

Audit and governance committee annual report

2019/20



contents

Message from the Chair	1
The role of Audit and Governance Committee	2
Work undertaken by the Committee	2
Committee effectiveness	4
Internal audit - public sector internal audit standards	4
Annual summary of internal audit work	4
Impact of Covid-19 on the internal audit team	5
Financial reporting	6
External audit assurance	6
Serious crime framework	6
Gloucestershire County Fraud Unit update	7
Health and safety annual report	7
Risk management	8
Looking forward	8



Message from the Chair of Audit and Governance Committee



Councillor Vernon Smith

Welcome to the annual report of the Audit and Governance Committee. Having chaired the committee previously, I really 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 General Data Protection Regulation, Discretionary Housing Grants, Project Management, Serious and Organised Crime checklist, Emergency Planning etc. 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. The Local Government Association Peer Challenge Team state in their final report 'there is an experienced and technically strong finance team'.

It would be remiss of me not to mention the impact of the Covid-19 pandemic at the end of the financial year. This has directly affected the committee. Like other council meetings, the impact of lockdown meant our March committee was cancelled. I would like to personally thank the Democratic Services Team and ICT team for jointly supporting our first ever virtual meeting in July. At this meeting, Members were also updated on the impact upon the internal audit team. During the early response stage to Covid-19, the three team members were re-deployed to support the administration of business grants. Assurance was received that some form of internal audit work would re-commence in the second half of the year.

Looking ahead, it is positive that the committee's work programme has been reviewed and re-synced. There is a great opportunity for the committee to support the council through its future challenges as it emerges from the Covid-19 pandemic. I look forward to receiving reports from our internal audit team, the finance team and our external auditors on how well the council has responded to and is recovering from Covid-19 and no doubt all will confirm our governance and internal control environments remain robust.

Finally, I thank all of the committee and officers for the support they provided me during the year. me during the year.

Best wishes,

Councillor Vernon Smith

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 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 is undertaken by the internal Corporate Governance Group. The AGS recognises improvements made to the governance framework during the year and identifies any significant governance issues that need addressing. As a result of Covid-19, final approval of the AGS has been extended from July 2020 to November 2020. This is in line with the national extension to approve the Council's Statement of Accounts. A draft AGS has been published and at present, the current significant governance issues identified are shown 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 	March 2021	CIL Working Group (Head of Development as lead officer)
2 Local Code of Corporate Governance	Develop and approve a new code of governance.	April 2021	Head of Corporate Services
3 COVID-19	In line with the CIPFA briefing note undertake a lessons learnt analysis from responding to COVID-19.	March 2021	Corporate Management Team
4 Administration of Discretionary Housing Payments	Implementation of internal audit recommendations including; <ul style="list-style-type: none"> • Collection and assessment of evidence to support the integrity of DHP applications. • Review of the DHP policy including a review of non-essential items. • Independent verification check. 	October 2020	Revenues and Benefits manager
5 General Data Protection Regulation	Development of a new GDPR action plan.	October 2020	Head of Corporate Services

The final AGS will be approved at Audit and Governance Committee on 4 November 2020. The committee then receive progress reports to gain assurance the issues are being resolved.

Effectiveness of Audit and Governance Committee

It was pleasing that the recently published Local Government Association Corporate Peer Challenge report complimented the council on its member induction programme. With new members on the Audit and Governance Committee then the induction programme will hopefully have helped those members hit the ground running. It is important the effectiveness of the committee is maximised. For 2019/20 the membership of the committee was increased from 7 members to 9 members and the committee renamed to include 'Governance' within its title and its terms of reference updated accordingly. Throughout 2019/20 the internal audit team have continued to meet with the Chair and Vice-Chair of the committee and the Lead Member for Corporate Governance to provide an overview of internal audit activity. Moving forward, further training and development for the committee will be considered where appropriate.

Internal Audit - Public Sector Internal Audit Standards

The work of internal audit is pivotal to the committee receiving independent assurance on how well the council's internal control environment is operating. All work of internal audit is governed by a set of standards – Public Sector Internal Audit Standards (PSIAS) and the Chief Audit Executive (Head of Corporate Services) ensures compliance with these standards. 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; emergency planning, debtors, fraud and corruption framework, serious and organised crime framework – licensing, procurement cards, disabled facility grants, GDPR, risk management, discretionary housing payments and complaints. In addition, the team have provided support to various aspects of corporate improvement, particularly around project work such as the pool cars, website review risk register and planning scanning cost analysis. 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, only one such opinion was reached during the course of the year. This was in relation to Discretionary Housing Payments. There are administered within the Revenues & Benefits Team and are payments made to those who are struggling to pay housing costs. The audit identified significant non-compliance with the agreed policy. This was discussed at Audit and Governance Committee on 29 July 2020 and the committee's concerns noted. A follow up report on the progress made in implementing the internal audit recommendations has been requested for the next meeting on 23 September 2020.

A key part of the work of the team is to follow up all recommendations made to give assurance they have actually been implemented. An allocated number of days are included in the internal audit plan to accommodate this work. Over 60 recommendations have been followed up during the year, the status of these recommendations are reported to the committee as they are followed up. Where recommendations have yet to be implemented, new dates for implementation are agreed and reported to committee. The committee have the ability to call-in officers where implementation dates have slipped. In terms of recommendations made, the team have put forward nearly 40 recommendations across the activities audited. Of these 40, only 3 were designated as 'high' which demonstrates the robustness of the general internal control environment.

