



STROUD DISTRICT COUNCIL

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AUDIT AND STANDARDS COMMITTEE

Tuesday, 26 September 2023

7.00 - 9.06 pm

Council Chamber

Minutes

Membership

Councillor Nigel Studdert-Kennedy (Chair) **Councillor Martin Percy (Vice-Chair)**

Councillor Paula Baker

* Councillor Norman Kay

Councillor Doina Cornell

Councillor Keith Pearson

Councillor Stephen Davies

Councillor Ashley Smith

Councillor Christopher Jockel

*Absent

Officers in Attendance

Strategic Director of Resources

Principal Accountant

Head of Audit Risk Assurance

Accountancy Manager

Democratic Services & Elections Officer

Senior Internal Auditor

Other Member(s) in Attendance

Councillor David Mossman

ASC.001 Apologies

An apology for absence was received from Councillor Kay.

ASC.002 Declaration of Interests

There were none.

ASC.003 Minutes

RESOLVED That the Minutes and Exempt Minutes of the meeting held on 18 April were approved as a correct record.

ASC.004 Public Questions

There were none.

ASC.005 Member Questions

There were none.

ASC.006 **Unaudited Statement of Accounts 2022/23**

The Principal Accountant introduced the report and explained that it was a statutory responsibility of the Council to prepare and ensure compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. He highlighted the following key points:

- The Chief Financial Officers Narrative report could be found on pages 21-35.
- The statement of accounts was published and signed by the Section 151 Officer on the 31 May 2023, as seen on page 37, which was within the statutory deadline.
- The movement of reserves (page 41) showed an increase of £4m in usable reserves and an increase of £47.5m in unusable reserves. This was largely due to an increase in property valuations and the pension scheme, further details of which could be found in the breakdown table on page 40.

Councillor Davies questioned whether it was okay that the information regarding the Committee Chairs was now out of date. The Principal Accountant confirmed that the information within the accounts was correct at that time, it was a fixed position.

In response to Councillor Smith, it was confirmed that the Gloucestershire Economic Growth Joint Committee (GEGJC) had met for the last time and would be replaced with a new committee which would likely be confirmed at the next Full Council meeting.

Councillor Percy commended the report in light of such economic uncertainty.

Councillor Pearson proposed and Councillor Percy seconded.

The Chair, Councillor Studdert-Kennedy, commended the Officers for their hard work.

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

RESOLVED To approve the unaudited Statement of Accounts for the year ending 31 March 2023.

ASC.007 **External Audit Plan**

The Strategic Director of Resources introduced the report on behalf of Deloitte who were unable to attend the meeting. He explained that the External Audit Plan set out the scope of the work they had planned to undertake and how this would be reported. The report identified significant risks they felt would be worth investigating and how they would report on value for money for the Council. The Strategic Director of Resources informed the Committee that the fees were likely to increase following this year due to renewed procurement arrangements.

In response to Councillor Cornell, the Strategic Director of Resources confirmed that they were given advanced notice of a large change in fees when possible, however often this was less notice than hoped.

Councillor Percy queried the date range at the top of page 152. The Strategic Director of Resources confirmed that was an error and should be from 1 April 2022 to 31 March 2023.

RESOLVED To note the update from External Auditors Deloitte.

ASC.008 Quarter 1 2023/24 Treasury Management

Principal Accountant introduced the report and highlighted the following salient points:

- Table 1 on page 166 set out the specified investments which had a 4.276% rate of return.
- Table 2 on page 167 outlined the return from each fund investment and their capital value.
- Paragraph 10 detailed that there had been a breach with the investment in Barclays, it further explained that the full fund had since been withdrawn from Barclays due to their low Environmental, Social and Governance (ESG) rating.
- Table 3, page 168, showed a snapshot of the investments with their ESG rating. Barclays Bank Plc was the lowest on the ESG grading scale.
- The remaining tables showed the returns of various types of investments and included a benchmark for comparison.

In response to Councillor Baker, it was confirmed that the Lothbury investment remained unchanged at present however an exempt paper was included in the previous Full Council papers with further details.

Councillor Davies queried why the investments in table 2 were receiving a positive return yet the investment had decreased. The Principal Accountant drew attention to table 6, on page 170, which detailed the capital variation.

Councillor Jockel questioned how the ESG rating was calculated. The Principal Accountant explained that an external company called Camdor were responsible for analysing the market and providing the ESG ratings.

In response to Councillor Percy, it was confirmed that:

- Notice had been given to remove the investment with Barclays however this would not be instantaneous.
- The ESG rating was the fourth consideration when investing, behind security, liquidity and yield.

In response to Councillor Davies it was confirmed that Barclays had been made aware of the reasons for divesting.

