



STROUD DISTRICT COUNCIL

Council Offices • Ebley Mill • Ebley Wharf • Stroud • GL5 4UB

Tel: (01453) 754 351/754 321

www.stroud.gov.uk

Email: democratic.services@stroud.gov.uk

AUDIT AND STANDARDS COMMITTEE

25 July 2019

7.00 pm – 9.14 pm

Council Chamber, Ebley Mill, Stroud

Minutes

Membership:

Councillor Nigel Studdert-Kennedy (Chair)	P	Councillor Stephen Davies	P
Councillor Tom Williams (Vice-Chair)	P	Councillor Karen McKeown	P
Councillor Dorcas Binns	A	Councillor Keith Pearson	P
Councillor Rachel Curley	P	Councillor Mark Reeves	P

A = Absent P = Present

Officers present:

Interim Head of Legal Services and Monitoring Officer	Interim Director of Resources and S151 Officer
Head of Audit Risk Assurance (ARA) (Chief Internal Auditor)	Interim Accountancy Manager
Principal Accountant	Democratic Services & Elections Officer

Also present:

Ian Howse, Partner in Deloitte the Council's external auditors.

AC.001

APOLOGIES

An apology for absence had been received from Councillor Binns.

AC.002

DECLARATIONS OF INTEREST

There were none.

AC.003

MINUTES

RESOLVED That the Minutes of the meeting held on 7 May 2019, are approved as a correct record.

AC.004

PUBLIC QUESTION TIME

There were none.

AC.005 STATEMENT OF ACCOUNTS 2018/19

The Interim Director of Resources and S151 Officer presented the above report, it was advised that the unaudited Statement of Accounts was signed on the 31st May and the Statement of Accounts being presented was the post audit version. The management letter of representation to Deloitte will be signed by the Chair and the Interim Director of Resources and S151 Officer at the close of the meeting.

The Principal Accountant took the opportunity to thank the Finance team and the wider organisation for enabling them to meet the required deadlines. It was advised that Deloitte would be ready next week to sign the accounts, and once this was completed the Statement of Accounts would be published on the website and in the local newspaper.

In presenting the above report, the Principal Accountant drew attention to the table on page 17 which displayed the Movement in Reserves Statement 2018/19 which gave an overview of the financial performance for the year of the Council.

Councillor Pearson questioned the reduction in the value of Council owned housing property. The Principal Accountant advised that we had employed professional valuers to value our properties and that we rely on their professional opinion. He also advised that although the housing properties were reduced in value by £10 million, the reduction in terms of percentage was small.

Councillor Davies asked if the Committee could take a closer look at the valuation of properties and potentially have a presentation on how the process works. Ian Howse, Partner in Deloitte confirmed that a presentation may be useful and advised that it was a complex process. The valuation of the properties is based on existing use value for social housing which is different to the market value, for this type of valuation the value would be approximately 35% of what it would be if it was a normal marketable property.

Councillor McKeown asked questions regarding page 11 and the Non-Financial Performance and whether thought had been given to including the Council's KPI's and more detailed information on the results of the annual budget survey of residents. The Interim Director of Resources and S151 Officer said they had given consideration to the inclusion of detailed KPI's however advised that it had been decided to provide a snapshot summary of the overall achievements and that the Performance Monitoring reports to other Committees would include greater detail and KPI's.

Councillor Davies asked a question regarding the expenditure and valuation of the Subscription Rooms, the Interim Director of Resources and S151 Officer advised that he would provide a response by email to the Committee Members. Councillor Davies also requested that the financial impact of our environmental targets be shown in our accounts. The Interim Director of Resources and S151 Officer advised that this will be included in the future.

Questions were also answered regarding pensions, termination benefits, the inclusion of our environmental targets in the accounts, overpaid postage VAT and depreciation.

On being put to the vote, the Motion was carried unanimously.

RESOLVED To approve the audited Statement of Accounts for the year ending 31 March 2019.

AC.006 **EXTERNAL AUDIT REPORT ON ACCOUNTS (ISA260)**

Ian Howse, Partner in Deloitte began by stating that he was impressed with the questions and debate that had been raised by Members of the Committee on the item above. He also commended the Council's accounts; he stated that they were the best he had seen for some time as they were tailored to the specific circumstances.

Ian Howse, Partner in Deloitte briefly ran through the report and highlighted the key points to the Committee.

Councillor Pearson wanted the Committee to register it's thanks to the Finance team for producing a very understandable report and thanked the Interim Director of Resources and S151 Officer for his work.

Ian Howse, Partner in Deloitte answered questions from Councillor Davies and advised that a first year audit is always much more complicated for an audit firm and that he would hope at the Committee next year the report would be finalised with nothing to follow and they would be able to sign off the audited accounts at the Committee Meeting.

Councillor Curley asked questions regarding the IT findings which showed no disaster recovery and business continuity arrangements in place and the lack of management response. She asked if this could come back to the Committee. Ian Howse, Partner in Deloitte advised the lack of management response may have been due to not having completed the report in time to receive a formulated response. The Interim Director of Resources and S151 Officer advised that they are aware that it is an issue and that steps are being taken.

