



# STROUD DISTRICT COUNCIL

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## AUDIT AND STANDARDS COMMITTEE

Tuesday, 30 January 2024

7.00 - 9.16 pm

Council Chamber

### Minutes

#### Membership

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

- \* Councillor Paula Baker
- Councillor Martin Brown
- Councillor Doina Cornell
- \* Councillor Laurie Davies
- Councillor Stephen Davies
- \* Absent

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

- \* Councillor Nick Hurst
- Councillor Christopher Jockel
- Councillor Keith Pearson
- \* Councillor Ashley Smith

#### Officers in Attendance

Strategic Director of Resources  
 Corporate Director (Monitoring Officer)  
 Head of Audit Risk Assurance (ARA)  
 Principal Auditor  
 Accountancy Manager  
 Principal Accountant

Head of Service Counter Fraud and  
 Enforcement Unit  
 Deloitte  
 Senior Policy and Governance Officer  
 Democratic Services & Elections Officer

#### ASC.017 Apologies

Apologies for absence were received from Councillors Baker, Hurst, Laurie Davies and Smith.

#### ASC.018 Declaration of Interests

There were none.

#### ASC.019 Minutes

**RESOLVED** That the Minutes and the exempt minutes of the meeting held on 26 September were approved as a correct record.

#### ASC.020 Public Questions

There were none.

#### ASC.021 Member Questions

There were none.

**ASC.022 Contract Management Framework Update**

The Senior Policy and Governance Officer introduced the report and highlighted a small error where it stated that the Procurement Strategy was awaiting approval. It had been approved at the Strategy and Resources Committee in November 2023. She explained that the report was an annual report which included updates, a summary of the audit recommendations and the management response. The updates and changes to the original report had been highlighted throughout the appendices and the main changes were:

- Levels of contract management (high, medium and low) had now been defined within the framework.
- More information regarding risk management had been included.
- Approval from the Head of Service for the Contract Plan was now required.
- The level of the mandatory contract management plan had been increased from £25k – £75k which was now in line with the financial thresholds.

The Senior Policy and Governance Officer highlighted following key points:

- The second line of defence activity took place on a quarterly basis by the Policy and Governance Team.
- The Procurement Strategy included an annual action plan which referenced the framework.
- The Procurement Act was due to come into effect in October 2024 which would affect the Procurement and Procedure Rules. Therefore they would likely need to come back to the Committee for approval.
- Training for Officers would begin in February and Members would receive training as part of the induction programme following the elections in May.

In response to Councillor Pearson, it was confirmed that the changes would not take effect until after the report had been approved.

Following a question from the Chair, the Senior Policy and Governance Officer explained that there were several notices that would need to be published following approval, which would all be publicly available on the website.

Councillor Percy asked whether the system had been updated to reflect the requirements for a more transparent process as part of the upcoming legislation. The Senior Policy and Governance Officer confirmed that the system already had that capability.

Councillor Davies raised concerns regarding training fatigue. The Senior Policy and Governance Officer explained that there would be initial training sessions for all Officers and then further refresher sessions to provide information on any amendments later in the year.

Councillor Cornell raised a question regarding a further piece of legislation which could restrict future procurement investments. The Senior Policy and Governance Officer confirmed that the Procurement Strategy would set out the framework for the next 5 years and there were no impacts expected.

In response to Councillor Jockel, The Senior Policy and Governance Officer confirmed that the Social Value Policy had been adopted in 2021 and they were working to ensure that the contract management framework reflected any existing policies.

Councillor Percy asked where the responsibility of risk sat within a contract agreement. The Senior Policy and Governance Officer explained discussions took place before the Audit and Standards Committee  
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Subject to approval at  
next meeting

signing of a contract to ensure both parties were aware of their responsibilities and these should be reviewed throughout the duration of a contract at regular meetings.

The Chair questioned what the process was if a contract was not progressing as expected. The Senior Policy and Governance Officer explained it would be discussed at the Community Governance Group and then reported to the Strategic Leadership Team for review. If a serious failure was identified it would then be escalated to Committee or Internal Audit as appropriate.

