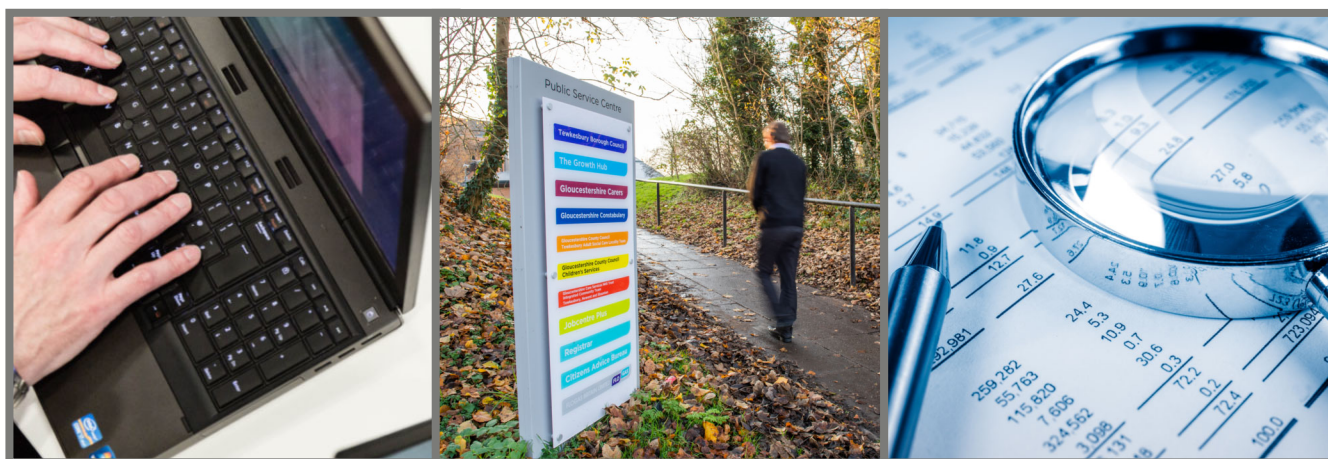


Audit and governance committee annual report

2020/21



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Message from the Chair of Audit and Governance Committee



Councillor Vernon Smith

Welcome to the annual report of the Audit and Governance Committee. Firstly and obviously, it would be remiss of me not to mention the impact of the Covid-19 pandemic on the committee and the services which report into it. Like other council

meetings, the committee has had to meet in a virtual world. I would like to personally thank the Democratic Services Team and ICT team for jointly supporting the meetings and related chair's briefing going as smoothly as possible.

As I have reported previously, I really appreciate the committee's breadth of work. The remit of the committee dispels 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, governance and risk environment. For example, the committee has received reports on; the council's arrangements to combat serious and organised crime, business grants post assurance framework, the council's safeguarding arrangements, results of a Food Standards Agency (FSA) audit, corporate risk including a report on managing the risk relating to the Ashchurch Bridge project.

In terms of the services which provide the committee with the necessary assurance that processes and practices are working as they should be, the pandemic has brought significant challenge. The work of the internal audit team is the main

source of assurance that the committee rely upon. Since the outset of the pandemic, the team have been re-deployed to the business cell to support the administration of business grants. Over £30 million has been paid to date, a truly magnificent effort by all services represented within this cell. This is much needed financial support to our business community. With such importance on the internal audit team supporting the committee's effectiveness then the team's recovery during the forthcoming year is critical.

The committee also receive assurance from our external auditors, Grant Thornton. They provide an opinion on the accuracy of the council's statement of accounts and on our general value for money arrangements. Both received positive feedback. This is a glowing reference for the Finance team. This was achieved with the team working virtually, with resources also deployed to the business cell, together with the added complexity of continually monitoring the budget and completing a plethora of government returns as a result of the pandemic. It is worth noting that the Local Government Association (LGA) Peer Challenge Team commented how technically strong this team is.

