



STROUD DISTRICT COUNCIL

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AUDIT AND STANDARDS COMMITTEE

27 April 2021

Time 7.00 pm - 8.54 pm

Remote Meeting

Minutes

Membership

**Councillor Nigel Studdert-Kennedy
(Chair)**

Councillor Dorcas Binns*
Councillor Miranda Clifton
Councillor Stephen Davies
Councillor Colin Fryer

*= Absent

Councillor Tom Williams (Vice-Chair)

Councillor Karen McKeown
Councillor Keith Pearson
Councillor Mark Reeves*

Officers in Attendance

Strategic Director of Resources
Head of Audit Risk Assurance (ARA)
Counter Fraud Unit Manager

Principal Accountant
Democratic Services and Elections Officer

0054 Apologies

Apologies for absence were received from Councillors Binns and Reeves

0055 Declaration of Interests

There were none.

0056 Minutes

RESOLVED That the Minutes of the meeting held on 26 January 2021 are approved as a correct record.

0057 Public Question Time

There were none.

0058 AUDIT AND STANDARDS COMMITTEE ANNUAL REPORT 2020/21

The Head of ARA presented the report which he emphasised was a committee report not an ARA report. He confirmed that it was compiled in accordance with CIPFA guidance on audit committees within local government which specified that an annual report is produced by the committee and presented to the next full Council. The Head of ARA stressed that the report confirmed, even during this difficult and challenging year, the Committee had continued to work and provide services to the public and that the Council's work had been subject to transparency and scrutiny. The Committee had continued to meet in a virtual manner and had overseen the governance arrangements of the Council. It had continued to monitor the work of Internal Audit, including giving approval to the changes to the Annual Audit Plan in October 2020, and had approved the Statutory Accounts and the Annual Governance Statement. In response to a query from Councillor Williams, the Chair confirmed that the Youth Briefing on 15 April listed under training events in the report had been cancelled.

Councillor McKeown suggested that while the report provided a clear account of the activity and process of the committee, it did not so obviously provide evidence of the performance and achievements of the Committee and asked if this could be addressed. She emphasised that the amended form of reporting needed to address accessibility and the importance of impact and outcome. The Head of ARA indicated that he would look to modify the reporting in line with the wishes of the Committee in a concise manner from next year onwards.

The Chair reminded the committee that there was a legal requirement for the assessment of the Audit & Standards Committee's performance, which took place every five years by an external expert in Audit and Standards, and that this had just resulted in a good recommendation.

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

RESOLVED a) To agree the Audit and Standards Committee Annual Report 2020/21; and

RECOMMENDED TO COUNCIL b) That the Annual Report 2020/21 be approved.

0059 INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2020/21

The Head of ARA presented the report which included activities completed during the period January to March 2021, as well as reporting on the outcomes on the additional Covid-19 grant submissions for loss of income. There were no limited assurance audit opinions or high-risk recommendations in the report. Attention was drawn to the substantial assurance rating given to the audit of staff induction, which was commendable given that staff had been working remotely this year. Assurance opinions for the two follow-up audits, for areas which had been given limited assurance levels, were now rated as substantial on risk and satisfactory on the control element. The next report would be presented to the committee in July 2021.

Councillor Williams raised the issue of informal committees, such as the Investment and Development Panel (IDP) referred to in the report, and suggested that sub-committees might provide better democratic elected member oversight and produce

better results. He asked that the new Council review Committee structures. Councillor Pearson asked that any review take into account that working group membership prioritises the expertise required rather than political balance and debates issues on behalf of committees. Sub-committees required public recorded meetings with officers in attendance. The Strategic Director of Resources confirmed that the Strategy and Resources committee had agreed that the IDP should be replaced with a Regeneration and Investment Board properly constituted.

Councillor Davies raised a concern that, for the HRA Delivery Plan audit, although it had been agreed that an action plan would be produced, the Committee had not had sight of the plan or any report providing measurable evidence of progress against it. The Strategic Director of Resources agreed that the Committee should be able to review progress against recommendations for all audits and would try to facilitate this for the future. Councillor Davies asked when the outcome of the Cyber Security audit would be reported to the Committee and it was confirmed that this would be included in the Annual Report and presented at the July meeting. Councillor Fryer asked if the report for the Stratford Park Leisure Centre audit would be presented to the committee in July and it was confirmed that this was the aim, but would be dependent on the availability of information as remote working was still in progress.

Following a show of hands, the Chair confirmed that the Motion was carried.

**RESOLVED a) To note the progress against the Revised Internal Audit Plan 2020/21; and
b) To note the assurance opinions provided in relation to the effectiveness of the Council's control environment.**

0060 DRAFT INTERNAL AUDIT PLAN 2021/22

The Head of ARA presented the report which was the result of ARA's Internal Audit planning review and an extensive consultation exercise with senior management, third party assurance providers, and Members. It was designed to cover the breadth of areas reflecting the Council's directorates, their work and their risks, and included a number of Council-wide reviews. ARA's audit priority rating system had been applied to distinguish priorities and the report included the reason for each piece of work. The Head of ARA confirmed that ARA was providing 463 service days to the Council for this plan of work.