Councillor Pearson commended the Officers.

Councillor Pearson proposed and Councillor Percy seconded.

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

## **RESOLVED To approve the updated Contract Management Framework**

### **ASC.023     Annual Audit Letter**

Michelle Hopton from Deloitte introduced the report and explained that it included an update for both the 2021/22 and the 2022/23 audit as summarised below.

#### 2021/22

- There were national issues regarding the pension fund which had led to a delay with the 2022 audit opinion being signed. These had now been resolved and the FY 2022 audit had been signed off.

#### 2022/23

- The audit was in its final stages to resolve any remaining queries with the aim of signing off the accounts at the end of March 2024.
- They were also looking to complete a value for money piece of work.
- They would be looking to bring back a further final report which summarised all of the updates regarding both 2021/22 and 2022/23 audits. It was hoped that this would be ready for the next Audit and Standards Committee meeting.
- Pages 68-69 of the report detailed the corrected misstatements identified and there was one uncorrected misstatement which was detailed on page 70.

Councillors were given the opportunity to ask the Officers questions, the following responses were given:

- They had amended how they presented their report to further increase transparency.
- A judgemental misstatement was based on an estimation and therefore was subjective to a point compared to a factual misstatement which was factually wrong. A small judgemental misstatement would not be a material consideration however anything that was large enough to become material was feedback to management to decide whether to adjust the amount.
- The Section 151 Officer had the final say on what figures went into the account however it was very unlikely that he would input any figures that audit were not in agreement with.
- There were national issues regarding the sign off of Local Authority audits which had created a backlog with hundreds of accounts still awaiting sign off. The 2022/23 accounts had already passed the initial deadline and a new backlog deadline had been put in proposed by Central Government for the end of September 2024.

The Strategic Director of Resources confirmed to the Committee that despite the backlog, Stroud District Council had met its earlier deadline to publish its draft accounts.

Councillor Jockel raised a query regarding the fixed assets valuation. The Strategic Director of Resources explained that it was an area of judgement with large sums which meant that it was more frequently challenged. He further explained the actions they had taken to address this such as:

- Increased the number of assets to be valued each year.
- Improved the asset register system for recording depreciation in valuations.
- Utilised updated property valuations.

**RESOLVED To note the annual audit letter on 2022/23 external audit.**

### **ASC.024     COUNTER FRAUD AND ENFORCEMENT UNIT REPORT**

The Head of Service, Counter Fraud and Enforcement Unit (CFEU) introduced the report and briefly summarised its contents. The report included an update on the work surrounding the Council Tax reduction scheme, National Fraud Initiative (NFI) match information, Revenue and Benefit single discount review matches, housing and tenancy fraud referrals and further details of other fraud investigative activities.

The Head of Service CFEU explained that due to Stroud becoming a full partner with the Counter Fraud and Enforcement Team there would be additional reports for Committee to consider in April.

In response to Councillor Cornell, the Head of Service CFEU confirmed that it was a shared service. They were employed by Cotswold District Council and seconded out to all other councils in the partnership. After a further question from Councillor Cornell the Head of Service CFEU confirmed there were other councils within the partnership who also had their own housing stock.

Councillors received the following answers in response to their questions asked:

- The financial loss avoidance had been highlighted as per a request received at a previous Committee.
- The Council Tax single persons had returned a high number of matches. A match meant that there was a discrepancy with the information provided.
- There were a number of reasons other than fraud that contributed to the high number of Council Tax matches.
- Training sessions for Members regarding the CFEU partnership would be rolled out after April.
- There was a specific addendum on the website relating to the NFI investigations and for further information for the public.

Councillor Davies commended the report.

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

### **ASC.025     Half year Treasury Management report 2023/24**

The Principal Accountant introduced the report and provided a brief overview which included:

- Table 1 on page 85 outlined the half year interest earned on treasury investments which was £1.286m.

