



STROUD DISTRICT COUNCIL

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AUDIT AND STANDARDS COMMITTEE

08 February 2022

7.00 - 10.04 pm

Council Chamber

Minutes

Membership

Councillor Nigel Studdert-Kennedy (Chair)

Councillor Paula Baker

Councillor Nick Hurst

Councillor Norman Kay

Councillor Stephen Davies

*= Absent

Councillor Martin Percy (Vice-Chair)

Councillor Keith Pearson

Councillor Ashley Smith

Councillor Rich Wilsher

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Officers in Attendance

Strategic Director of Resources

Head of Audit Risk Assurance

Monitoring Officer

Democratic Services & Elections Officer

Principal Accountant

Principal Auditor

Strategic Director of Communities

Head of Contract Services

Senior Policy and Governance Officer

ICT Service Delivery Manager

Other Member(s) in Attendance

Councillors Ross

The chair proposed and received agreement from the Committee to move Agenda Item 11 to the end of the meeting, after Agenda Item 13.

ASC.037 Apologies

An apology for absence was received from Councillor Davies.

ASC.038 Declaration of Interests

There were none.

ASC.039 Minutes

The Strategic Director of Resources confirmed that the information requested at the previous Committee meeting, with regards to the planning enforcement report, would be brought to the next committee in April 2022.

Councillor Hurst raised concerns with the use of acronyms within the minutes and asked for them to be defined.

RESOLVED That the Minutes of the meeting held on 30 November 2021 were approved subject to the amendments above.

ASC.040 Public Question Time

There were none.

ASC.041 Contract Management Framework

The Senior Policy and Governance Officer introduced the report and explained that there were three documents which created the framework for this report:

- The Statement of Principles – Underpinned the Councils Approach to the Policy.
- The Contract Management Policy – Set out who was responsible for doing what and explained the purpose of Contract Management.
- The contract management procedure – Explained how it was proposed to carry out contract management at the council.

She further informed the Committee that there were 4 appendices attached to the Contract Management Procedure which included:

- Software Contract Renewal Checklist – Set out the minimum requirements for contract managers looking to update their software contracts.
- Contract Management Plan – Set out who is responsible for what.
- Contract Variation Template – Set out the process to amend a contract.
- Contract Extension Template – Set out the process to extend a contract.

The Senior Policy and Governance Officer then informed the committee their plans for implementing the new framework. She drew the Committees attention to paragraph 3 on page 17 which set out the proposed training plan. She further informed them of the plans to keep the Senior Leadership Team (SLT) and the Leadership Management Team (LMT) up to date with the new quarterly dashboard produced by the Policy and Governance team.

Finally she concluded by explaining that this framework would be coming back to the Committee annually for a review of its progress.

Councillor Pearson questioned paragraph 3 of page 17 of the document pack where it referred to staff training. The Senior Policy and Governance Officer confirmed she would take the comments on board and ensure that the training was mandatory for staff.

In response to questions asked, the Senior Policy and Governance Officer gave the following answers:

- The Policy and Governance Team would provide a second line of defence for contract management where they would be sampling a few of the contracts taken each year and ensure that all procedures were followed, the results of which could be brought back to committee as part of the annual review.
- The training proposed didn't include an assessment to measure understanding however, she was happy to take this feedback back to the team.

In response to Councillor Percy, the Strategic Director of Resources confirmed that once the framework was in place and the second line of defence had begun their checks, they would be looking to see if they needed a system to aid in the completion of those checks. He further informed the Committee that their E-learning platform does allow for the addition of a small test at the end to check the trainees understanding.

In response to Councillor Pearson, the Senior Policy and Governance Officer agreed to clarify the signature required at the bottom of the Contract Variation Form.

Councillor Hurst questioned whether there were any provisions for the complication that accompany large contracts. The Senior Policy and Governance Officer explained that there may be specific amendments which need to be made in regards to specific contracts which is why it was included in the decision for the Committee to agree.

Councillor Kay questioned whether the framework needed to be more specific before being agreed at Committee. The Senior Policy and Governance Officer explained it would be very difficult to allow for every and any contract that the council may take however it was meant as general guidance for Officers to follow.

The Strategic Director of Resources reminded the Committee that should the framework be approved it would come back to Committee annually for feedback to further develop it over time.

Councillor Pearson proposed and Councillor Kay seconded.

Councillor Hurst raised a few concerns, the first regarding inflation and cost supply issues creating potential damage to long term contracts. The second concern was related to the use of that word 'estimate' on page 23 of the document pack as it implied a degree of flexibility that shouldn't be there.

Councillor Pearson questioned why the VAT was included in the total if the council didn't need to pay it. The Senior Policy and Governance Officer confirmed that as of January 2022 the regulations changed to include VAT, she further confirmed the council will pay VAT initially and then will receive the amount back. It was agreed for the threshold figures to be recalculated minus the VAT and brought back to Committee so as to no have an effect on the contracts.

