufficient capacity to manage its emerging cost pressures over the duration of its Medium Term Financial Strategy (MTFS)
- A review of the Housing Benefit subsidy totalling £18.7 million led to a minor net amendment of £300. This is another endorsement regarding the accuracy of the council's financial information.

Serious crime framework

The Home Office has produced a Serious and Organised Crime checklist to be used by Local Authorities to assess their serious and organised crime risk. The checklist is intended to be a relatively simple and resource light tool. The checklist was populated during the year and considered by Corporate Management Team, prior to presentation at committee in December 2018. The checklist is broken down across five themes. Each theme is underpinned by a number of questions. Each question is assessed as either 'good', 'acceptable', or 'needs improvement'. The five themes are:

- Awareness, strategy, guidance and training.
- Risk management.
- Communication and information/intelligence sharing.

- Whistleblowing.
- Assurance.

The council is considered low risk, however it needs to remain vigilant and an action plan has been developed to maintain awareness to any potential threat. Only one area was flagged as 'needs improvement' – this relates to general awareness training for those staff involved in purchasing.

Supporting the checklist is a suggested framework for internal audit teams to consider. The framework is essentially an audit programme, asking key questions on activities such as;

- Strategy and awareness.
- Procurement.
- Human Resources.
- Gifts and hospitality.
- Whistleblowing.
- Licensing.

The internal audit team supported by the Counter Fraud Unit will be reviewing these activities and reporting to Audit and Governance Committee on how robust the internal control environment is for each activity.

Gloucestershire Counter 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;

- Development of a new Corporate Enforcement Policy – this is currently at draft stage and is with Corporate Management Team for consideration.
- Delivery of fraud awareness training for staff and Members.
- Processing and investigation of cases identified through the National Fraud Initiative.
- Full review of the housing list.
- Review of business rates valuation list.
- The CFU is now the single point of contact for all benefit related fraud.
- Assisting with disciplinary investigations.
- Assisting with intelligence for alleged fly tipping offences.

Health and Safety (H&S) annual report

H&S is a key part of the council's governance framework. As such, committee request an annual report to gain assurance that the 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.
- An annual action plan is in place.
- Quarterly 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.

- Programme of training 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.

Risk management

During the course of the year, the council's risk management arrangements were reviewed. The Audit Committee have been at the heart of this. Members attended a risk management refresher seminar, recommended to Executive Committee the approval of a new risk management strategy and have overseen the implementation of a new corporate risk register. It is a key role of the committee to gain assurance that the key risks facing the council are effectively managed.

Looking forward

Councillor Vernon Smith takes up the mantle of Chair for 2019/20, supported by Councillor Heather McLain as Vice-Chair. The committee membership has also been increased from 7 to 9 members. There is also a new Lead Member for Corporate Governance, Councillor Mike Sztymiak. One of Mike's key roles will be to oversee the effectiveness of the committee and the internal audit function. In terms of effectiveness, officers will work closely with the new committee to ensure they are appropriately trained to fulfil the committee's obligation and maximise its value.

2018/19 Audit Committee members



Cllr Gill Blackwell



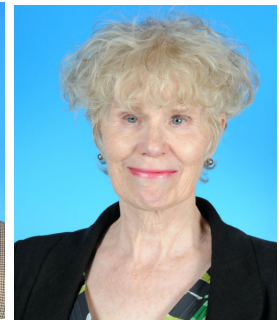
Cllr Kevin Cromwell



Cllr Pauline Godwin



Cllr John Hesketh



Cllr Sue Hillier-Richardson



Cllr Heather McLain
CHAIR



Cllr Vernon Smith
VICE-CHAIR



Cllr Elaine MacTiernan
LEAD MEMBER

2019/20 Audit and Governance Committee members



Cllr Cate Cody



Cllr Kevin Cromwell



Cllr Louise Gerrard



Cllr Pauline Godwin



Cllr Heather McLain
VICE-CHAIR



Cllr Paul McLain



Cllr Helen Munro



Cllr Paul Smith



Cllr Vernon Smith
CHAIR



Cllr Mike Sztymiak
LEAD MEMBER

Mike Dawson
Chief Executive
Tewkesbury Borough Council

