

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit and Governance Committee held remotely on
Wednesday, 23 September 2020 commencing at 2:00 pm**

Present:

Chair
Vice Chair

Councillor V D Smith
Councillor H C McLain

and Councillors:

C M Cody, P A Godwin, D W Gray, P D McLain, H S Munro and P E Smith

A&G.12 ANNOUNCEMENTS

- 12.1 The Chair advised that the meeting was being held under the emergency provisions of the Coronavirus Act 2020 and, specifically, the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020. The meeting was being broadcast live via the internet, it was not being recorded by the Council but, under the usual transparency rules, it may be being recorded by others.

A&G.13 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

- 13.1 Apologies for absence were received from Councillor L A Gerrard. There were no substitutions for the meeting.

A&G.14 DECLARATIONS OF INTEREST

- 14.1 The Committee's attention was drawn to the Tewkesbury Borough Code of Conduct which was adopted by the Council on 26 June 2012 and took effect from 1 July 2012.
- 14.2 There were no declarations made on this occasion.

A&G.15 MINUTES

- 15.1 The Minutes of the meeting held on 29 July 2020, copies of which had been circulated, were approved as a correct record.

A&G.16 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

- 16.1 Attention was drawn to the Audit and Governance Committee Work Programme, circulated at Pages No. 10-20, which Members were asked to consider.
- 16.2 The Head of Corporate Services, advised that the meeting in November was an additional meeting, the main purpose of which was to approve the Statement of Accounts and associated documents; this was usually done in July but had been extended to November due to the COVID-19 pandemic. It was also noted that the annual update on the Council's safeguarding arrangements and the food standards agency audit had both been moved to the December meeting due to the availability of resources in the team. A Member indicated that safeguarding was extremely important and asked for some assurance that the item would not be moved back further. In response, the Head of Corporate Services indicated that this was an annual update and so did not affect the actual operation of the safeguarding arrangements; however, he would do what he could to ensure it was considered at the meeting in December.
- 16.3 In response to a Member's assumption that there would probably be some change in work programmes across the Council in the next three months due to the ever changing response to the pandemic, the Head of Corporate Services agreed that this may be the case. All work programmes were kept under review and some actions could change, for example, Internal Audit resources were likely to be redeployed in the event of a second national, or local, lockdown and, if that happened, the Internal Audit annual report and monitoring report would have to be delayed.
- 16.4 The Committee understood that Officers were doing all they could in these exceptional and unprecedented times. Accordingly, it was
- RESOLVED** That the Audit and Governance Committee Work Programme be **NOTED**.

A&G.17 EXTERNAL AUDITOR'S PROGRESS REPORT

- 17.1 Attention was drawn to Grant Thornton's report, circulated at Pages No. 21-43, which set out the audit findings for 2019/20. Members were asked to consider the report.
- 17.2 The representative from Grant Thornton explained that the report highlighted the progress in delivering its responsibilities as the Council's external auditors. The report also included a summary of emerging national issues that may be relevant to Tewkesbury Borough Council and a number of challenge questions in respect of those emerging issues which the Committee may wish to consider. Page No. 24, flagged up a change in that the audit plan, which had been due to be considered by Committee in March, had been shared electronically on 19 March, because the March meeting had been cancelled due to COVID-19. In addition, a paragraph had been included relating to the significant risks posed by COVID-19.
- 17.3 In terms of the completion of the Statement of Accounts, this deadline had been extended from 31 July to 30 November due to COVID-19 and the Council was on track to sign off by that date. The External Auditor's detailed report findings would be submitted to the November Committee meeting. The value for money work had made good progress with most of the work completed; this would be reported in November. External Audit was awaiting an update of the Medium Term Financial Strategy for COVID-19. Referring to Page No. 25, the Grant Thornton representative advised that the National Audit Office consultation on a new Code of Audit Practice had concluded and, with the new Code having completed its

approval process in Parliament, had come into force on 1 April 2020 for the 2020/21 audit year onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report which would contain commentary on arrangements to secure value for money and any associated recommendations; further details would be communicated to the Committee within the next update. This meant that, from 2020/21 onwards, there would be a change in the value for money reporting; currently the main focus was on the conclusion but from next year, rather than a conclusion, there would be a set of recommendations which would form part of the annual report rather than being a separate audit findings report within the accounts work. Page No. 26 provided an update to the timings of the housing benefit audit which was usually completed by the end of November but had been extended to the end of January 2021 due to COVID-19.

