

TEWKESBURY BOROUGH COUNCIL

Minutes of a Meeting of the Audit and Governance Committee (Special) held at the Council Offices, Gloucester Road, Tewkesbury on Monday, 12 December 2022 commencing at 2:00 pm

Present:

Chair	Councillor V D Smith
Vice Chair	Councillor H C McLain

and Councillors:

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

A&G.31 ANNOUNCEMENTS

- 31.1 The evacuation procedure, as noted on the Agenda, was taken as read.
- 31.2 The Chair advised that the next meeting of the Committee, due to take place on Wednesday 22 March 2023, had now been moved to Thursday 23 March 2023 at 2pm.

A&G.32 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

- 32.1 Apologies for absence were received from Councillor J P Mills. There were no substitutes for the meeting.

A&G.33 DECLARATIONS OF INTEREST

- 33.1 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.
- 33.2 There were no declarations made on this occasion.

A&G.34 EXTERNAL AUDITOR'S AUDIT FINDINGS

- 34.1 Attention was drawn to the external auditor's audit findings for 2021/22, attached at Pages No. 1-39. Members were asked to consider the report.
- 34.2 The Engagement Lead from Grant Thornton advised that the report summarised the findings from the audit of the Council's financial statements and highlighted its responsibility under the International Standard on Auditing (UK) 260 to present the observations arising from the audit to those charged with governance to oversee the financial reporting process. At the time the report was issued, there were a small number of items outstanding which were listed in the bullet points at Page No. 3 of the report and she confirmed that all but one in relation to the housing benefits income had been resolved; it was not anticipated this would cause any problems in terms of the accounts and it was expected that the audit opinion would be unmodified with no qualifications - this was a good, clean opinion. Page No. 4 of the report set out Grant Thornton's statutory responsibilities and, with regard to the value for money work, in line with previous years, the National Audit Office had given some

flexibility in order to prioritise work on the Statement of Accounts. It was expected to bring the report around the value for money work to the next meeting of the Committee. The draft audit opinion was included at Appendix E to the report and she wished to highlight that, given that the value for money work was ongoing, work had yet to be completed in relation to the significant weakness identified in last year's audit. As such, it was necessary to tweak the wording to recognise the fact that the value for money work was ongoing so it could not be confirmed if that issue had been resolved but she stressed there would be no formal statement as to whether it remained a weakness or not. In terms of the details of the report, Page No. 6 set out the materiality levels for the financial statements and these remained the same as when they were reported in the Audit Plan in July. Page No. 7 onwards highlighted things in relation to all significant risk areas and particular attention was drawn to Page No. 8 and the work which had been done in relation to property, plant and equipment where one small adjustment of £602,000 had been identified in relation to the input of revaluations made in year. Page No. 9 related to the valuation of the pension fund net liability and Members were advised that, at the time the report was issued, Grant Thornton was awaiting its assurance letter from the Gloucestershire Pension Fund auditor – this had now been received and there were no exceptions to highlight. In terms of new issues and risks, as set out at Page No. 10 of the report, there was a small issue in relation to the cut off timing for how grants were recorded in the financial statements as one item related to the 2022/23 financial year but had been recognised in the current year. Further testing in relation to the recognition of grants had been undertaken to ensure this was an isolated incident and no further issues had been identified. It was noted there had been some issues with the working papers this year, in particular, the papers supporting note 8 to the account included several errors, which significantly overstated the balance in the note due to double counting of transactions, and evidence provided for testing of year-end payment made and received was initially insufficient and required re-working by Finance Officers resulting in additional audit time.

- 34.3 It was noted that Grant Thornton was required to confirm its independence, as set out at Page No. 22 of the report. This was the sixth year of Grant Thornton's appointment to work with the authority and the ethical standards allowed an engagement partner to operate for up to seven years. The Public Sector Audit Appointments (PSAA)'s policy was that the term of appointment should be for an initial period of five years and formal approval was needed to extend this to six or seven years. Whilst this was not an ethical threat, given the level of familiarity with the authority, an additional assessment had been undertaken to review the work of the Engagement Lead before issuing the final opinion. Confirmation was provided that Grant Thornton did comply with the requirements of the ethical standards. In terms of the appendices to the report, Appendix A set out the action plan and Appendix B provided an update on the follow-up of prior year recommendations. Appendix C set out all non-trivial misstatements and there was nothing of particular concern to bring to Members' attention in terms of adjustments. Appendix D set out the final fees for the work undertaken which varied from the proposed fee in the Audit Plan as, at that point, it had included an additional £5,000 in relation to carrying out the audit remotely; however, as it had been possible to work on-site, this had been refunded. Notwithstanding this, a lot of additional audit testing had been required in relation to the working papers which had required extra audit resource and had resulted in an additional fee of £6,500. Overall, the fee had risen by £1,500 from that proposed at the planning stage. Appendix E provided the draft audit opinion, subject to the areas which had been highlighted earlier.
- 34.4 A Member drew attention to Page No. 10 of the report which stated that the provision of high quality working papers had not been achieved in some areas and she asked why that was the case. In response, the Audit Manager from Grant Thornton stressed this was a minority of the papers presented with the majority