Looking ahead, it will be refreshing to return to some form of normality. I look forward to seeing fellow Members and officers in face to face meetings, the internal audit team back up and running and building on the previous success of the committee. There is a great opportunity for the committee to support the council through its future challenges as it emerges from the Covid-19 pandemic.

Finally, I thank all of the committee and officers for the support they provided 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 seeks 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 and initiatives made to the governance framework during the year and for 2020/21 these include:

- Using the new digital platform (Liberty Create) improvements have been made to the reporting framework for complaints and Freedom of Information requests.
- Approved a new Regulation of Investigatory Powers policy.
- A management assurance report on how the internal control environment, risk and governance has been managed during the pandemic.
- The successful deployment of virtual committee meetings.
- The development and approval of a Covid-19 Corporate Recovery Plan.
- Approval of an action plan to deliver recommendations made from the LGA Peer Challenge report.
- Review and approval of a new communications strategy and customer care strategy.

The AGS also identifies any significant governance issues arising. The committee then receives progress reports on the resultant action plan. Issues identified in last year's statement include Community Infrastructure Levy governance arrangements, administration of Discretionary Housing Payments, implementation of a new GDPR action plan and undertaking a lessons learnt exercise in relation to the council's response to Covid-19. The 2020/21 AGS is currently being drafted.

Effectiveness of Audit and Governance Committee

The LGA Corporate Peer Challenge report produced in March 2020, complimented the council on its member induction programme. The induction has provided a solid foundation to help members of the committee to settle in. The current membership has now been established for two years. Moving forward into this financial year and once the internal audit team is up and running then they will re-engage with the Chair and Vice-Chair of the committee and the Lead Member for Corporate Governance to provide an overview of internal audit activity. Further training and development for the committee will be considered where appropriate. Over the last couple of years, initiatives put in place to support the effectiveness of the committee include:

- 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 – to include 'governance'.
- Increased committee membership - 7 to 9 members.
- More detailed training on the Statement of Accounts

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 the Public Sector Internal Audit Standards (PSIAS). It is the responsibility of the Chief Audit Executive (the Head of Corporate Services is the council's designated CAE) to ensure compliance with these standards. For 2020/21, the impact of Covid-19 led to factors outside of the control of the CAE to ensure this compliance. The deployment of the internal audit team to the Business Cell meant there was no internal audit work undertaken during the year therefore making the team non-compliant with the standards. This needs to be offset though, with the fantastic support given by the team to ensure the success of the business grants administration.

Internal Audit team - recovery of service

The recovery of the internal audit function is reflected within the council's corporate recovery plan. This plan was approved in August 2020 and is monitored on a quarterly basis by the Overview and Scrutiny Committee. It was anticipated the function would be operative at some point during 2020/21. In hindsight, a very optimistic first target date was reported through the recovery plan. What was not envisaged was the ongoing grants offered by central government, the complexity of those grants and the post grant assurance framework.

The recovery actions detailed within the recovery plan relate to :

- The production of a new six monthly audit plan (this was approved by Audit and Governance Committee in September 2020 but as detailed the resource has not been available to deliver it)

- Review the whole suite of internal audit recommendations to determine if recommendations remain relevant and timescales for implementation remain feasible (this was reviewed in September 2020 with new dates agreed but this will need to be re-reviewed)

An additional action which sits within the Corporate Services service plan for 2021/22 is to review the internal audit Quality Assurance and Improvement Programme (QAIP). This is a document which provides an overview of how the team undertakes its work and an associated action plan to deliver identified improvements. Whilst the majority of improvement actions were suspended in 2020/21 it is positive to report that an action on a team member obtaining a professional qualification is progressing well.

It is also positive that as part of the council's budget setting for this financial year that an allocation of £10,000 was approved for the undertaking of ICT audit work. Corporate Leadership Team have also committed a further £35,000 from new burden's funding to support the teams' recovery. This will enable additional resource to be brought in, particularly as one member of the team remains deployed within the business cell. It is anticipated that one member of the team will be operational with effect from July 2021.