- 17.4 In terms of audit fees, the impact of changes in respect of additional and more robust testing in financial reporting; improvements in financial reporting on items such as property, plant and equipment and pensions; and an increase in the complexity of local government financial transactions and reporting, had been reviewed in terms of both the cost and timing of audits. This had been discussed with the Section 151 Officer, including any proposed variations to the scale fee, and had also been communicated through the audit plan. Public Sector Audit Appointments (PSAA) had now approved the fee variation in principle and the final fees position would be reviewed at the conclusion of the audit.
- 17.5 The impact of coronavirus and any subsequent changes to opinions/reporting requirements had been detailed on Page No. 27. One key thing as part of the final report was the significant area of risk in respect of plant equipment where a material uncertainty report would be issued. This was standard practice and something the Council had in its accounts as a material uncertainty; more information would be provided in the report to the November meeting of the Committee.
- 17.6 Pages No. 29-35, set out several COVID-19 related updates which had been put together by Grant Thornton's Public Sector Audit team using its 'insight tool'. The idea was that this would give the sector an insight into what may happen in the future; although, obviously, information changed quickly so it would continue to be monitored and additional 'insights' reported as appropriate. Page No. 36 onwards set out a general local government sector update and included non-COVID related insights which Members could read for information should they so wish. One thing that had not been included in that update was that the Redmond Review on Local Audit had now concluded – this could be shared with the Committee following the meeting – and had set out a number of high level recommendations which included: that a new regulator should be put into place; scope should be available to amend the audit fee structure as currently it was not always possible to deploy adequate resources; that the September deadline for signing off accounts should be reinstated to enable more time for the audit process; accounts should be simplified and templates reviewed; the role of the authority in recognising and reporting findings needed to be acknowledged; and recognised audit account summaries should be introduced to help the user of the accounts. The review recommendations were not law yet, but the Committee would be kept updated as the process moved forward. In response, a Member queried what the impact of the statement of accounts deadline being changed to November this year would be for next year and whether the new timeframe for the signing of the accounts would be implemented for September 2021. In response, the Grant Thornton representative explained that this year's timescale would not have a significant impact on the work for next year. At this stage it was Grant Thornton's intention to complete the statement of accounts work by the end of September 2021; although, there was no confirmation of the deadline yet. The next stage, in terms of the Redmond Review, was for the Ministry for Housing, Communities and Local Government (MHCLG) to consider the recommendations and they would then be formally consulted upon. It

was clear from the context of the report that pace was a necessity and there was a willingness to see what could be implemented urgently but in the first instance a response was awaited from the MHCLG. It was anticipated that the September deadline would come to fruition, but a statutory process had to be followed to enable that. In terms of the changes to the value for money audit, it was confirmed that the scale fee, set initially by PSAA, did not reflect the new requirements for the work and, as such, had to be amended; an update would be provided to Members in due course which would give a flavour of the new approach.

- 17.7 Referring to the property, plant and equipment trigger date, a Member questioned how the external auditors were assessing the impact, and when the Council would book any potential provisions against the value of assets if COVID-19 had a negative impact in terms of recoverability given that lockdown had come into effect two weeks before year-end. In response, the Grant Thornton representative advised that this was why the report included a significant material uncertainty; all available data had been assessed at the time but there was not enough data in terms of the amount that COVID-19 would impact the value of investments, so the assumptions used by the valuers had been assessed and challenged on what had been done and why. The auditor was satisfied that the valuers had taken into account as much as they could. It had certainly been more difficult because of COVID-19 but every year the values were estimates so the process had largely not changed very much for the current year. The accounts template included a section to report 'post balance sheet events' and, depending on their significance, this was where items were disclosed that occurred after the year-end; those inclusions tended to be discussed towards the end of the audit process. Members were advised of the importance of drawing a distinction between a post balance sheet event and things that happened beyond the balance sheet date but had an ongoing impact.
- 17.8 Members thanked Grant Thornton for the clear and easy to understand report. Referring to the sector updates, a Member questioned whether the section on health and wellbeing was sufficiently covered by 'backlog of operations/diagnosis'. In response, the Grant Thornton representative advised that this was summarised information and not an exhaustive list; however, specific observations about the information were welcomed so they could be fed back to the insights team to help with future reporting. In terms of the environment, a Member felt that opportunities had been missed to capitalise on the lower level of car use during lockdown now they had returned to normal and was of the view that the best and worst case scenarios should be shared with the consultants that were working on the Council's climate change Agenda.
- 17.9 Accordingly, it was
- RESOLVED** That the external auditor's progress report be **NOTED**.