Councillor McKeown asked how ARA ensured that it had staff with the appropriate skills and expertise to carry out specialist pieces of work so that the audit outcomes are accurate. She raised particular concerns about the proposed audit of Safeguarding and that of Anti-Social Behaviour. The Head of ARA explained that there was a legal requirement that Internal Auditors can only undertake work for which they are technically competent, ensuring that they undertake research and fully understand the issues to be audited. He emphasised that the two Internal Audits raised as a concern were technically challenging but not uncommon and that he was confident that ARA would complete the work satisfactorily. Councillor McKeown stated that she was not convinced by this and did not believe that ARA was sufficiently cognisant of the skills required to carry out a proper review of Safeguarding. The Head of ARA asserted that he did not agree with Councillor McKeown's comment. Councillor Pearson expressed that it was exceedingly dangerous for the Committee to question

the competence of the Council's auditors who have so ably served the Council for many years and that he wished to disassociate himself from the statement.

Councillor Davies questioned, as the Housing Committee had only recently agreed a policy on Anti-Social Behaviour, how effectiveness could be measured at this point. The Principal Auditor confirmed that ARA would look to schedule this review in the last quarter of the year, but would continue to liaise with management through the year to ensure that value could be added. Councillor Davies raised a concern that there were too many Priority 1 audits in the plan and whether they could therefore be effectively managed. The Head of ARA confirmed that there were a similar number of Priority 1 audits in the plan as last year, which had been largely completed, and therefore, he was confident that these could also be achieved. Councillor Davies questioned whether it was concerning that there were still outstanding issues around the Council's ability to follow standard procurement processes. The Strategic Director of Resources offered reassurance that concern was not justified, since further improvements to the procurement processes had been made following recommendations from some consultancy audit work and this would be further reported upon.

Councillor Clifton queried whether the Anti-Social Behaviour audit was limited to areas where the Council owns housing, or extends to how it was managed across the whole district. The Principal Auditor confirmed that the scope of the review would be based on the associated risks, and a wider scope could be drawn up if that would provide greater benefits. The Chair reported that there had been some correspondence regarding decisions that had been made but not reported, or not reported as expected. In particular, there had been some planning matters which had drawn enquiries from concerned Councillors, and a procedural problem which had been cogently remarked upon for its occurrence. The Chair invited Councillor Tucker to comment, who drew attention to one of many planning applications in the Area of Outstanding National Beauty which was put forward for Officer delegation but agreed that it would go to Development Control Committee (DCC) if the Officer was minded to approve it, given the sensitivity with other applications in the area. Although this was agreed last year, it had been disclosed last week that the case Officer did not follow instructions and had informed the applicant that the application had been successful. This had caused a great deal of concern and anger in the area, including in the Parish Council.

Councillor Kay reported that he had raised some serious concerns relating to planning which he had sent to the Chief Executive and asked the Committee to agree to instruct the Internal Auditors to address them. Councillor Pearson confirmed his view that there had been shortcomings in the Planning and Enforcement Department for many years and that more recent mistakes would not have occurred with appropriate planning and management. He requested that an audit of the Planning and Enforcement department be included in the Internal Audit Plan. Councillor Williams asked whether the current Internal Audit of the planning application process could cover the issues raised by Councillor Tucker. He also suggested that it would be more appropriate to review Enforcement when it was incorporated into the new IT system being developed for this area of work. The Principal Auditor confirmed that ARA would need to ensure that all issues relating to the planning application process were incorporated into the scope of the audit so the current work could provide the assurances the Committee was seeking with any potential improvement if identified.

The Chair suggested that Internal Audit be instructed to investigate these matters to establish whether due procedure and process had been followed as presently set

down, the reason or cause of any omission to be established, and reported back to Committee together with corrective action taken, and the action taken to prevent a future occurrence. Current Members who had raised these matters, whether returned or retired following elections on 6 May 2021, would be interviewed by Internal Audit in preparation of that report. Subsequently the report should be submitted to the Audit and Standards Committee at its next meeting on 13 July 2021.

The Strategic Director of Resources confirmed that consideration would be given as to whether the issues raised by Councillor Tucker could be incorporated into the planning application audit. He emphasised that the Planning Team had responded to a number of the issues raised by Councillor Kay and consideration had been given to the scope of an additional audit as requested by the Committee. He explained that some issues may take longer to report on to properly reflect the progress and improvements made by the service. Therefore, it would be more appropriate for the Committee to receive an update on progress to date, and a plan of future work, at its next meeting. This was accepted by the Committee. Councillor Tucker requested that a representative of those Parish Councils affected by the failures of the planning service also be invited to contribute to the Internal Audit. The Strategic Director of Resources confirmed that this would be considered in drawing up its scope.

The Chair proposed an amendment to the Motion to add:

‘c) additional wording as confirmed at 20.26 during the meeting by the Chair.’