- Table 3 on page 86 was a snapshot of investments with their ESG rating. The lowest of which had since been redeemed.
- Table 4 on page 87 detailed the return on specified investments.
- Page 87 detailed the termination date for the Lothbury Property Fund investment which had been extended.
- Page 89 highlighted the Camdor training which was postponed and would need to be rescheduled potentially following the May elections.

Councillor Davies queried the Lothbury Property Fund and the Principal Accountant explained that the fund was frozen until 31 March 2024. There was a potential for a merged fund proposal which would allow for the council to stay invested with the property fund should they wish. However if that proposal did not come forward or the council was not minded to continue its investment then it would be re-paid at its current value.

Councillor Davies questioned the current value of the fund and whether it had depreciated. The Principal Accountant explained that it had and was continuing to decrease.

The Strategic Director of Resources clarified that where investments had returned higher than expected, not all of the additional income had been spent. They had an investment risk reserve with approximately £820k. He then explained the disinvestment process to the Committee should the Lothbury Property Fund not continue.

Councillor Davies questioned whether there were any other investments that significantly depreciated. The Principal Accountant explained that the investment values fluctuated and could be found with their initial investment figure in table 2 on page 85.

Councillor Pearson clarified that although the initial investment had depreciated, they had received a higher value of returns.

In response to Councillor Percy, the Principal Accountant confirmed that the Lothbury Property Fund consisted of real assets which would need to either be sold to pay back initial investments or transferred to a large Property Fund in the case of a merge.

Councillor Pearson proposed and Councillor Percy seconded.

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

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

### **ASC.026 Treasury Management Strategy 24/25**

The Principal Accountant provided a summary of the report including a brief outline of its appendices. He highlighted table 2 on page 102 which outlined the councils Capital spending plans and table 3 detailed the debt repayment plans. The liability benchmark, which was a relatively new indicator, could be found at page 103.

Councillor Cornell raised a question regarding the ethical investment policy and current legislation that Central Government were discussing and whether it would have an impact. The Strategic Director of Resources clarified that the Government were discussing the Economic Activities of Public Bodies (Overseas Matters) Bill in the House of Commons. He further explained that its intention was to prevent Local Authorities from making individual decisions to not invest or procure from particular nation states with the exception of Russia and Belarus and it was not believed to have an impact. If the bill was passed,

they would ensure that they were complying and bring any urgent matters to Committee where required.

The Chair questioned whether 20% of the revenue of housing was set aside to re-pay interest on debt. The Accountancy Manager confirmed that there was considerable debt within the Housing Revenue Account (HRA) due to its self-financing decision in 2012. There was additional borrowing for new builds and major works which would be continued to fund the retrofit programme, sustainable energy works and additional properties. There was an annual contribution and an earmarked reserves for the repayment of debt and it was a longer-term borrowing.

Councillor Pearson asked whether the data could be extracted to see the benefits of being self-financed. The Accountancy Manager explained that it would be very difficult to calculate due to many different factors.

In response to Councillor Davies question about the self-financing debt being written off for councils who utilised housing associations, the Accountancy Manager explained that there were many financial differences between councils and housing associations and how the paid VAT. She confirmed that the debt would not be there had the decision been made to not retain the housing stock.

Councillor Percy asked a question regarding the sensitivity of interest rates against investments. The Principal Accountant confirmed that the majority of borrowing was completed on a fixed rate.

Councillor Pearson proposed and Councillor Percy seconded.

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

- RECOMMENDED THAT COUNCIL**
- a) adopt the prudential indicators and limits for 2024/25 to 2026/27;
  - b) approve the Treasury Management Strategy 2024/25, and the treasury prudential indicators;
  - c) approve the Investment Strategy 2024/25, and the detailed criteria for specified and non-specified investments
  - d) approve the MRP Statement 2024/25; and
  - e) approve the Ethical Investment Policy

### **ASC.027     Update on Annual Governance Statement Action Plan**

The Corporate Director (Monitoring Officer) introduced the report and explained that it was an update on the progress against the action plan found at appendix 1 on page 137. She highlighted that a few of the target dates had been amended due to resources and that a number of the actions had been completed and a significant amount of work had been undertaken for those still outstanding.