A&G.18 FEE SCALE FOR THE AUDIT 2020/21

- 18.1 The report of the Head of Finance and Asset Management, circulated at Pages No. 44-50, provided the fee scale for the audit in 2020/21 which the Committee was asked to note.
- 18.2 The Committee was advised that, previously, this information had been provided in a letter from Grant Thornton, however, as part of its role, Public Sector Audit Appointments (PSAA) had agreed with the audit firms to inform individual organisations of their forthcoming audit fee rather than requiring the firms to communicate separately. Tewkesbury Borough Council's fee scale for 2020/21 was set at the same level as for 2019/20. Referring to the information provided during the previous Agenda item about the Redmond Review recommendations, the Head of Finance and Asset Management indicated that the review had recommended a

25-30% increase in fees paid by organisations to audit firms; this would be decided by the Ministry for Housing, Communities and Local Government so the Council awaited that outcome as well as information on whether there would be any additional funding for local authorities to cover any increase in fees.

18.3 Accordingly, it was

RESOLVED That the fee scale for the 2020/21 audit be **NOTED**.

A&G.19 REGULATION OF INVESTIGATORY POWERS / INVESTIGATORY POWERS ACT POLICIES

19.1 The report of the Borough Solicitor, circulated at Pages No. 51-101, provided the Committee with a revised Regulation of Investigatory Powers Act 2000 Surveillance and Covert Human Intelligence Source Policy; and a new Investigatory Powers Act 2016 Acquisition of Communications Data Policy. Members were asked to recommend the policies to the Executive Committee for approval and to authorise the Borough Solicitor to approve future minor amendments in consultation with the Counter Fraud Unit Manager and the Lead Member for Corporate Governance.

19.2 The Counter Fraud Unit Manager advised that the local authority was required to have effective policies to enable Officers to gather intelligence and conduct surveillance in line with the law. The policies appended to the report illustrated the authority's consideration of necessity, proportionality and public interest when deciding on surveillance activity and requests for communication data, as well as demonstrating openness and transparency for its customers. The report also provided an update in relation to the authority's existing authorisation arrangements and the outcome of the recent inspection by the Investigatory Powers Commissioner's Office. In future, the Counter Fraud Unit would be responsible for the annual update, any policy refresh, and inspections.

19.3 During the discussion which ensued, a Member questioned how many times the powers had been used. In response, the Counter Fraud Unit Manager explained that the numbers were minimal, but she could email the actual figures to Members following the meeting. In terms of Member oversight, this was not required as it was a criminal investigation process and the integrity of the case had to be preserved; however, once the case was completed, the details would be included in the annual report. Another Member felt that some of the wording in the policies was quite outdated and asked that this be addressed in future. In response, the Counter Fraud Unit Manager indicated that she had simply lifted some of the paragraphs from the legislation, but she would change that in future to ensure the wording was more modern i.e. the use of 'his/her' or 'their' instead of 'his'.

19.4 Accordingly, it was

RESOLVED That it be **RECOMMENDED TO EXECUTIVE COMMITTEE**:

1. That the Regulation of Investigatory Powers Act 2000 Surveillance and Covert Human Intelligence Source Policy, as attached to the report at Appendix 1, be **APPROVED**.
2. That the Investigatory Powers Act 2016 Acquisition of Communications Data Policy, as attached to the report at Appendix 2, be **APPROVED**
3. That the Borough Solicitor be authorised to approve future minor amendments in consultation with the Counter Fraud Unit Manager and the Lead Member for Corporate Governance.

