

# Audit and governance committee annual report

## 2021/22



# contents

|   |   |
|---|---|
| Message from the Chair                                  | 1 |
| The role of Audit and Governance Committee              | 2 |
| Work undertaken by the Committee                        | 2 |
| Internal audit - public sector internal audit standards | 3 |
| Service recovery  | 3 |
| Financial reporting                                     | 3 |
| External audit assurance                                | 4 |
| Gloucestershire County Fraud Unit update                | 5 |
| Risk management   | 6 |
| Other governance updates                                | 6 |
| Looking forward   | 7 |
| Committee members                                       | 8 |



## Message from the Chair of Audit and Governance Committee



*Councillor Vernon Smith*

Welcome to the annual report of the Audit and Governance Committee. Previous years' reports have featured on the impact of the Covid-19 pandemic, both on the committee needing to meet virtually and the overall impact on the council's services. It

is positive to see us emerging from the pandemic and returning to a sense of normality. In particular, it is encouraging to see the internal audit team operational again following the winding down of the business cell as the administration of business grants has come to an end. The lack of internal audit activity has been picked up by our external auditors when concluding their annual audit opinion and a formal recommendation made. The work of the internal audit team is the main source of assurance that the committee relies upon, and I look forward to receiving their audit reports during the course of the year.

It would be remiss of me not to mention again the work of the business cell who administered nearly £32 million of business grants over the course of the pandemic. A fantastic effort and much needed financial support to our business community. Despite the closedown of the business cell, a number of officers from this cell are now in the middle of administering the government's 'council tax/energy rebate scheme' – another monumental effort to pay an estimated 32,000 of our residents, the rebate of £150.

The committee also receives 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. In terms of the statement of accounts, yet again, they provided a glowing reference for the Finance team. Working in the main remotely, 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 they still produced an accurate set of accounts, promptly. A remarkable achievement.

Looking ahead, it will be refreshing to return to normality. Face to face meetings recommenced during the year, as mentioned the internal audit is back active and the committee's work programme is extensive. There is a great opportunity for the committee to support the council through its future challenges as it emerges from the Covid-19

Finally, I thank all the committee and officers for the support they have 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, 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 several sources including internal audit, external audit, the finance team and the Counter Fraud and Enforcement Unit.

## Work undertaken by the Audit and Governance Committee

### Annual Governance Statement (AGS)

It is a statutory requirement that the council publishes an AGS and the statement is approved by the committee. In layman's terms, the document reflects the state of play in relation to the council's overall governance arrangements and 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. This is not an exhaustive list and for 2021/22 these include:

- Implementation of a new 'Have Your Say' (4 Cs) approach for our residents – compliments, comments, concerns and complaints.
- Review and approval of governance related policies and strategies. For example, procurement strategy, social media policy, supporting attendance policy, proceeds of crime and anti-money laundering policy, environmental health and enforcement policy etc.
- Implementation of service-related reviews such as Development Management and Licensing (with governance related work streams).
- Undertaking of a Community Governance review.
- A management assurance report on how the internal control environment, risk and governance has been managed during the pandemic – presented at Audit and Governance Committee.
- A lessons-learnt report from the Covid-19 response – presented at Overview and Scrutiny Committee.
- On-going monitoring of the Covid-19 Corporate Recovery Plan and strategic Council Plan.
- Undertaking of a residents' survey.

The AGS also identifies any significant governance issues arising. The committee then receives progress reports on the resultant action plan. For 2020/21, the committee received updates on actions such as the recovery of internal audit, administration of Discretionary Housing Payments, and implementation of the CIPFA Financial Management Code. New actions arising from 2021/22 will form the basis on an updated action plan.

## 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.

As with 2020/21, for 2021/22, 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. The team could therefore not demonstrate compliance with the standards. The overall deployment of the team, away from its normal work activities was also identified within Grant Thornton's 2020/21 annual report as a significant weakness within the council's governance arrangements. A robust management response was issued explaining the decision to deploy internal audit within the business cell and this was supported by the committee.

## Internal Audit team - recovery of service

The recovery of the internal audit function is reflected within the council's corporate recovery plan and at the time of writing the team is now operational, which is positive news. Recovery actions associated with the wider recovery of the team include:

- The production of a new six-monthly audit plan that was approved by Audit and Governance Committee in March 2022.
- The production and approval of a new Quality Assurance and Improvement Programme (QAIP).
- All outstanding recommendations made by internal audit have been reviewed and new implementation dates agreed with responsible officers.
- For added resilience, to look at the feasibility of creating an apprentice position within the team.
- For future audit planning, to undertake a complete risk assessment of the council's internal control environment.
- Additional resource to be deployed within the team for the second half of the year.