After being put to a vote, the Motion carried unanimously.

- RESOLVED**
- a) **To approve the Contract Management Framework**
 - b) **To agree that the Contract Management Framework will be reviewed annually by the Audit & Standards Committee.**
 - c) **To agree that the Strategic Director of Resources has delegated authority to make minor amendments to the framework.**

ASC.042 Management Update - ICT Service Desk

The ICT Service Delivery Manager introduced the report and talked the Committee through the outstanding recommendations which included:

- Service Level Agreement to be released – This included the targeted resolution times, percentage of tickets completed and response times for IT which were still being fine-tuned before being distributed.
- Reporting to be released – This was now being completed and IT were performing very well in all aspects except contract resolution which was being addressed.
- Break down the reporting on Service Requests – They had spoken with the supplier of the Service Desk system and had agreed a way in which to do this going forward.

The ICT Service Delivery Manager gave the following answers in response to questions asked:

- The recent Councillor Induction pack included the number for the ICT Service Delivery Manager and an e-mail address for Service Desk. It was agreed to check this information and send it back out to Councillors.
- Service Delivery was still maintained when managers were absent or on leave.
- They were looking into redundancy and resiliency to anticipate any large system events such as the cyber-attack Gloucester City had recently undergone. This included backup routines and using alternative systems at the site in Littlecombe.

Councillor Baker proposed and Councillor Smith seconded.

After being put to a vote, the Motion was carried unanimously.

RESOLVED To accept the progress report.

ASC.043 Risk Management Update

The Strategic Director of Resources introduced the report and provided an update on the Risk Management Review which included:

- They had received a draft report which had since been through Internal Audit and were now formulating the final report after having discussed it at length. Once this had been completed it would be coming to Audit and Standards Committee to look at.
- The report would include recommendations to improve risk management reporting to the committee and ways in which members could get more involved.

The Strategic Director of Resources concluded by informing Members that they were looking for a new system with which to monitor risk, one that Members will be able to access.

The Strategic Director of Resources gave the following answers in response to Members' questions:

- The corporate risk register in appendix A considered the main risks that crosscut a number of different service areas.
- Inflation was included within the main budget risk however due to the severity of the risk it should likely have been its own item which further indicated the need for the review.

In response to Councillor Baker, the Senior Policy and Governance Officer explained that the narrow column with the Red, Amber, Green (RAG) status was historically greyed out due to causing confusion. Since then, the newest risks that had been added onto the system incorporated the use of the RAG status which was why there were some with a colour and some without.

Councillor Pearson questioned CCR10 on page 56 of the document pack and whether line managing responsibility was being outsourced to contractors. The Strategic Director of Resources explained that it meant if there was ever a situation where key people were lost, they could outsource that responsibility however that would only be if required.

In response to questions from the Chair, the Strategic Director of Resources explained that:

- CCR16 related to inadequate IT infrastructure, which was historically a high rating risk however, IT had received significant funding in recent years which had caused it to drop down in risk.
- There were no risks on the highest scoring level at that time.
- CCR18 on page 56 was a high risk due to historical issues with budgets for recycling and waste. They weren't anticipating any major issues and that risk would be re-scored at its review date.
- The Governments White Paper was published last week and was still being digested due its large content. There was a meeting booked for the following day to discuss the effects of the report.

Councillor Baker proposed and Councillor Wilsher seconded.

After being put to a vote, the Motion was carried unanimously.

RESOLVED To accept and note for future reference:

- a) The progress on the Risk Management Review**
- b) The Current Corporate Risk Register at Appendix A**

ASC.044 Internal Audit Progress Report 2021/22

The Head of Audit Risk Assurance introduced the report and explained that since the last Committee meeting in November there had been one audit activity completed which was an audit on voids. He further explained the completed audit activity to the Committee which included:

- Figures 3 and 4 in the report show the finely balance judgement which took place throughout.
- There had been a great impact on void turnaround times due to Covid. It was recognised that some staff of the contractors were furloughed.
- The period of time looked at was quite a challenging one for Officers.
- There were 20 recommendations made, 3 of which were classed as high priority.

The Head of Audit Risk Assurance also informed the Committee that there was a summary on counter fraud activities included within the report which consisted of:

- 2 referrals were received and dealt with by Audit and Standards Committee.
- 1 item was carried over from the previous year which was still being assessed by the Counter Fraud Team and would be coming to the Committee once finalised.

In response to Councillor Hurst, the Head of Contract Management confirmed that 127 properties were subject to the audit.