Financial reporting

Finance is an integral part of the committee's remit. In relation to financial matters, the committee has received and considered the following reports: -

- At the meeting held on 29 July 2020, the committee considered and approved the accounting policies to be used to prepare the 2019/20 financial statements. The policies used

are in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting. This generated questions from the committee around the classification of investments and how their liquidity was recognised within the financial statements.

- On 23 September 2020, a report was presented explaining the requirements of the business grants post payment assurance framework. This explained the arrangements in place to ensure beneficiary and eligibility checks were in place to ensure that payments of grants were made appropriately and accurately. The report detailed the significant amount of resource deployed from various services not just on the assurance framework but on the general administration of grants. To date, over £30 million has been paid to businesses.
- On 4 November 2020, the committee approved the council's statement of accounts. The deadline for the production of accounts had been extended nationally from 31 July to 30 November as a result of the pandemic. An excellent training session was held for committee members prior to the meeting to explain in layman's terms the technical details of the financial information.
- Also on 4 November, the committee approved the 2019/20 letter of representation. The letter formally and publicly confirms the accuracy and completeness of the presented Statement of Accounts. The letter sets out assurance from the Council to Grant Thornton that relevant accounting standards have been complied with. It also gives assurance that the Council has disclosed information where to withhold it would have undermined the accuracy and reliability of the Statement of Accounts.

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. Management team and members of the committee have an excellent and constructive relationship with the Grant Thornton team. A summary of their findings during the year were as follows;

- The audit findings for year ended 31 March 2020 were presented to Audit and Governance Committee on 16 December 2021. 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. They also provided commentary on the work performed by the Finance Team, particularly in relation to the quality of working papers submitted and responding promptly and efficiently to any queries raised – a fantastic achievement by both parties as the majority of the work was undertaken remotely. They were also satisfied that, in all significant aspects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
- Committee also receive progress reports from Grant Thornton on their work programme and this includes sector updates. With regards to the latter, this provides useful research and reading material on such issues as Covid-19 recovery, housing, financial scrutiny, local government audit ('Redmond Review') etc.
- They have also recently signed off the council's Housing Benefit subsidy claim totalling nearly £20 million. Only minor errors were identified – testimony to the good work of the council's housing benefits team.

Serious crime framework

The committee receives an annual update on a Home Office Serious and Organised Crime checklist. This is used nationally 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 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.

There was a collective opinion that the Council is low risk in terms of being susceptible to such crime; however, we need to remain vigilant. An action plan has been developed to maintain awareness to any potential threat and good progress has been made. Outstanding actions will be progressed by the Counter Fraud Unit and internal audit when they become fully operational.

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. The updates include: -

- Development of a new Corporate Enforcement Policy – this was approved by Executive Committee during the year.

- Supporting work streams relating to the COVID-19 pandemic by providing advice relating to fraud risk and abuse, most significantly in relation to business grants.
- Visiting business properties to check the accuracy of the business rate's database.
- Processing and investigation of cases identified through the National Fraud Initiative.
- Development of a new Regulation of Investigatory Power Act (RIPA) policy.
- Commenced a review of the housing list.
- Drafted a new money laundering policy – this will come forward for approval shortly.

Risk management

At each committee, the corporate risk register is considered. The register is a useful tool to evidence that corporate risks are evaluated and managed. The format of the register is commonly used in local government. There is no statutory requirement to have a register but it is seen as good practice and supports the committee to fulfil its risk management responsibilities. Normally, internal audit would support the committee in gaining assurance that the risks are being effectively managed but as explained the internal audit team remain re-deployed. When reviewing the register, the committee asked for an individual report on the management of risk in relation to the Ashchurch railway bridge project. A report was subsequently presented by a member of the Garden Town team and provided an informative update on the progress of the project, including expenditure incurred to date, the impact of the programme delays caused by COVID and a review of the specific risks featured within the risk register.