On being put to the vote the substantive Motion, including the amendment, was carried with 6 votes for and 1 vote against.

RESOLVED a) To agree that the Annual Risk Based Internal Audit Plan 2021/22 reflects the current risk profile of the Council;
b) To approve the Annual Risk Based Internal Audit Plan 2021/22 as detailed in Appendix A; and
c) Additional wording as confirmed at 20.26 during the meeting by the Chair.

0061 CREDITORS LIMITED ASSURANCE UPDATE

The Strategic Director of Resources presented the report which provided a management update on the issues raised by the Limited Assurance report of the Creditors function. He explained that one of the greatest challenges was that many of the personnel within the Creditors function also had responsibility for the processing of Covid-19 business support grants. This had led to the extension of some timescales, due to the increase in volume of work, which could not have been anticipated at the time of the Audit. He confirmed that significant progress had been made on some recommendations, some were still outstanding, and some had now been closed off.

In response to a query from Councillor Pearson, the Strategic Director of Resources confirmed that approximately £40 million in grants for business had been administered since last year.

Following a show of hands, the Chair confirmed that the update report was noted.

0062 3RD QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2020/21

The Principal Accountant presented the report which provided an update on treasury management activity as at 31 December 2020 and performance for the third quarter of the financial year. He drew attention to the much higher rate of return on property and multi-asset funds compared to internally managed specified investments, reflecting the very low base rate environment for the whole financial year; the increase in total investment during the year as business rates and council tax income increased, and the recent strategy of investing more in other councils rather than with banks and money market funds. It was confirmed that the Council has complied with treasury and prudential limits during the period April to December 2020.

Councillor Davies asked for confirmation of the liquidity of all the Council's investments, particularly those which were considered higher risk. The Principal Accountant confirmed that, although the Lothbury Fund had closed for a period of time in the early stages of the financial year, it opened up again later in the year and all funds were now trading normally. Councillor Williams asked whether there was any cause for concern about exposure to office properties and other commercial properties in some of the funds. The Principal Accountant confirmed that the Council had been concerned to have a very low exposure to shopping centres and retail and had selected funds to reflect that. He suggested that the impact of exposure to office properties was likely to work out over a number of years.

Following a show of hands, the Chair confirmed that the Motion was carried.

RESOLVED To note the treasury management activity third quarter report for 2020/2021.

0063 COUNTER FRAUD UNIT REPORT AND REGULATION OF INVESTIGATORY POWERS ACT (RIPA) 2000 / INVESTIGATORY POWERS ACT (IPA) 2016 REPORT

The Counter Fraud Unit (CFU) Manager presented the report which provided a summary of counter fraud activity undertaken during 2020/2021. This work included investigation of alleged fraud in relation to the Council Tax Reduction Scheme and the report detailed prosecutions and civil and criminal penalties applied. The CFU was assisting with a review of National Fraud Initiative (NFI) matches and outcomes would be included in the next report to the Committee. It also supported the Council in prevention activities relating to tenancy and housing fraud.

The report provided two policies. The first governed surveillance activities and the use of a Covert Human Intelligence Sources (CHIS). The policy introduced a mandatory requirement that staff undertake a Non-RIPA application approach where an offence did not meet the serious crime threshold. In line with changes in legislation, the second policy related to how communications data was obtained via the National Anti-Fraud Network (NAFN), which acted as a single point of contact for local authorities. The Counter Fraud Unit Manager confirmed that she would be working with Council Officers with regard to the co-ordination of statistics, making reports to the Committee each year, ensuring policies are refreshed, and providing advice and guidance to staff in relation to this work.

Councillor McKeown asked whether any localisation of the policies was required. The CFU Manager explained that she was the co-ordinator for a partnership of five councils and the policies had been refreshed for use across the partnership, and now, Stroud District Council. The policies had also been reviewed by the Investigatory Powers Commissioner's Office Inspector recently and confirmed as fit for purpose. In response to a query from Councillor Fryer, the CFU Manager confirmed that any overpaid or incorrectly paid Council Tax reduction becomes a Council Tax liability, which was subject to the same collection terms as normal Council Tax, and pursued as a debt in the usual way.

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

- RESOLVED**
- a) To note the CFU updates;
 - b) To approve and adopt the revised Regulation of Investigatory Powers Act 2000 Surveillance and Covert Human Intelligence Source Policy as attached at Appendix 1;
 - c) To approve and adopt the new Investigatory Powers Act 2016 Acquisition of Communications Data Policy as attached at Appendix 2, and
 - d) To authorise the Monitoring Officer to approve future minor amendments to the Policies in consultation with the Counter Fraud Unit Manager.

0064 STANDING ITEMS

- a) To consider any Risk Management issues

Councillor Clifton asked whether Citrix would be transferred to the Hub so that Councillors could have one access point. The Strategic Director of Resources agreed to check the technical feasibility of Excelsis moving to the new system. He reported that better ways of presenting risk management information to Members were currently being explored.

0065 Member Questions

There were none.

The meeting closed at 8.54 pm

Chair