continuing to be of good quality. The general experience, as in previous years, was that staff were very helpful and willing to assist. In terms of the issues with the papers, as highlighted, there had been some errors in relation to Note 8 in the accounts which related to expenditure and income analysed by nature; however, this had not impacted the Council's actual financial position. Notwithstanding this, it had resulted in Grant Thornton spending additional time understanding and testing. There had been a similar issue with Note 32 of the accounts in relation to grants income where it was complicated for the auditors to understand in terms of where balances were meant to be so it had been necessary to go back to Officers to seek clarification. There were also some more minor instances in terms of leases, financial instruments and investment and borrowing but these had been more easily resolved. The year end payments made and received had taken a while to resolve as this had been carried out by a more junior member of staff within Grant Thornton who had not understood the task and had to go back to the Accountancy Officer. The Member expressed the view that an additional fee of £6,500 seemed a lot of money for a small amount of extra work and she sought assurance that Officers had learnt from their mistakes and were now doing the right thing. In response, the Head of Finance and Asset Management indicated that it was not surprising there had been some issues arising with the working papers given the speed the accounts had been produced and their complexity. In terms of Note 8, the intention had been to make this better and more efficient to produce; however, there had been issues with the criteria to improve the note and he provided assurance that lessons had been learnt from adjusting the note. In terms of the additional fee, he believed that to be reasonable and he was pleased the accounts had been completed in good time; only 12% of local government accounts had been completed by the deadline of the end of November so it was a credit to both teams that the accounts had been produced for approval only two weeks late. A Member raised concern that the opening statement, set out at Page No. 3 of the report, included a list of items which were not yet completed including testing of Community Infrastructure Levy (CIL) balances. The Engagement Lead from Grant Thornton advised that, at the time of issuing the paper that was the position; however, the only item now outstanding was the completion of the testing of housing benefits income – that work had been done but was now subject to review.

- 34.5 A Member drew attention to Pages No. 21 and 32 of the report and indicated that the risks of significant weakness identified were fairly serious. This seemed unfair given that a lot related to money from central government and Tewkesbury Borough Council was in a more reasonable position than a lot of other authorities. She asked if Members should be worried and whether central government was aware that local authorities were "in crisis". The Head of Finance and Asset Management hoped the government was aware of the financial pressures within local government; whilst Tewkesbury Borough Council had its own pressures, other authorities were under even more, particularly upper tier authorities. The Council now had its settlement up to 2024/25 and was eagerly waiting to find out the detail, and the settlement beyond that. Although it was a concern, there was some light at the end of the tunnel.
- 34.6 In respect of the balance sheet, a Member noted there was a lot of 'grossing up' and he asked if Officers were happy that made sense and why liabilities were not being settled. In response, the Finance Manager advised that Page No. 98 of the papers which related to the Agenda Item 4 - Statement of Accounts 2021/22, showed the split of short term creditors and included £6m in relation to local tax collection. It was not that they could not be settled but rather that it took a long time to do so. Business rates were very volatile and the Council owed more this year than it had done before but this was due to the complexity of the scheme. The Member noted that short term provision, set out at Note 22.1, showed a big jump in the additional provisions made with a balance of £3.7m and he asked why that was so significant. The Finance Manager advised that it was all related to business rates and linked to

Note 22.2. Officers had taken advice and it had been suggested all business rates appeal provision should be short term. This would come out of long term planning in year provision. In response to a query regarding the unused amounts reserved, the Finance Manager confirmed this was in relation to Virgin Media.

34.7 A Member drew attention to Page No. 8 of the report regarding valuations of land, buildings and investment property which set out that management had engaged the services of a valuer to estimate the current value as at 31 March 2022 and he asked if valuations were estimated, or if it was a formal validation, and whether valuations were carried out on a rotational basis. In response, the Finance Manager advised that everything was valued once a year and, whilst it was a formal valuation, it was an estimated figure.

34.8 Another Member asked for an explanation of the work Grant Thornton undertook regarding pensions given that pension liability had the biggest movement on the balance sheet. The Engagement Lead from Grant Thornton advised that it was required to confirm the position as at the end of March 2022 with regard to all treasury balances. It was noted that local authorities often borrowed from and invested with each other and, whilst that could be a risk, most government bodies were fairly safe compared to commercial organisations. Pensions were considered from all angles including the inputs and process of preparing the valuation as well as the outputs. Inputs had been considered from two points of view as Grant Thornton checked the local authority data submitted to Gloucestershire Pension Fund and the pension fund auditor gave an assurance letter to confirm that all data received accurately tied up with their information. There were two aspects in relation to the valuation process, firstly, the methodology to conduct and perform the valuation and it was noted that all audit firms consulted an actuary to do this on their behalf, in this case PwC. The methods applied in the calculation of the estimates were routine and commonly applied by all actuarial firms in line with the requirements set out in the code of practice for local government accounting to ensure this was materially sound. Each individual authority may have its own assumptions and Page No. 13 of the report set out the main assumptions used by Tewkesbury Borough Council's actuary. The table at Page No. 13 showed the actuary value and the PwC range which was the range the assumptions would be expected to be in – if anything fell outside of that, Grant Thornton would be asking additional questions of the government actuary. Once the final actuary report was received, Grant Thornton checked this was comparable with the detail included in the accounts.