Other governance updates

The updates received from the Head of Community Services on the council's safeguarding arrangements and the Principal Environment Health Officer on the outcome of a Food Standards Agency (FSA) audit further demonstrate the variety of subject areas considered by the committee.

With regards to safeguarding it was explained there had been significant changes to the landscape of children's safeguarding in recent years. The report presented to committee set out the arrangements for the Council and how it fulfilled its duties in terms of both children and adult safeguarding. The committee also welcomed the Business Manager for the Safeguarding Children Executive to the meeting to provide an update and to advise of the developments which were taking place. The representative explained that the legislation for safeguarding children had changed in 2018 when primary responsibility had moved from the County Council to a collective, shared and equal responsibility across all partner agencies. The arrangements had been published in April 2019 in the 'Working Together' document which could be found on the Gloucestershire Safeguarding Children Executive's website. This included the local arrangements intended to achieve collective effectiveness of local child safeguarding; the effective sharing of information to facilitate more accurate and timely decision-making; the statutory duty for child safeguarding practice reviews and child death reviews being met; the setting out and monitoring of multi-agency policies and procedures; schools and agencies being held to account under Section 11 of the Children Act 2004 and Section 175 of the Education Act 2002; and multi-agency learning being promoted and embedded. Members thanked the representative for his thorough presentation and felt there was a lot of cohesive work ongoing which was great news.

With regards to food standards, the committee was advised that the Food Standards Agency (FSA) undertook periodic audits of local authorities to determine performance against the framework agreement and the Food Law Code of Practice. In October 2019, the FSA had undertaken an audit of the Council's performance with respect to approved food establishments. These establishments are those that required specific approval from the Council in order to place their products on the market and display a unique identification mark which was issued by the Council. The Council currently had eight approved premises including a large dairy, a meat products manufacturer and an international shellfish exporter.

The positive observations from the audit included the development of a service plan which followed the guidance in the framework agreement; the development and implementation of an officer competency matrix system; the development and implementation of locally documented procedures for approval of establishments; completion by officers of the required hours of continuous professional development; establishment of file checks that appropriate interventions had been conducted in accordance with relevant guidance; investigation and appropriate follow-up of a complaint against an approved establishment; formal enforcement action being taken against an approved establishment; and food premises file records being accurate, easily retrievable and a representation of good practice.

Areas for improvement were also identified and included a recommendation that the service plan should include a comparison of the resources required to deliver the plan against the resources available and identify any resulting shortfall; the Scheme of Delegation must provide senior officers with the power to sign-off the annual food service plan; officer's authorisations should specify necessary restrictions to reflect officers' training, qualifications and experience; a documented procedure should be developed and

implemented to ensure the food database was accurate, reliable and up to date; the compliance of establishments and their systems should be assessed to the legally prescribed standards and microbiological testing should be carried out in accordance with Regulation (EC) 2073/2005; and the council should update its internal monitoring procedures to consider the full range of food enforcement activities carried out and develop a risk-based internal monitoring approach. The committee noted the action plan to deliver these improvements and progress in implementation would be followed up by internal audit.

Looking forward

I'm sure I speak for the rest of the committee as well but I am very much looking forward to face to face meetings and return to some sense of normality. It will be reassuring to have the internal audit team back up and running during some point of the year. I would personally like to thank all those officers involved within the administration of business grants as this has been a significant and prolonged piece of work. To pay out over £30 million is a brilliant achievement, hopefully there is light at the end of the tunnel and all officers can return to their normal duties. Finally, moving forward into 2021/22 to obtain assurance that our policies, procedures and systems remain as effective as they were pre-Covid.

2020/21 Audit and Governance Committee members



Cllr Cate Cody



Cllr Louise Gerrard



Cllr Pauline Godwin



Cllr David Gray



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

