



# STROUD DISTRICT COUNCIL

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## AUDIT AND STANDARDS COMMITTEE

Tuesday, 29 November 2022

7.00 - 8.40 pm

Council Chamber

### Minutes

#### Membership

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

Councillor Paula Baker

\* Councillor Stephen Davies

Councillor Nick Hurst

Councillor Norman Kay

\*Absent

**Councillor Martin Percy (Vice-Chair in Chair)**

Councillor Keith Pearson

Councillor Ashley Smith

Councillor Rich Wilsher

#### Officers in Attendance

Strategic Director of Resources

Corporate Director (Monitoring Officer)

Democratic Services & Elections Officer

Principal Accountant

Accountancy Manager

Head of Service Counter Fraud and Enforcement Unit

Principal Auditor

Group Manager- Audit Risk Assurance (ARA)

#### Others in Attendance

Umais Asghar – Deloitte

#### ASC.028 Apologies

Apologies for absence were received from Councillors Davies and Studdert-Kennedy.

As Councillor Studdert-Kennedy had provided his apologies for the meeting Councillor Percy proceeded as Vice-Chair in the Chair for the meeting.

#### ASC.029 Declaration of Interests

There were none.

#### ASC.030 Minutes

**RESOLVED** That the Minutes of the meeting held on 27 September 2022 were approved as a correct record.

#### ASC.031 Public Question Time

There were none.

**ASC.032**     **Member Questions**

There were none.

**ASC.033**     **Counter Fraud and Enforcement Unit Report**

The Head of Service, Counter Fraud and Enforcement Unit provided a brief update on the work their team had been completing and highlighted the following key points:

- 2.4 on page 10 of the reports pack outlined the Member Code of Conduct investigation that had been completed.
- 2.6 detailed that work that had begun regarding earnings information declared for the purpose of Test and Trace payments and Council Tax Support claims.
- 2.8 outlined the progress relating to the review of National Fraud Initiatives (NFI) data matching referrals on behalf of Revenues and Benefits.
- A report regarding the enforcement of Housing and Tenancy Fraud by the Council on behalf of Social Housing Providers within the district was approved at Housing Committee as detailed in 2.10.
- 2.15 onwards included an update which related to processes and activities in relation to the Regulation of Investigatory Powers Act (RIPA) 2000 and Investigatory Powers Act (IPA) 2016.

The Head of Service, Counter Fraud and Enforcement Unit advised that at the last committee meeting there was a question raised regarding the information provided at the bottom of the Council Tax bills issued to residents. She confirmed that there was a note on the bottom reminding residents to update the Council regarding any changes that affected discounts and exemptions and that she had requested the additional line 'if you don't, you may be subject to a penalty'.

The Head of Service, Counter Fraud and Enforcement Unit gave the following answers in response to questions asked:

- 2.10 detailed £44,927 of increased revenue. This was the total figure of money owed from single person discount anomalies and would be recovered over a period of time in line with usual Council Tax collection processes.
- The £70 fixed penalty was set by legislation and could not be amended.
- The 20 civil penalties mentioned in 2.10 were applied for two reasons. Either residents did not declare that their situation in relation to Single Person Discount had changed within a timely manner or the information provided was false to begin with.
- The NFI matches were due to be completed by the end of December 2022.

Councillor Hurst proposed and Councillor Baker seconded.

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

**RESOLVED To consider the report and comment as necessary.**

**ASC.034**     **Annual Audit Letter**

Umais Asghar from Deloitte presented this item. The letter summarised the outcome of the audits carried out in 2021/22.

The following answers were given in response to questions from Members:

- Page 18 mentioned delays with returning audit evidence. This was due to annual leave, once this had been finalised a breakdown of the additional costs would be provided to the Committee.

- The work on the car parks valuation detailed on page 26 was still ongoing and they were on the second round of queries. So far there had been no major changes and it was hoped to be concluded shortly.
- Page 32 detailed the discrepancies found with the Fixed Asset Register (FAR).
- The initial valuation of the car parks was outside of the acceptable variation range which is why it was considered to be overstated.
- Page 27 described the Goodwin judgement which was a historical case relating to pension liability.

In response to the Chair, Councillor Percy, the Accountancy Manager explained that the valuations were carried out by an external valuer and that Covid had an impact on revenue which in turn lowered the value of the car parks. The Strategic Director of Resources also confirmed that there were complex rules around valuing assets and that it was based on a long term assessment of rental income.

### **ASC.035 Statement of Accounts 2021/22**

The Principal Accountant introduced the report and explained that the statement of accounts was initially signed off on the 28 July 2022 and the audit had begun on the 1 August 2022. He then drew the Committee's attention to the following key points:

- Page 52, table 1 highlighted the changes that had been made to the accounts throughout the audit process.
- The balance sheet found at page 72 of the reports pack was not the full balance sheet. It was missing the reserves which could be found in columns F and G on page 70 of on pages 115 - 116 of the reports pack.
- Pages 55 - 65 outlined the Section 151 Officer's summary of the year.
- Page 70 of the reports pack showed the movement of reserves.

The Strategic Director of Resources explained that there had been a misprint with the balance sheet found on page 72 however all the relevant information was included within the statement of accounts.

The Monitoring Officer advised that the decision be amended to include 'subject to the re-formatting of the balance sheet'. The Councillors agreed.