34.9 In response to a query regarding Note 24.7, the Finance Manager confirmed this was in relation to annual leave. A Member questioned whether staff were not taking annual leave and was advised that a lot of people had not taken flexi leave due to the pandemic so the ability to carry forward three days had been extended. The Member raised concern that this could mean there were periods when a number of staff were absent at the same time and the Finance Manager explained that all employees had been required to complete a questionnaire about their annual and flexi leave in order to understand the situation and it was hoped this would reduce by the end of the year.

34.10 It was

RESOLVED That the external auditor's audit findings be **NOTED**.

A&G.35 LETTER OF REPRESENTATION

- 35.1 Attention was drawn to the report of the Head of Finance and Asset Management, circulated at Pages No. 40-45 which attached, at Appendix A, the Letter of Representation 2021/22 which Members were asked to approve.
- 35.2 The Head of Finance and Asset Management advised that, each year, on completion of the audit of the Council's financial statements, the Chief Finance Officer was required to submit a Letter of Representation to the Council's external auditor. The letter formally confirmed the accuracy and completeness of the accounts and set out assurances to Grant Thornton regarding those accounts. The draft Letter of Representation for 2021/22 was attached at Appendix A to the report and the Committee was asked to consider and approve the letter for signature by the Chief Finance Officer on behalf of the Council.
- 35.3 Accordingly, it was

RESOLVED That the Letter of Representation 2021/22 be **APPROVED**.

A&G.36 STATEMENT OF ACCOUNTS 2021/22

- 36.1 The report of the Finance Manager, circulated at Pages No. 46-140, provided the Statement of Accounts for 2021/22 which showed the financial position of the Council as at 31 March 2022. Members were asked to approve the Statement of Accounts and to delegate authority to the Head of Finance and Asset Management, in consultation with the Chair of the Audit and Governance Committee, to amend the approved Statement of Accounts 2021/22 upon receipt of advice from the external auditor regarding any outstanding issues.
- 36.2 The Finance Manager indicated that a training session on the Statement of Accounts had taken place the previous week which had been attended by Members of the Committee. She explained it had been a difficult year as a key member of staff had been on maternity leave so it had been necessary to train up new members of the team and there had been a number of competing priorities; nevertheless, the team had presented the draft accounts to Grant Thornton at the start of July. Although there had been some elements of remote working, Grant Thornton had been able to be on site at the Council Offices for a lot of the time which had made the process easier compared to the last few years. She drew attention to Page No. 85 of the report where a hierarchy of reserves had been included in response to a query which had been raised last year. A Member thanked the Finance Manager for this but felt it would be useful to have comparisons. In response, the Finance Manager advised that she would be happy to provide a comparison of the last three years following the meeting. The Member expressed the view that it would be interesting to see the movement and whether uncommitted reserves had reduced etc. The Head of Finance and Asset Management indicated that the uncommitted balance was the best position he could ever remember which gave assurance there was at least some money available to meet the forthcoming financial challenges.
- 36.3 In response to a query regarding Officer remuneration, as set out at Pages No. 106-107 of the report, the Head of Finance and Asset Manager confirmed that phase 3 of the pay and grading structure review had been carried out earlier in the year and phase 2, focusing on the lower end of the pay scale, had just commenced so a report on that would be taken to Council in the New Year with a review of more the more senior officers following in due course.

36.4 It was

RESOLVED

1. That the Statement of Accounts 2021/22 be **APPROVED**.
2. That authority be delegated to the Head of Finance and Asset Management, in consultation with the Chair of the Audit and Governance Committee, to amend the approved Statement of Accounts 2021/22 upon receipt of advice from the external auditor regarding any outstanding issues.

A&G.37 INTERNAL AUDIT PLAN MONITORING REPORT

37.1 The report of the Chief Audit Executive (Head of Corporate Services) provided an overview of the internal audit work completed during the period. Members were asked to consider the work undertaken and the assurance given on the adequacy of the internal controls operating in the systems audited.

37.2 The Head of Finance and Asset Management advised that the Head of Corporate Services was not in attendance at today's meeting but had been keen to submit an internal audit plan monitoring report to Members for consideration. The report was positive in terms of the work that had been completed around the General Data Protection Regulation (GDPR) and any specific questions could be answered outside of the meeting.

37.3 It was

RESOLVED

That the internal audit plan monitoring report be **NOTED**.

The meeting closed at 2:42 pm