A&G.20 DISCRETIONARY HOUSING PAYMENT POLICY AUDIT PROGRESS UPDATE

- 20.1 The report of the Head of Corporate Services, circulated at Pages No. 102-109, provided an update on the progress made on implementing audit recommendations following a review of Discretionary Housing Payments and an unsatisfactory audit opinion.
- 20.2 The Committee was advised that Discretionary Housing Payments were awarded when a local authority considered that a claimant required further financial assistance towards housing costs and was entitled to either Housing Benefit or Universal Credit towards rental liability. The payments scheme was funded by the government and the Council could top up the funding up to an additional 150% if it so wished. The allocation for the 2020/21 financial year was £142,189. In February 2020, an audit had been undertaken by the Council's Internal Audit Team at the request of the Revenues and Benefits Manager to ensure that awards were being made consistently and only to those demonstrating a real need for financial support. The audit had resulted in an unsatisfactory audit opinion and that report had been presented to the Committee in July 2020. To reassure Members, it was agreed that a report would be brought back to the next meeting with an update on progress against the recommendations.
- 20.3 The Revenues and Benefits Manager advised that, unfortunately, the COVID-19 pandemic had had a significant impact on the Revenues and Benefits team which meant not as much progress had been made on implementation of the recommendations as would have been the case in normal times. The COVID-19 pandemic had also meant that the team had to work around some of the recommendations due to being unable to see residents face to face or accept paper documents in support of applications. In addition, further work needed to be undertaken in case management between benefits and housing to ensure residents were being moved to more suitable accommodation with reduced reliance on Discretionary Housing Payments as these were meant to provide temporary support. The Revenues and Benefits work plan for quarter 2 included these tasks.
- 20.4 Attention was drawn to Paragraph 2.0 of the report which set out the audit recommendations and the progress made to date against each. In terms of recommendation 1, a checklist had been developed to support the collection and assessment of Discretionary Housing Payment information and had been used to assess every application; this had meant that payments were not being made in as many circumstances as previously. In respect of recommendation 2, the policy had been reviewed and non-essential items of expenditure such as alcohol, cigarettes, newspapers and magazines were no longer taken into consideration when assessing an application. Recommendation 3 was that consideration should be given to introducing performance reporting in consultation with the Lead Member for Finance and Asset Management, however, this had been delayed due to the pandemic but it was intended that a meeting would be set up with the Lead Member in October to agree the performance methodology moving forward. Expenditure against the budget was routinely monitored in line with good practice and, if profiled in twelfths, expenditure was significantly less than the previous year which suggested the recommendations were impacting on the level of award. Referring to recommendation 4, the Revenues and Benefits Manager indicated that the independent verification checks on a sample of applications, including a recalculation of the income and expenditure spreadsheet used by the assessors, had also been delayed to some extent by the pandemic. However, the work had now commenced and had been included in the Revenues and Benefits work plan for quarter 2.

20.5 In response to a query regarding non-essential items of expenditure, the Revenues and Benefits Manager explained that, essentially, the calculation was around determining whether or not there was a shortfall so, by including things which were discretionary, awards were being made and people had been benefiting from their lifestyle choices.

20.6 Accordingly, it was

RESOLVED That the Discretionary Housing Payments Audit Progress Report be **NOTED**.

A&G.21 BUSINESS GRANTS POST PAYMENT ASSURANCE FRAMEWORK

21.1 The report of the Head of Finance and Asset Management, circulated at Pages No. 110-113, sought to raise awareness of the significant ongoing work associated with the business grant scheme and the impact that this would have on the internal audit plan as staff resources were redeployed to meet the requirement. The Committee was asked to note the requirements of the business grants post payment assurance framework and acknowledge the impact on the internal audit plan.

21.2 The Head of Finance and Asset Management explained that, over the first five months of the financial year, the Council had been responsible for administering a significant amount of business grants as part of the response measures activated to meet the impact of the coronavirus pandemic. The business grant schemes had now closed to new applications but there remained a significant piece of work to ensure all applicants were compliant with all parameters of the various grant schemes; whilst the Council carried out a number of relevant checks prior to payments of grants, the framework set out by the government required further checks to be made. The resources necessary to undertake those checks had been assessed and significant additional resources would be needed to fulfil the requirement. When discussing the deployment of resources, the Management Team had agreed that the benefits of retaining one full-time equivalent from the Internal Audit team to oversee this important piece of work outweighed the risk to the internal audit plan in the second half of the year.