Councillor Kay proposed and Councillor Pearson seconded.

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

### **RESOLVED To**

- Approve the audited statement of accounts for the year ending 31 March 2022; and**
- Subject to the re-formatting of the balance sheet, approve that the Strategic Director of Resources and Chair of the Audit Committee sign the Statement of Accounts and the letter of representation.**

### **ASC.036 Half Year Treasury Management Report 2022/23**

The Principal Accountant introduced the report and explained that there were no proposed changes to the strategy within the report and it was solely focused on the performance areas of Treasury Management. He then proceeded to provide an overview of the report and informed the Committee of the following:

- Page 158 outlined the principal for investments. Priority was given for Security, Liquidity and Yield. They had added a fourth priority for Environmental, Social and Governance (ESG).
- Table 4 outlined the investments and borrowing at the end of quarters 1 and 2.
- The interest rates had risen above the predicted percentage which made it increasingly difficult to predict future costs.
- There had been no external borrowing during the half year.
- There was £2m due to be repaid in February 2023.
- A full economic update had been included on page 167 of the reports pack.

In response to Councillor Kay, it was confirmed that the 1m invested in Thurrock District Council was repaid in full.

The Principal Accountant explained, in response to Councillor Wilsher, that all investments were subject to the first 3 priorities as set out in the Treasury Guidelines. If investments of a similar return were equal on the first 3 principals, then it would fall to the fourth principal for a better ESG rating to decide where to invest. Councillor Wilsher expressed concerns with companies who had questionable ethics but who would have a better ESG rating. The Strategic Director of Resources explained that the Ethical Investment Policy, which came into force from the 1 April 2022, clarified what areas not to invest in.

Councillor Hurst questioned whether the £102m of borrowing was on a fixed term interest rate. The Principal Accountant confirmed that it was.

Councillor Wilsher proposed and Councillor Pearson seconded.

Councillors Pearson and Kay commended the Officers for their report.

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

**RESOLVED To accept the Treasury Management half year report.**

### **ASC.037 Internal Audit Progress Report 2022/23**

The Group Manager introduced the report and explained that it consisted of finalised outcomes for the period September – October 2022 and confirmed the status of work as at the 31 October 2022. She gave a brief overview of the report:

- 3 summary paragraph outcomes which included 1 acceptable assurance and 2 interim updates on larger activities.
- An update on the Audit Risk Assurance (ARA) Counter Fraud actions for that period.
- Pages 183 – 185 of the reports pack outlined the movement of progress since the previous report (presented to the September Committee).
- 3 additional high priority activities had been added to the Internal Audit Plan during the year. The new activities and in year risk assessment review & update had led to wider audits being considered for deferral, as reflected on pages 183 - 185.

In response to Councillors, the ARA team gave the following answers:

- 100 cases were identified within tranche 1 of the Covid Grants assurance work as having an anomaly. These were all investigated and the results were referred to the Revenues and Benefits Manager. A further review was ongoing within 2022/23 (tranche 2) and would be reported to Committee at the end of the audit year.
- Page 176 highlighted an observation and risk for the Demonstrator Grant project. Due to the timing of the ARA activity, management had confirmed that the recommendations

would be actioned for subsequent projects (for example, the 'Wave One' project) to support control improvement.

Councillor Baker Proposed and Councillor Hurst seconded.

Councillor Kay commended the work of the Officers.

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

#### **RESOLVED To**

- a) Accept the progress against the Internal Audit Plan 2022-23; and**
- b) Accept the assurance opinions provided in relation to the effectiveness of the Council's control environment (comprising risk management, control and governance arrangements).**

#### **ASC.038 Corporate Risk Register Update**

The Strategic Director of Resources explained that there were very few changes within the report and proceeded to highlight the following key points:

- The scoring of CCR4 had been reviewed at the request of the Committee and was scheduled to be reviewed again in February 2023.
- CCR8 had been reduced due to the result of the triennial valuation which allowed the Council's pension contributions to be frozen at their current level for the next 3 years.
- CCR9 definition had been clarified.

The Strategic director of Resources also informed the Committee that they had completed the procurement of the new Risk Management System, Pentana Risk. He further confirmed that Councillors would have access to the system once it was up and running.

Councillor Baker questioned the low severity of CCR95, the Strategic director of Resources agreed to get this reviewed by the Risk Owner.

In response to Councillor Pearson the Strategic Director of Resources confirmed that the inflation risk was included within the CCR1 risk which covered the general balancing of the account however, he would take the comments on board and review the wording for CCR1.

In response to Councillor Smith, the Strategic director of Resources confirmed that there was an audit planned for later in the year with regard to cyber security. The Group Manager confirmed that piece of work had already begun.

The Chair, Councillor Percy, raised a concern with the CCR1 risk target which suggested a risk appetite. The Strategic director of Resources confirmed that the scoring reflected the income challenges and the risk within that as opposed to creating a risk appetite for a balanced budget which was not the case.

#### **ASC.039 To consider the Work Programme for 22 / 23**

The Group Manager informed the Committee of a Risk Based Audit Planning Workshop which would be taking place prior to the next committee and asked all Audit and Standards Committee Councillors to attend. The request was supported by the Committee Chair.

The meeting closed at 8.40 pm

Chair