## Financial reporting

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

- 21 July 2021 - A report from the head of finance and asset management on the fee for the audit of the 2021/22 accounts. Members were asked to consider the fee scale of £37,589.
- 15 September 2021 - the committee approved the 2020/21 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.

- 15 September 2021 - the committee considered and approved the council's statement of accounts. 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. At the meeting itself it was explained in preparing the accounts, the pandemic brought about specific challenges, particularly around the continuation of grant schemes, business rate reliefs and other COVID-19 related returns which added to the technical knowledge and resources needed within the accountancy team. The Finance team worked tirelessly throughout and even agreed to complete the accounts earlier than the 31 July 2021 deadline to facilitate an early audit window for Grant Thornton.
- 15 December 2021 - the committee considered and recommended to Council that the Public Sector Audit Appointments (PSAA) invitation to 'opt-in' to the sector-led national scheme for the appointment of external auditors for the five financial years commencing 1 April 2023 be accepted. This was subsequently approved by Council.
- 24 March 2022 - committee approved the accounting policies to be used to prepare the 2021/22 financial statements. The policies used comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting. COVID-19 has had a significant impact on the wider economy and the Council over the last year, impacting on the accounts production process but has not changed the accounting policies directly and the Council has continued to apply all policies in the same way.

- 24 March 2022 - the committee was presented with an assessment on how as a council we are complying with the CIPFA Financial Management Code. The code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, it requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities, and circumstances. The council's external auditors will, from 2021/22, have regard to the code and will be looking to ensure that the council is meeting the requirements of the code. If compliance with the code is not demonstrated, the council's financial sustainability could be brought into question which in turn could result in a negative impact on its reputation with stakeholders. Committee was pleased that good progress is being made towards compliance and an annual update will be provided moving forward.

### 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;

- On 21 July 2021, Grant Thornton presented their report 'Informing the audit risk assessment for Tewkesbury Borough Council 2020/21'. The purpose of this report is to contribute towards the effective two-way communication between the council's external auditors and the council's Audit Committee, as 'those charged with

governance'. The report covers some important areas of the auditor risk assessment where they are required to make inquiries of the Audit Committee under auditing standards. The report includes a series of questions on areas such as accounting estimates, fraud arrangements, general management overview etc and require a management response. The committee considered these responses and were satisfied they are consistent with its understanding of those arrangements.

- At the same meeting as the above, Grant Thornton updated the committee on their audit planning process. Their report essentially provides an overview of the planned scope and timing of the statutory audit. Following questions around the amount of the annual audit fee, the length of the external assessment and pension liability the plan was noted.
- The audit findings for year ended 31 March 2021 were presented to Audit and Governance Committee on 15 September 2021. This was essentially an interim report, as all work had yet to be concluded. The report did confirm though the accuracy of the year-end financial statements and paid compliment to the excellent engagement with the finance team who responded to queries and provided data promptly. The whole exercise was completed remotely, an excellent achievement from all parties. A final report was presented to committee in March 2022, which confirmed an 'unqualified opinion' i.e. positive outcome on the financial statements. Several recommendations were made in relation to the council's 'value for money assessment'. As highlighted previously, the lack of internal audit work was deemed a significant governance issue and there was a recommendation around the arrangements for securing financial sustainability into the medium term. Work has already started on their implementation, which is positive news.

Committee also receives progress reports on its work programme and this includes sector updates. With regards to the latter, this provides useful research and reading material on such issues as climate change, cyber security, Covid-19 recovery etc. With regards to cyber security, an intended presentation to committee was extended to all members. This was well received and expressed the importance for all to understand the risks and challenges this presents to the council.

### Counter Fraud Unit and Enforcement (CFEU) update

The committee receives a six-month update on the work of the unit, from the head of service. The CFEU 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 included:

- 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.
- A completed review of the Housing List.
- Processing and investigation of cases identified through the National Fraud Initiative.
- General fraud referral work.
- The unit is also pivotal to the effectiveness of the policy framework and during the year has presented updated policies on proceeds of crime and anti-money laundering policy and use of the internet and social media in investigations and enforcement policy. The CFEU also support the council in complying with the government's serious and organised crime checklist.

## 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. 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. During the year, members of the committee have sought assurance that the risks are being managed effectively. There have been numerous questions, particularly on; cyber security, climate change, garden town, waste transfer station and financial sustainability, plus members putting forward other risks for inclusion such as the improvements to the Development Management review and lack of a five-year land supply. Overall, the reporting of the register has generated good discussion and debate and is a welcomed document.