Councillor Baker clarified that tenants removed from properties due to non-payment of rent or through their own actions would not contribute to the homelessness issue because there would be no obligation to house them if they had caused their own homelessness.

Councillor Percy raised concerns over the number of reports which indicated a missing or out of date procedure and questioned whether there was a way to identify this without completing a full audit. The Head of Audit Risk Assurance explained that some Councils had a policy register.

The Strategic Director of Resource confirmed that a policy register was currently being drafted by the Policy and Governance Team.

Councillor Pearson questioned whether the new way of working e.g hybrid and home working had caused the large number (67%) of audit reports to be limited when only 33% were classed as satisfactory. He further questioned that if that was a factor would the Council take it under consideration. The Principal Auditor confirmed that the outcomes of those audits were not driven fundamentally by home working.

Councillor Kay raised concerns with the Safeguarding report being deferred into the following year. The Principal Auditor confirmed that part of the mid-year revision involved adding a number of new, high risk priority audits to the current plan, as requested by Committee. In order to accommodate those reports it was decided to move the Safeguarding audit into the following internal audit plan.

Councillor Kay expressed his dissatisfaction with the deferral of the Safeguarding audit.

Councillor Percy questioned whether they would solidify the internal audit plan by accepting the report today. The Strategic Director of Resources confirmed the audit plan was set in advance, however, should things arise throughout the year, the Committee would be entitled to ask to add or change things. He further explained they were very close to the end of the current year and to add or amend things at this time would have been difficult.

It was confirmed that the audit year coincided with the Civic year as opposed to the calendar year. The Strategic Director of Resources agreed to work with the Audit Team to make the Safeguarding report a high priority for the following audit plan.

Councillor Hurst debated the following topics:

- The enormous loss of income to the HRA due to the large number of voids which didn't seem to be reported in the budget going to Council.
- The local authority peer groups against which the councils' figures were measured were also experiencing the pandemic however they managed to cope.
- Interested to see if other peer group authorities had brought the housing maintenance contracts in house.
- This report needed to be largely in the Public Domain and Housing Committee needed sight of it.

Councillor Baker confirmed that the time frames for Audit review and the Peer authority review were slightly different therefore couldn't be directly compared.

The Chair confirmed to the Committee that the voids report had already been to the Housing Committee on the 7th December.

The Chair of the Housing Committee, Councillor Ross confirmed it had been discussed, they had set up a task and finish group who would be looking into voids and repairs and they regularly reported back to the Housing Committee.

The Strategic Director of Resources explained that the Accountancy Manager gave a budget report at the last Housing Committee which reported on the financial aspect of voids.

Councillor Percy proposed and Councillor Pearson seconded.

After being put to a vote, the Motion was carried unanimously.

RESOLVED To accept:

- a) **The progress against the Internal Audit Plan 2021/22; and**
- b) **The assurance opinions provided in relation to the effectiveness of the Council's control environment.**

ASC.045 Annual Governance Statement 2020/21 Improvement Plan - Update

The Head of Audit Risk Assurance introduced the report and explained that the statement was approved at the Audit and Standards Committee in July 2021. He further explained that this report in Appendix A sets out the action that had been taken to date.

Councillor Percy questioned whether there had been any update on the appointment of the Monitoring Officer in 2022. The Strategic Director of Resources explained that they would have a timeline available shortly however, they had hoped to be going out to advert in the following months. Once this had been confirmed the information would be shared with Members.

Councillor Percy proposed and Councillor Hurst seconded.

After being put to a vote, the Motion was carried.

RESOLVED To accept the progress made against the identified improvement areas.

ASC.046 Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2022/23

The Principal Accountant introduced the report and explained it was to set the following strategies for the following financial year. They explained that the prudential and treasury management codes were both revised in December 2021 and their guidance notes were later circulated in January 2022. The Principal Accountant explained that the changes set out in paragraph 7 on page 87 of the document pack did not have a significant effect on Stroud District Council (SDC).

The Principal Accountant summarised the key points from the report which included:

- The ethical investment policy found on page 115 which would be reported back to the committee each quarter and revised annually.
- Table 1, page 88 set out the Capital Budget.
- Table 2, page 89 identified the net financial need.
- Table 3, page 89, set out the councils borrowing need.
- New Benchmark investments were set out on page 103.

The Principal Accountant gave the following answers in response to questions asked:

- There was a £12m limit with Money Market Funds (MMF) and an £8m limit with individual banks however there was a £4m with any individual MMF.
- The rates with MMF were comparatively lower than alternative options.
- LINK Asset Services were the council's treasury advisory. They have quarterly meetings with SDC and provided daily advice. Although they did not scrutinise work, they were available for advice should this be required.

- The Ethical Policy was a new policy for SDC and performance reports would be brought back quarterly to the Committee.
- Page 93 set out the interest rates forecast. The aim with this was to layer the investments in order to have maturing investments at different periods during the year. This would then enable SDC to take advantage of higher investment rates when they were available.