Impact of Covid-19 on the internal audit team

The COVID-19 pandemic presents the Council with a significant challenge to respond to the needs of our residents, businesses and communities. This includes working collectively with other key partners to protect, shield and support those in need, distribute grant funding to many of our businesses and implement remote working practices in order to manage the crisis and continue to deliver core services. The Council's response and recovery framework involves all service areas. In the very early stages of the response this meant redeploying resources to priority areas.

One key priority area was supporting and advising the business community and this initially involved setting up a dedicated business 'cell' essentially led by the Growth Hub team. Following the government's announcement and subsequent publication on 1 April

2020 of their financial support through the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund this led to the creation of a 'sub-cell' to oversee the administration of these business grants. Led by the Operational Managers from Finance and Revenues and Benefits and supported by officers from both services plus the internal audit team, this has seen nearly £17 million of grants awarded to nearly 1,500 businesses. The internal audit team also supported the Local Discretionary Business Grant Scheme. This was set up to accommodate certain small businesses previously outside the scope of the original business grant funds scheme. As a result of redeploying the internal audit team, all business as usual internal audit work has been suspended.

Work will re-commence on 1 October 2020, albeit with a reduced resource. One member of the team will remain deployed within the business cell until March 2021. An internal audit work plan for the period October 2020- March 2021 will be presented to Audit and Governance Committee on 23 September 2020. The committee were appraised of the impact on internal audit at their July meeting. The committee expressed their gratitude for the role the team had played to support the businesses within the borough.

As a result of the pandemic and it's impact across all services, the team are currently working with operational managers to review and agree new implementation dates in relation to internal audit recommendations.

Financial reporting

As you can see from the above, it isn't all about finance, though it does remain an integral part of the committee's remit. In relation to financial matters, the committee has received and considered the following reports: -

- At its meeting held on 24 July 2019, the committee considered and approved the council's 2018/19 Statement of Accounts (SoA). 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. The impact of Covid-19 on the council's finances and the administration of the financial framework is well recorded within various reports, updates and briefings to members. This is an impact on all councils and as such, the national deadline for the approval of the 2019/20 SoA has been amended from July 2020 to November 2020. A special Audit and Governance Committee will be held on 4 November to consider and approve the council's 2019/20 SoA.
- Letter of representation – prior to approving the accounts, committee consider a statement from the council's Head of Finance and Asset Management 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;

- The audit findings for year ended 31 March 2019 were presented to Audit and Governance Committee on 15 July 2019. This was a positive report and concluded that in relation to financial statements these give a true and fair view of the financial position of the Council and its income and expenditure for the year and prepared in accordance with legislation. 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 progress report on the audit of the 2019/20 financial year was presented to Audit and Governance Committee on 22 January 2020. This was mainly a scene setter to advise members on the approach to the audit and an overview of the interim fieldwork. Similar to the council, the work of Grant Thornton has been severely impacted by Covid-19. An audit of the council's 2019/20 SoA is currently in progress and as with most ways of working is being done remotely.

Serious crime framework

The committee received an annual update on the Serious and Organised Crime (SOC) checklist to be used by Local Authorities to assess their serious and organised crime risk. The checklist is a relatively simple and resource light tool. First considered by 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.

It was positive to hear that the council is still considered low risk to the susceptibility of SOC. The work of both internal audit and the Counter Fraud Unit helps support ongoing assurance as to the adequacy of the council's arrangements to remain low risk.

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 updates were examples of how the CFU has supported the Council. These include;

- Delivery of fraud awareness training for staff and Members.
- Processing and investigation of cases identified through the National Fraud Initiative.
- Review of Business Rates valuation list.
- Investigation of benefit related fraud.
- Assisting with disciplinary investigations.
- Assisting with intelligence around enforcement offences such as planning and alleged fly tipping offences.
- The development and update of current and new policies such as whistleblowing, fraud and corruption, corporate enforcement etc.

As part of the operational Covid-19 recovery plan, officers will work with the CFU Manager to review and re-sync the 2020/21 work programme of the team.

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 re-accreditation for 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, training for mental health first aiders
- Robust reporting mechanisms in place for the key contracts e.g. leisure centre, Ubico.

Moving forward into 2020/21 and the annual report due to be presented at Audit and Governance Committee in December 2020. This will no doubt provide an overview on how health and safety work was central to the council's response and recovery to Covid-19.

Risk management

During 2019/20, committee received at each meeting the corporate risk register. The register is a useful tool to demonstrate in a concise manner that corporate risks are being considered and managed. The format of the register is one which is commonly used throughout local government. There is no statutory requirement to have a register in place but it is seen as good practice. It also helps the Audit and Governance Committee fulfil its risk management responsibilities. Internal Audit supports the Audit and Governance Committee in gaining assurance that the risks are being effectively managed. The risk register is currently under review to take account of the new council plan and the impact of Covid-19.

Looking forward

As a committee we will get used to the 'new' norm and continue to operate in a virtual environment. The committee's work programme for 2020/21 has been reviewed and approved so we look forward to receiving the various reports that will hopefully continue to demonstrate how well the council is run. Key reports and activities will be to see the internal audit function back up and running, presentation of the delayed 2019/20 accounts and the updated risk register.

2019/20 Audit and Governance Committee members



Cllr Cate Cody



Cllr Kevin Cromwell
(to 30 September 2019)



Cllr Louise Gerrard



Cllr Pauline Godwin



Cllr David Gray
(from 1 October 2019)



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

