



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

28 January 2020

7.00 pm – 8.32 pm

Council Chamber, Ebley Mill, Stroud

Minutes

Membership:

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

A = Absent P = Present

Officers Present:

Interim Head of Legal Services and Monitoring Officer	Head of Audit Risk Assurance (ARA) (Chief Internal Auditor)
Strategic Director of Resources	Counter Fraud Manager
Principal Accountant	Head of Community Services
Building Control Manager	Democratic Services & Elections Officer

Others Present:

Michelle Hopton, Audit Lead, Deloitte the Council's external auditors
Chris Lanham, Manager, Deloitte the Council's external auditors

AC.025

APOLOGIES

Apologies for absence had been received from Councillors Studdert-Kennedy, Curley and Mckeown.

In the absence of The Chair, Councillor Studdert-Kennedy, the meeting was chaired by Councillor Williams, the Vice-Chair.

AC.026

DECLARATIONS OF INTEREST

There were none.

AC.027

MINUTES

RESOLVED

That the Minutes of the meeting held on 19 November 2019, are approved as a correct record.

AC.028 **PUBLIC QUESTION TIME**

There were none.

AC.029 **EXTERNAL AUDIT PLAN**

The Audit Lead from Deloitte advised that she would now be taking over from Ian Howse, she stated that she had worked with Ian for a number of years and that there had been a smooth and detailed handover.

The Audit Lead from Deloitte presented the External Audit Plan to the Committee and advised that there had not been any significant changes from last year, she drew the committees attention to the 2 significant risks, completeness of Accruals and management override of controls, but advised that they were mandatory significant risks. She confirmed that materiality was set at £1.6 million which is based on 2% of gross expenditure and that they were not looking to change the materiality level.

Councillor Davies asked for clarification on the pension liability listed on page 14. The Strategic Director of Resources advised that there were 2 issues with pensions, the valuations that the actuaries prepare for the year end accounts and the valuation process that they use for establishing the funding position for the next 3 years. He confirmed that the figures included in the Deloitte report were the published figures from the year end accounts, and that in the tri-annual review the actuaries determined that the funding position had gone from 74% funded to 99% funded.

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

RESOLVED **To note the External Audit Plan.**

AC.030 **INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2019/20**

The Head of ARA advised that the report provided the Committee with an update of the Internal Audit activity carried out against the Internal Audit Plan 2019/2020. She drew the committee's attention to Page 18 which contained information on the Audit carried out on the Gloucestershire Building Control Partnership (GBCP) and the limited assurance opinion given. She advised that the limited assurance opinion was not regarding service delivery but around the governance arrangements and the non-compliances identified with the original Section 101 agreement. It was advised that a follow up review would be carried out by Audit in 2020/21. The Head of ARA also advised that she was really pleased to report that the multi services contract showed on page 24 had demonstrated a positive shift from an original limited assurance opinion to satisfactory assurance.

The Chair confirmed that the Building Control Manager was present at the Committee Meeting and was available to answer questions.

In response to questions, the Building Control Manager confirmed that the audit report identified the shortcomings in the contact between the two parties, Stroud and Gloucester and that since the audit report they had met with Gloucester and a board meeting was arranged for later that week. He confirmed that they would discuss whether the terms of the S101 agreement could be amended to allow for a bi-annual meeting and a bi-annual email correspondence instead of 4 face to face meetings a year.

Councillor Clifton asked whether any of the monitoring could be carried out by Committee under Performance Monitoring. The Strategic Director of Resources advised that this could be looked

at under Performance Monitoring and that Building Control would fall under the remit of the Environment Committee. The Head of ARA advised that management had accepted the audit report outcomes and it was their responsibility to implement any changes, she also confirmed that Audit always carry out a follow up review for any service with a limited assurance outcome and that the review of GBCP would be added to the audit plan for 2020/21.

The Strategic Director of Resources asked the Committee if they would like to request the Building Control Managers presence at an Audit & Standards Committee in 6 months to present the progress made. Councillor Pearson advised that he would like the Building Control Manager to attend the Committee Meeting in April as some of the issues had been raised previously in 2016/17. The Committee agreed that the Building Control Manager would be asked to return to provide an update on progress made at the Audit and Standards Committee in April 2020.

In a response to questions about the multi services contract with UBICO the Head of Community Services advised that an Officer from the Finance team attends meetings at UBICO regularly and that they also receive extensive reports from UBICO which he would be happy to share with Members, and that UBICO are capable of delivering the requirements of their contract. Councillor Pearson thanked Adele Rudkin for all the work she has put into the multi services contract.

Councillor Davies asked for an update on when they would see the Littlecombe report referred to on page 32. The Head of ARA advised that this report would be ready by the next Audit and Standards Committee in April.

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

RESOLVED

- 1. To accept the progress against the Internal Audit Plan 2019/20; and**
- 2. To accept the assurance opinions provided in relation to the effectiveness of the Council's control environment.**

AC.031 **COUNTER FRAUD UNIT REPORT**

The Strategic Director of Resources introduced the Counter Fraud Manager and advised that the counter fraud work had previously been commissioned through the Audit Risk Assurance team, however the Counter Fraud Unit would now be commissioned directly and the Counter Fraud Unit would be reporting to the Audit and Standards Committee.