Councillor Baker questioned the pension fund investments and whether there was any assurance that those investments were ethical. The Principal Accountant explained that the SDC pension fund was part of the larger Gloucestershire pension fund which was managed by the Brunel Partnership. They would follow the Gloucester investment policy of which SDC have little influence.

In response to questions from the Chair the Principal Accountant gave the following answers:

- Page 101 of the document pack – The reason for the difference in the interest rate between Thurrock District Council and Dudley Metropolitan Council was due to the length of investment and the time at which the investment was taken out.
- The net income of capital receipts from the sale of council houses under the right to buy scheme in 2021 was around £600k.
- On page 90, paragraph 2.8 showed the Housing Revenue Account (HRA) had made a payment into an earmarked reserve for the purpose of the repayment of the housing debt.

The Strategic Director of Resources confirmed that there was no legal requirement for the HRA to put aside money for the repayment of the Housing debt however it was best practice and they had begun to do so.

The Chair raised a question around the return of investments with organisations that provided social housing. The Principal Accountant confirmed that it was a category of investment that SDC could use however it would vary on what was available on the day.

Councillor Percy proposed and Councillor Hurst seconded.

After being put to a vote, the Motion was carried unanimously.

RECOMMEND a) adopt the prudential indicators and limits for 2022/23 to 2024/25;
THAT b) approve the Treasury Management Strategy 2022/23, and the
COUNCIL treasury prudential indicators;
 c) approve the Investment Strategy 2022/23, and the detailed criteria for specified and non-specified investments; and
 d) approve the MRP Statement 2022/23,
 e) approve the Ethical Investment Policy.

ASC.047 To consider the Work Programme for 2021 / 22

The Chair summarised the updates to the Work Programme as requested at the last meeting.

The Head of Audit Risk Assurance requested to defer the 'Follow Up Enforcement Report' to the September meeting due to the timescale in which a few of the recommendations needed in order to be completed.

The Councillors debated the deferral, and it was agreed for the Strategic Director of Resources to liaise with the Head of Development Management in order to provide a management update on the progress of the recommendations.

The Head of Audit Risk Assurance requested to defer the 'Review of the effectiveness of the Audit and Standards Committee' due to upcoming internal process changes which would affect reporting. He further requested the 'Annual Report of the Audit and Standards Committee' be renamed to the 'Report of the Chair of the Audit and Standards Committee'.

Councillor Pearson expressed his concerns regarding the deferral of the follow up enforcement report.

The Strategic Director of Resources agreed to circulate the report with the outstanding recommendations highlighted.

In response to Councillor Percy, the Strategic Director of Resources confirmed that they would look into the possibility of a 12 month, rolling Work Programme.

ASC.048 Reports for Information

a) Information Sheet - Briefing Note on the Audit, Risk and Assurance Improvement Journey

The Head of Audit Risk Assurance introduced the report and explained that it sets out some of the internal changes and improvements that would be taking place within the Audit Service which included:

- How audits were undertaken.
- Enhancements to the risk based internal audit planning process.
- Risk management review.
- A new look for the Internal Audit plan.
- Formats for reports to improve dynamic and clearly highlight areas that need to be addressed.
- Introducing a recommendation monitoring sheets to track the progress of management with Audit recommendations.
- From April 2022 would be providing a single level of assurance.
- Increase consultancy work to address issues as they happen.

In response to Councillor Percy, it was agreed to look into the different ways of completing follow up audits.

ASC.049 Member Questions

There were none.

ASC.050 Limited Assurance Management Update - Out of Hours Emergencies

The Chair asked Members if they were happy to continue the meeting given that the time was approaching 10pm and in accordance with the Councils' Constitution section 3 paragraph 6, Members need to take a vote in order to continue the meeting.

After being put to a vote, the Motion was carried.

RESOLVED To continue the meeting until all items had been considered.

The Chair explained that this report contained exempt information therefore, a vote to enter a private session was required.

The Chair Proposed, on the advice of the Monitoring Officer, and it was seconded by Councillor Baker, that Agenda Item 11 should be considered exempt if agreed, any questions would be dealt with in closed session. The information was considered exempt as it related to the financial or business affairs of any particular person (including the authority holding that information).

After being put to a vote, the Motion was carried.

RESOLVED Pursuant to the provisions of Section 100 (A)(4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of this item at agenda item 11 on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A of the Act.

Members moved into closed session to discuss the report and the live recording was stopped.

During the closed session Councillor Percy proposed and Councillor Baker seconded.

After being put to a vote, the Motion was carried unanimously.

RESOLVED To ACCEPT the progress report.

The meeting closed at 10.04 pm

Chair