21.3 The Committee was advised that, in response to lockdown measures, the government had introduced a range of support measures for businesses affected by the lockdown. Of the financial measures introduced, local government was specifically responsible for the administration of two of them; the award of business rates relief for retail premises and the award of a range of grants targeted at specific sectors within the business community. To date, the Council had awarded over £10.3 million of additional business rates relief in the current financial year. A range of business grants schemes had been administered by the Council during the year including: Retail, Hospitality and Leisure Grants; Small Business Grants; and Discretionary Grants. All those schemes closed to new applications on 28 August although there remained a few grants being processed within the scheme - to date £17,010,000 had been paid to 1,461 grant applications and £862,980 paid to 87 discretionary grant applications. Significant resources had been redeployed from a number of services across the Council to meet the demand but, as the schemes had drawn to a close, the majority of those resources had been released with only a few key individuals retained to complete the process of grant payments. The post assurance phase would now have to begin, and this would, again, require significant resources to ensure it was delivered within the scheme requirements. The work undertaken upfront had reduced the post assurance work required; however, there would still be a significant amount of work going forward. Staff from Internal Audit had played a crucial role in the initial payment of grants and the development of

payment assurance plans and, whilst staff were being identified from Corporate Services and Finance and Asset Management to undertake the role of assessors, it was felt that an Internal Auditor would be best placed to act as the senior assessor to oversee the day to day work of the group. In due course, self-isolation payments would be made by local authorities so the payments team would have to be stood up again for those.

21.4 A Member questioned who determined how the discretionary payments were made to businesses; she was concerned that a number of businesses which were run from home had not received any grants even though they had no income but still had costs to pay out. In response, the Head of Finance and Asset Management acknowledged that some businesses had not been eligible for the original grant scheme and, unfortunately, the parameters of the discretionary scheme set by the government had not left very much discretion for local authorities. It had been suggested that there may be further grants from government, but the parameters for those had not yet been provided; he assumed they would likely be directed at the hospitality and leisure sectors.

21.5 Accordingly, it was

RESOLVED That the requirements of the business grants post payment assurance framework be **NOTED** and the impact on the internal audit plan acknowledged.

A&G.22 INTERNAL AUDIT SIX MONTH PLAN 2020/21

22.1 The report of the Head of Corporate Services, circulated at Pages No. 114-118, set out the Internal Audit Six Month Plan 2020/21 which Members were asked to approve.

22.2 The Committee was advised that the Public Sector Internal Audit Standards REF 2010 (Planning), required that the Chief Audit Executive be responsible for developing a risk-based plan, and REF 2030 (Resource Management) required the Chief Audit Executive must ensure that Internal Audit resources were appropriate, sufficient and effectively deployed to achieve the plan. In addition, the Terms of Reference of the Audit and Governance Committee required Members to consider a summary of proposed internal audit activity.

22.3 The Head of Corporate Services explained that, in accordance with the previous Agenda item, moving forward there would only be one full time equivalent Internal Auditor (made up of two part-time Officers) so, the six month plan was caveated that it should be achievable unless there was a second national, or local lockdown meaning those resources needed to be diverted into response mode. The plan included 80 audit days net which allowed for weekends, bank holidays, training, sickness and leave. There were a number of items in the plan which had been included following discussion with Officers: creditors – a back to basics audit to ensure authorisation controls remained in place and expenditure was justified; sundry debtors – to ensure debts were raised in all areas; business rates and the Local Council Tax Housing Allowance Scheme – to check validity of business rates accounts and payments made to those receiving Council Tax Reduction Scheme payments; and S106 Agreements – to ensure there was a robust scheme for administration of S106 Agreements. The Head of Corporate Services indicated that he would ensure the Committee was kept updated of any changes.

22.4 Accordingly, it was

RESOLVED That the Internal Audit Six Monthly Plan 2020/21 (October to March), as detailed in Appendix 1 to the report, be **APPROVED**.

A&G.23 AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2019/20

23.1 The report of the Chief Audit Executive, circulated at Pages No. 119-132, attached the Audit and Governance Committee's Annual Report 2019/20 which Members were asked to approve. The report would then be submitted to Council as required by the Constitution.

23.2 The Committee was advised that the production of an annual report was good practice and helped demonstrate the broad coverage of activities that the Committee had been informed of, reviewed and challenged during the year. The Head of Corporate Services expressed the view that the report captured the activities of the Committee, but the comments of the Committee were welcomed. Any amendments felt necessary would be updated to Members through the Chair's presentation of the report at the Council meeting.

23.3 It was

RESOLVED That the Audit and Governance Committee's Annual Report 2019/20 be **APPROVED**.

The meeting closed at 3:15 pm