## Other governance updates

### Health and Safety Annual Report

Members were provided with a summary of the activities carried out to secure health and safety compliance in the financial years 2019/20 and 2020/21m and were asked to consider the adequacy of the council's health and safety arrangements. The head of community services explained that COVID-19 meant it had not been possible to present this report to the committee during the previous year, therefore, the current report covered a two year period. A significant number of risk assessments in relation to COVID-19 had taken place over the period and these were detailed within the report. These included assessments on emergency rest centres, polling stations for elections and significantly, on the return to the offices and the safe re-opening of council buildings.

Members were pleased to hear about the support given to staff during the pandemic, in particular on mental health. Before the pandemic, a lot of work had been done around mental health and the council had been given a Workforce Wellbeing Charter accreditation where it had been evaluated as 'excellent' in five of eight workstreams, one of which was mental health. During the pandemic, this good foundation has been built upon. For example, a range of mental health training has been provided over the last 18 months, a wellbeing zone created on the intranet, and regular staff 'pulse' surveys carried out etc. Overall, the committee felt the approach was very positive and wished to thank the staff on behalf of the committee for their hard work and effort during the pandemic. The committee felt strongly that it was so important to look after staff as much as possible, even more so in the unprecedented circumstances brought about by the pandemic which continued to prevail.

### Annual Safeguarding Update

The annual report was presented to members to give assurance on the level of the council's compliance with its safeguarding duty and to note the Section 11 self-assessment submission to the external assurance panel. The Section 11 process is a statutory requirement and focuses upon four areas: leadership and accountability; safe recruitment, induction, training and development, safeguarding policies and procedures, and listening to children and young people. The head of community services confirmed he had attended the panel on 16 November 2021 where he had been questioned in relation to the content of the council's submission and was pleased to report that no issues had been identified.

Attention was drawn to the part of the report which set out that 14 safeguarding cases had been raised internally during 2020/21:

- Two needed to be referred to social care
- Two had been dealt with in partnership with the neighbourhood policing team
- Two multi-agency meetings had been called by the council in light of the concerns raised
- Four cases had become ongoing child protection cases which had been attended by a member of staff to advise from the council's perspective.

The cases raised came from a good cross-section of council departments which demonstrated that officers had a good understanding of their safeguarding responsibilities.

### Data Protection Officer's Annual Report

The report provided details of actions undertaken during the year to ensure broad compliance with the General Data Protection Regulation (GDPR). This included a lot of work around staff communications, particularly in terms of preventing and reporting data breaches. It was noted there had been 20 recorded breaches during the year, of which 19 were categorised as low risk and one as medium risk. In addition, an e-learning platform has been rolled out to staff and training provided on the importance of retention and redaction of information. Given the council's transformation ambitions and associated projects, significant support has been given on the formulation of Data Protection Impact Assessments. For example, COVID-19 grant support schemes, digital recruitment, HR self-service, Land Registry migration, new digital platform, and paperless billing.

The report also provided an overview of the excellent work of the Business Transformation Team. The team has developed a management system for logging and responding to data requests from residents. These are increasing in number with 64 received over the last year. Moving forward into 2022, work will be focussed on activities such as the implementation of the new website project; implementation of an information

classification project; undertaking a review of key policies such as the overarching Data Protection Policy and providing support to ICT related policies e.g. cyber security; and, for the internal audit team to assess whether lessons learnt with regard to breaches were implemented and test that data was being retained in accordance with the corporate retention policy.

The borough solicitor explained that ensuring compliance with data protection requirements was a continuous process and having a single point of contact through the Internal Audit and GDPR officer had been invaluable in securing and monitoring the council's development and compliance. The council's record of breaches was low and none had been categorised as high risk but it was important to ensure that the arrangements were kept under review and that the action plan was delivered in order to ensure continued compliance. It was an officer view the action plan was robust and the council was doing the very best it could. The report was noted.

### Looking forward

It certainly looks like a case of onward and upwards as we continue our recovery from the pandemic. As I did last 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. In addition, it will be fantastic to have the internal audit team back up and running and support the committee in gaining assurance that our policies, procedures, systems remain as effective post-Covid-19 as they did prior to the pandemic

## 2021/22 Audit and Governance Committee members



Cllr Cate Cody



Cllr Louise Gerrard  
(Member until  
September 2021)



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

**Alistair Cunningham**  
**Chief Executive**  
Tewkesbury Borough Council