Councillor Pearson queried whether the ESG rating was subjective because it was an opinion from an external company. The Principal Accountant explained that Camdor had a methodology in order to provide the ESG rating however it was still a formative market and therefore should improve over time as more companies expanded to include ESG.

In response to Councillor Percy it was confirmed that the contract with Camdor was refreshed annually as part of an operational Officer decision however Members were responsible for approving the Ethical Investment Policy annually at Committee. It was agreed to invite Camdor back following a change in the Committee Membership to explain further about ESG ratings.

Councillor Baker proposed and Councillor Pearson seconded.

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

RESOLVED To accept the treasury management activity first quarter report for 2023/2024.

ASC.009 **Annual Governance Statement 2022/23**

The Strategic Director of Resources introduced the report and explained that this report was historically compiled by the Internal Audit Team however this year and going forward it would be compiled by the Monitoring Officer with the support of Internal Audit. He highlighted the action plan at Appendix B and provided a brief update of the implemented changes including the newly created Corporate Governance Working Group.

In response to Councillor Davies it was confirmed that the information within the report was correct at that moment in time although some things had since changed.

Councillor Percy asked whether the actions would be input to the new performance monitoring system, Ideagen. The Strategic Director of Resources agreed to take the suggestion on board.

The Chair, Councillor Studdert-Kennedy, asked for an update regarding the Corporate Recovery Plan listed on page 202 as it was nearing its target date. The Strategic Director of Resources agreed to provide an update at the next Committee meeting.

It was agreed, in response to Councillor Pearson, to amend references of Pentana to its new name Ideagen (formerly known as Pentana).

Councillor Percy proposed and Councillor Cornell seconded.

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

RESOLVED To:

- a) **Approve the Annual Governance Statement 2022/23; and**
- b) **Note that regular reports on progress against the 2023/24 action plan will be presented to the Audit and Standards Committee**

ASC.010 **Local Code of Corporate Governance**

The Strategic Director of Resources introduced the report and explained that it had been reviewed and refreshed in line with the CIPFA/SOLACE framework. He further explained that it contained the framework to effectively review the governance arrangements at the council.

Councillor Cornell asked for an example of how it would improve the council's governance arrangements. The Strategic Director of Resources explained that it provided a breakdown of which responsibilities were discharged by certain committees which removed any potential ambiguity. It was also responsible for the creation of the Corporate Governance Group which would be following up with Audit recommendations to ensure completion, whereas in the past there was only a formal process to follow up with the limited assurance recommendations.

Councillor Percy stated that the report didn't discuss the communication and connection between the committees and various groups. The Strategic Director of Resources agreed to take the comments back to the Monitoring Officer.

Councillor Cornell proposed and Councillor Percy seconded.

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

RESOLVED To adopt the Local Code of Corporate Governance.

ASC.011 Annual Report of the Chair of the Audit and Standards Committee

The Chair, Councillor Studdert-Kennedy briefly introduced the report and asked the committee for any comments or questions.

Councillor Pearson highlighted an error in the purpose of the report on page 215 which referred to 2021-22 when it should have read 2022-23. He also highlighted that it mentioned the review of the 2021-22 statement of accounts. The Strategic Director of Resources confirmed that the purpose of the report should have read 2022-23 however the accounts were correct as they were reviewed the previous year.

Councillor Davies queried the decision to recommend to full council as the report had already been approved at the July Council. The Strategic Director of Resources explained that, due to the cancellation to the previous Audit Committee, the report had already been taken to Full Council. However, they felt necessary to also bring it to Audit and Standards.

The Councillors agreed to a friendly amendment to remove part b from the resolution.

Councillor Pearson proposed and Councillor Smith seconded.

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

RESOLVED To agree the Annual Report of the Chair of the Audit and Standards Committee 2022-23.

ASC.012 Annual Report of the Head of Audit Risk Assurance (ARA) 2022/23

The Head of Audit Risk Assurance introduced the report and thanked the ARA Auditors for their hard work over the year which is reflected in the Annual Report. He also thanked the Members and Officers of SDC for their support which has enabled the work to be undertaken. He explained that it was a requirement of the Public Sector Internal Audit Standards (PSIAS) to bring an annual report to Committee and proceeded to highlight the following:

- Section 1 set out the introduction and the purpose of the report and its regulatory background.
- Section 2 detailed the opinion. Overall the council's internal control, governance and risk environment had been granted an acceptable level of assurance.
- Section 3 outlined the code of ethics which must be abided by.
- Section 4 included a salient message from the work undertaken throughout 2022-23.
- Section 5 concluded the report with the performance parameters. 86% of the audit plan had been completed against a target of 85%.