The Counter Fraud Manager advised that they would deliver 2 reports each year to Committee and that they were seconded to Stroud District Council when they are carrying out work for the Council. The Counter Fraud Manager brought the Committees attention to the successful prosecutions and penalties that had been carried out listed on page 34. She also advised that they would be concentrating on clearing the anomalies with single person discount and hoped she would be able to report the outcomes of that work in her next report to Committee.

Councillor Pearson asked for clarification of the results of the referrals listed in paragraph 2.2 as 7 referrals had been made but only 6 prosecutions or penalties had been issued. The Counter Fraud Manager advised that the other referral would have had no further action which could have been due to a number of different factors such as; no fraud being found, involving a vulnerable person or an internal error.

Councillor Clifton asked how the number of referrals made compared to Cotswold District Council. The Counter Fraud Manager advised that Stroud District Council was not a full partner council and therefore it would not be directly comparable, she did advise that she would be able to circulate figures for the councils who they provide council tax reduction scheme investigations for, which Councillors would be able to compare.

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

RESOLVED **To note the report and the work of the Counter Fraud Unit in fraud investigation.**

AC.032 **INTERNAL AUDIT PURPOSE, AUTHORITY, ROLE AND FUNCTION**

The Head of ARA advised that the suite of documents the Committee had been asked to approve were to help reaffirm what Internal Audit's purpose, authority, role and functions were. She confirmed that there had not been any key changes to the role and that the strategies were all in place when they were last presented to Committee in 2015.

Councillor Davies asked if enough funding was available for the data analytics process. The Head of ARA advised that they have had the software for some time and that they were increasing the number of team members who would be able to use data analytics in the delivery of audit activity and confirmed that ARA had sufficient licences to enable this. She stated that should there be a funding issue she would take the matter to the ARA Shared Services Board who were keen for ARA to use data analytics in audit testing strategies.

Councillor Reeves asked whether the Council had considered looking at Artificial Intelligence to analyse data. The Strategic Director of Resources advised that they had been looking into the Councils IT capabilities but at this time there were no plans to look into Artificial Intelligence.

The Chair asked if there had been any major changes to the ARA documents or policies. The Head of ARA confirmed that the documents were all in line with the Public Sector Internal Audit Standards (PSIAS) and that she is externally assessed to ensure she is compliant with the Standards. It was also confirmed that the only key change was the inclusion of the implementation of the Data Analytics Strategy.

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

RESOLVED **To approve the**

- a. Internal Audit Strategy**
- b. Internal Audit Data Analytics Strategy**
- c. Internal Audit Charter**
- d. Internal Audit Code of Ethics**
- e. Internal Audit Quality Assurance and Improvement Programme (QAIP).**

AC.033 **ANNUAL GOVERNANCE STATEMENT 2018/2019 IMPROVEMENT PLAN – PROGRESS REPORT**

The Head of ARA advised that within the Annual Governance Statement presented to Committee in July 2019 was an improvement plan where the Council identified a number of improvement actions in relation to good governance. She referred the Committee to the improvement actions identified and the position as at December 2020 from page 89 onwards in the document pack.

Councillor Pearson stated that it was good to see progress being made on the improvement plan.

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

RESOLVED **To note the progress made as set out in the report.**

AC.034 TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2020/21

The Principal Accountant outlined the above report and answered Members' questions which covered:

- The property fund investments to Hermes and Lothbury
- Voluntary Revenue Provision on the HRA

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

- RECOMMENDED TO COUNCIL**
1. To adopt the prudential indicators and limits for 2020/21 to 2022/23;
 2. To approve the treasury management strategy 2020/21, and the treasury prudential indicators;
 3. To approve the investment strategy 2020/21, and the detailed criteria for specified and non-specified investments; and
 4. To approve the MRP Statement 2020/21.

AC.035 3RD QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2019/20

The Principal Accountant introduced the above report and confirmed that we were complying with the treasury limits. He brought the Committees attention to Table 1 which showed the average investment rates, Table 2 which showed a snapshot at the end of September and December of the total investment and borrowing figures. The Principal Accountant also ran through the new investments advising that £2million was invested in December with Hermes, £4million was invested in January with Lothbury and the 2 multi-asset funds chosen will be invested in within the next week.

In a response to a question about how the results of investing in the multi-asset funds would be reported back to Committee the Principal Accountant advised that once they were in place there would be a new table included within the treasury management quarterly reports.

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

- RESOLVED** **To accept the third quarter treasury management report for 2019/20.**

AC.036 STANDING ITEMS

- (a) Work Programme

The Strategic Director of Resources confirmed that the Building Control Manager would be invited back to the April Committee Meeting to report on progress following the Audit report. He also reminded the committee that training was being held on 16 March 2020 in Stroud and on 17 March 2020 in Gloucester for members of the Audit and Standards Committee. The Head of ARA confirmed that she would circulate an agenda once this had been confirmed with CIPFA.

The Head of ARA also advised that she would be bringing two further reports to the April Audit and Standards Committee, the Annual Internal Audit Plan 2020/2021 and the Chair of Audit and Standards Committee's Report to Council.

AC.037

MEMBERS' QUESTIONS

There were none.

The meeting closed at 8.32 pm.

Chair