Members noted the report.

AC.007 **PROVISION OF AN INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT (EQA)**

The Head of ARA presented the above report, she advised that as required by the Public Sector Internal Audit Standards an External Quality Assessment (EQA) had to be undertaken at least once every 5 years by an assessor who is fully competent in assessing the effectiveness of the internal audit function. She stated that the reports purpose was to provide an update on what had been agreed at the ARA Shared Services Board. The ARA was assessed as being 100% compliant at the last assessment in May 2015 and the aim is to remain compliant when next assessed in May 2020. It was also advised that the assessors may wish to speak to Members of the Committee or request participation in a survey, to obtain their views on the service provision.

The Head of ARA answered questions regarding the suitability of the chosen auditors. Clarification on the decision the Councillors needed to make was also given, it was advised that the report was to note because the decision had been made at the ARA Shared Services Board Meeting and would be commissioned by the County Council.

RESOLVED **To note that the Chartered Institute of Internal Auditors (CIIA) is engaged to carry out an independent assessment of the Internal Audit function.**

AC.008 **ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2018/19**

The Head of ARA presented the above report highlighting various key points including page 22 which showed her annual opinion on the Council's internal control environment. With the exception of the key governance matters identified in relation to the Local Government Association Corporate Peer Challenge Review, a satisfactory opinion had been provided. She also provided assurance that she has had no limitations on the scope of her activity or any resource constraints.

Members asked questions and received replies on the following topics:-

- The Satisfaction Survey results on page 39
- The limited assurance opinion on control for the Multi Services Contract Follow Up
- Fraud Investigations
- GDPR.

Councillor McKeown asked questions regarding fraud statistics and requested some information which would help to provide a comparison with other council's. The Head of ARA advised she would request further information from the Gloucestershire Counter Fraud Unit who had undertaken the Council tax and housing benefits counter fraud activity and provide a response to the Committee.

Councillor McKeown requested a further report to Committee regarding breaches of GDPR, the number of cases referred to the Information Commissioner's Office and the outcomes. The Interim Head of Legal Services and Monitoring Officer advised that he would look into providing a report to Committee.

On being put to the vote, the Motion was carried unanimously.

- RESOLVED**
- a. To assess, from the findings set out in this Internal Audit Annual Report, whether it can take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively;**
 - b. To note that the performance of Internal Audit meets the required standards; and**
 - c. To note the Council wide counter fraud activity during 2018/19 which includes the fraud reporting requirements as mandated by the Local Government Transparency Code 2015 (paragraph ref 7b).**

AC.009 **ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY AND ACTUAL PRUDENTIAL INDICATORS 2018/19**

In presenting the above report, the Principal Accountant drew attention to the table in paragraph 4 on page 50 which showed a decrease in borrowing and an increase in investments over the period April 2018 to March 2019. The Principal Accountant advised that Stroud District Council is a member of a Link Asset Services Benchmarking Group which helps to compare return on investments and that we had compared well with the Benchmark Group in terms of returns achieved. The Principal Accountant stated that we are aiming to increase our return on investments through an increased risk appetite.

The Chair asked a question regarding the low Average Rate of return for the Investment in the Natwest Treasury Reserve, the Principal Accountant advised that this was used for cash flow purposes and was directly linked to the Current Account.

On being put to the vote, the Motion was carried unanimously.

RESOLVED To approve the Treasury Management Activity Annual Report for 2018/2019 and the Actual Prudential Indicators.

AC.010 DRAFT ANNUAL GOVERNANCE STATEMENT (AGS) 2018/19

The Head of ARA presented the above report and advised that the Annual Governance Statement is based on the CIPFA and SOLACE best practice guidance which contains 7 key governance principles. The Head of ARA advised that following the annual review of the effectiveness of the governance arrangements operating within Council, the key governance matters that were identified and included in the Annual Governance Statement Action Plan related to future financial sustainability, Local Government Association Corporate Peer Challenge and the Procurement Action Plan.

Councillor McKeown asked for reassurance that the self assessments do face internal challenge and that the assessments are monitored. The Interim Director of Resources and S151 Officer outlined the process and advised that the completed self assessments are reviewed by the Directors and the Chief Executive and that internal challenge is part of the process. The Head of ARA also clarified that an internal audit of the adequacy of the statements made within the assurance statements (that underpin the AGS) will be undertaken during 2019/2020.

On being put to the vote, the Motion was carried unanimously.

RESOLVED To approve the Annual Governance Statement 2018/19.

AC.011 STANDING ITEMS

(a) Work Programme

The Chair outlined the Committee Members chosen specialisations:

Councillor Curley – Excelsis and Risk Management

Councillor Davies – Canal and IT

Councillor McKeown – TBC

Councillor Pearson – Waste Management and UBICO

Councillor Reeves - TBC

Councillor Williams – Housing accounts.

The Chair also advised that an informal meeting would be required in the Autumn with the Head of ARA to discuss the work for the forthcoming year 2020/2021. Details of the meeting would be circulated by email.

AC.012 MEMBERS' QUESTIONS

There were none.

The meeting closed at 9.14 pm.

Chair