Councillor Jockel asked what happened to the 14% of work which was not completed. The Head of ARA explained that it was all reviewed as part of the planning process when drafting the following years audit plan.

In response to Councillor Percy it was confirmed that in order to get a substantial level of assurance overall, the council couldn't have received any limited assurances or high risks throughout the year.

Councillor Pearson thanked the audit team for their hard work.

Councillor Baker proposed and Councillor Pearson seconded.

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

RESOLVED To

- i. **Assess, from the findings set out in this Annual Report, whether it can take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively;**
- ii. **Note that the performance of Internal Audit meets the required standards; and**
- iii. **Note the Council wide counter fraud activity during 2022/23.**

ASC.013 Counter Fraud Team Annual Report – 2022/23

The Head of Audit Risk Assurance introduced the report and explained that this normally formed part of the Annual Report of the Head of Audit Risk Assurance, however this year it had been submitted separately in order to provide more detail.

Councillor Percy asked about the outstanding action highlighted in red on page 244. The Head of ARA explained that it was an internally set action to see if there were any improvements that could be made to the OPUS case management system and therefore was not critical.

In response to the Chair, it was confirmed that they would always seek to recover any losses due to fraud and prosecute where possible.

Councillor Pearson asked how Stroud District Council compared against other authorities of a similar size. The Head of ARA confirmed that Stroud did not have a higher risk of fraud when compared to other councils.

In response to Councillor Jockel, it was confirmed that there was a Covid 19 Business Grants audit included within Item 15 on the agenda with a substantial level of assurance.

Councillor Percy proposed and Councillor Davies seconded.

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

RESOLVED To accept the progress against the Counter Fraud Annual Plan 2022/23.

ASC.014 Corporate Risk Register Update

The Strategic Director of Resources introduced the report and explained that the report had been carried over from the cancelled meeting in July. However, the strategic risks were updated on a quarterly basis and therefore the information remained the same. He highlighted the main changes which included:

- SR1 – The risk score for high levels of inflation had been reduced from a 12 to a 9.
- SR2 had been re-assessed and remained unchanged.
- SR10 – The risk score for the delivery of the canal had been increased from a 4 to a 9.
- SR15 was added in July due to the National Pay Award not being agreed and the likelihood of strike action.

Councillor Smith asked whether the severity of SR13, risk of successful cyber attack, should be increased to catastrophic. The Strategic Director of Resources agreed to take the comments back to the risk owner.

Councillor Baker questioned whether SR5 was still required on the risk register. The Strategic Director of Resources confirmed that the probability and severity of the risk had been decreased and was likely to drop off the risk register shortly.

Councillor Cornell offered her apologies and left the meeting.

In response to Councillor Jockel, the Strategic Director of Resources explained that a control score of 1 indicated that the control was in place and working effectively and a control score of 2 meant that there was still work required to get the controls in place.

ASC.015 **To consider the Work Programme**

There were no comments on the Work Programme.

ASC.016 **Internal Audit Activity Progress Report 2023-24**

The Head of Audit Risk Assurance introduced the report and explained that there was a total of 16 audit summaries since the last report to Committee due to the cancellation of the July meeting. 2 of the audits had been given Limited assurance, 1 was classified as exempt and the remaining 13 audits were acceptable and substantial.

Councillor Pearson raised concerns with the limited assurance report for Leisure Facilities at the Pulse especially since the recent decision to bring all leisure facilities in house. The Strategic Director of Resources explained that was one of the reasons the Head of Community Services had requested the audit.

In response to Councillor Jockel, it was confirmed that, when auditing the leisure facilities at the Pulse, the auditor found that they were not documenting the procurement process properly, often for smaller items.

It was agreed to get back to Councillor Percy with detailed information on why the risks were not considered as part of the Cleaner Estates Strategy.

It was agreed to update the Chair regarding the progress of the recommendation on page 274 as the deadline date was the 15 September 2023.

Councillor Baker suggested that, under the Cleaner Estates Strategy, SOLACE may be able to support to investigate the use of Community Protection Notices. The Strategic Director of Resources thanked Councillor Baker and agreed to take the suggestion back to the team.

The Chair proposed, on the advice of the Monitoring Officer, that Appendix B of Agenda Item 15 should be considered exempt and 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 15 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.

Councillor Pearcy proposed and Councillor Jockel seconded.

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

RESOLVED To

- i. **Accept the progress against the Internal Audit Plan 2023-24; and**
- ii. **Accept the assurance opinions provided in relation to the effectiveness of the Council's control environment (comprising risk management, control and governance arrangements).**

The meeting closed at 9.06 pm

Chair