The Corporate Director (Monitoring Officer) gave the following answers in response to Councillors:

- Page 138 showed 'ongoing' in the update section. She explained that there was a lot of work taking place in the background to set up the correct tools in order to progress the actions.
- The Risk Management deadlines had been amended due to a delay with the report going to Committee which in turn had delayed the other actions under that heading.

Councillor Davies commended Ideagen and requested further detail to be included within the system for Councillors to see the breakdown of progress.

In response to Councillor Schoemaker, The Corporate Director (Monitoring Officer) confirmed that there was a collaborative approach used to identify deadlines with Officers.

Councillor Percy asked if this could be assessed again in April instead of July as per the work programme.

The Corporate Director (Monitoring Officer) agreed to bring an additional report back to the Committee.

**RESOLVED To note the progress made against the Annual Governance Statement action plan.**

**ASC.028 Internal Audit Progress Update Report**

The Head of Audit Risk Assurance (ARA) introduced the report and provided a brief overview. He informed the Committee that all of the activities were of a substantial or acceptable level of assurance.

Councillor Jockel asked how the risk for the Canal Restoration Project was identified. The Principal Auditor explained that the audit focused on the procedures and controls in place for the project's risk management and was completed through discussion with lead officers & review of audit trail. In response to a further question from Councillor Jockel, she clarified that audit activities were carried out according to the scope agreed in the Committee approved audit plan. The Head of ARA confirmed that the scope was also defined in the audit terms of reference. If the audit identified an issue/risk outside of the audit scope, the item would be reviewed with Officers to ensure awareness and appropriate action.

Councillor Percy raised concerns with the safeguarding framework audit and requested an update at the next Committee meeting. The Principal Auditor explained that ARA would not be able to provide a follow up audit update based on the requested timing, however they could arrange for a management update.

The Corporate Director (Monitoring Officer) confirmed that as part of the Corporate Governance Group discussions, they were looking to input all audit recommendations onto Ideagen to better track the progress and completion. The Principal Auditor confirmed that the first update to Committee on audit recommendation monitoring approach will be in July 2024.

Councillor Percy queried item 10 on page 160 which had a status of 'planned' due to the previous report stating that the draft report had been issued. The Principal Auditor confirmed that the September 2023 Committee report contained an error and should have shown the item as planned.

Councillor Pearson proposed and Councillor Brown 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 of risk management, control and governance arrangements)**

**ASC.029 Corporate Risk Register Update**

The Strategic Director of Resources introduced the update and gave a brief history to of the reporting of risks to Committee. He explained that previously Members were unable to view the risks due to a technical change and with the introduction of ideagen, Members were now able to view the Strategic Risk Register however it would continue to be reported to the Committee. He highlighted the risks that had been amended and the 3 new risk which had been added as laid out on page 163.

The following answers were given in repose to questions asked by Councillors:

- SR13 had a number of controls in place to manage the risk and therefore it had a lower risk score. This did not mean that it wasn't a sever risk and it was constantly reviewed.
- It was important to look at the Risk Appetite to ensure that it was at the best possible place and that every precaution to manage each risk had been taken. Once the risk had reached an acceptable risk target, it could then be transferred from the Strategic Risk Register.
- SR16 and SR17 were new risks which had not yet had their controls established therefore the risk target could not yet be calculated.
- SR10 was based around not delivering the project as agreed by Members. It would be for Members to decide the tolerance levels for the risk and whether it was something that they could accept should there be any changes which would follow the reporting process through the Committee system.

**ASC.030 To consider the Work Programme**

It was agreed earlier in the meeting to move the Annual Governance Statement Update from the July meeting to the April meeting and to include a Management Update to the April meeting for the Safeguarding Audit.

**RESLOVED To note the above updates to the work programme.**

The meeting closed at 9.16 pm

Chair