



# STROUD DISTRICT COUNCIL

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## AUDIT AND STANDARDS COMMITTEE

29 July 2020

7.00 pm – 9.47 pm

Remote Meeting

### Minutes

#### Membership

<b>Councillor Nigel Studdert-Kennedy (Chair)</b>	P	Councillor Stephen Davies	P
<b>Councillor Tom Williams (Vice-Chair)</b>	P	Councillor Karen McKeown	P
Councillor Dorcas Binns	A	Councillor Keith Pearson	P
Councillor Miranda Clifton	P	Councillor Mark Reeves	P
Councillor Rachel Curley	P		

A = Absent P = Present

#### Officers in Attendance

Interim Head of Legal Services and Monitoring Officer	Head of Audit Risk Assurance (ARA) (Chief Internal Auditor)
Strategic Director of Resources	Housing Renewal Manager
Counter Fraud Unit Manager	Democratic Services and Elections Officers
Principal Accountant	

#### Others in Attendance

Approved Reviewer for the Chartered Institute of Internal Auditors (CIIA)

#### AC.008

#### APOLOGIES

An apology for absence was received from Councillor Binns.

#### AC.009

#### DECLARATIONS OF INTEREST

There were none.

#### AC.010

#### MINUTES

#### **RESOLVED**

**That the Minutes of the meeting held on 26 May 2020 are approved as a correct record.**

#### AC.011

#### PUBLIC QUESTION TIME

There were none.

**AC.012****COUNTER FRAUD UNIT REPORT**

The Chair took the report as read and asked Committee if they had any comments or questions to ask the Counter Fraud Unit Manager.

In response to questions the Counter Fraud Unit Manager confirmed that under the provisions of the recovery of Council tax any funds that had been incorrectly paid would be repaid through the Council's normal debt recovery mechanism.

The focus had been on housing and revenue and benefits frauds. Through other partner councils the business grant scheme had created a lot of work around fraud and risk because there had been attempts to exploit this scheme in general. It was not currently possible to interview under caution in person, but the Counter Fraud Unit Manager confirmed that they were able to obtain written statements under caution to enable the continuation of enforcement work. There will be a huge impact on council tax support claims and housing benefit.

The Counter Fraud Unit Manager explained that people do talk about fraud within their communities and the publication of this report was a deterrent. In the past the Council had issued press releases or public statements when large value Right to Buy frauds had been prevented, and by going public this would also be a deterrent.

After 70 days spent on working to recover £17,500 for tenancy and revenue and benefits fraud, approximately £6,000 had been recovered. This figure would increase when the Fraud Team were able to further process these claims in the future.

There had been an increase in fraud generally during Covid-19 but the team were doing proactive preventative fraud work going forward. Daily alerts were received from various bodies about different frauds, in particular business grants. A couple of Officers had been looking at identifying some claims that were not as they first seemed to be and have reclaimed some money back.

**RESOLVED**                      **To note the report.**

**AC.013****INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT (EQA) - OUTCOME**

The Approved Reviewer for the Chartered Institute of Internal Auditors (CIIA) informed Members of the outcome of the independent assessment of the Internal Audit function. The output report provided an opinion on how well the audit service worked in line with these standards. The review was undertaken in May by a survey of and interviews with key stakeholders that was a very detailed and diligent exercise. The end result was that the Council have an excellent internal audit service providing them with a good range of consultation as the team undertake their work. The results of the quality assessment showed that this was one of the best internal audit services he had had the privilege of reviewing. This was a good news story that the service were operating fully within the international standards. Congratulations were conveyed by the Approved Reviewer, the Chair and Committee to the Head of Audit Risk Assurance (ARA) and her team.

A concern was raised about staff turnover. The Head of ARA confirmed that she would be retiring at the end of December 2020 and there would also be recruitment for a Principal Auditor at the same time. There was a trainee programme in place whereby 3 trainees worked towards becoming members of the Chartered Institute of Auditors which was a career graded programme. About 120 applications were usually received for the trainee programme and leavers from university were targeted. It was confirmed that there is a succession workforce

plan. Commissioning of ICT audit may increase the costs to the service but there may be investment in more in-house ICT audit training in the longer term.

Councillor Curley stated that this was an excellent report and was an endorsement of the excellent work Committee had seen and experienced from the Audit Team.

In response to a question from Councillor McKeown who was concerned that the audit programme was too big and may require prioritising, confirmation was given that the audit plan was achievable. Concerns that in some instances audits had taken longer than they should have done had been discussed with options given to resolve this in future. When there are long elapses in time it was unhelpful to the client to receive more outdated information and if that time was compressed down then this would be better for the service area. There would be further enhanced project management and planning involving reviewing the reasons why there are, in some cases elapsed time taken to complete audit activity.

In response to a question from Councillor Clifton, the Head of ARA confirmed the service were looking to start embedding key concepts into each audit activity by considering ethical and cultural issues.

Councillor Pearson also reiterated that this had been an excellent report and confirmed that Internal Audit had always been a good service and there was only one valid point regarding the elapsed time in finalising some audits, that could have been carried out better.

In summing up the Chair congratulated the Internal Audit Team on such a good outcome.

**RESOLVED**                    **To note the report.**

**AC.014**                    **ANNUAL GOVERNANCE STATEMENT (AGS) 2019/20**

The Head of ARA summarised the key points of the Stroud District Council's corporate governance arrangements in place during 2019/2020, via the publication of an AGS. Attention was drawn to the new risk maturity assessment for this year on page 33 onwards of the report. The statement would be signed and published after tonight's meeting.

In response to Councillor McKeown's questions the Head of ARA confirmed that the self assessments were about ownership of risks which were completed by each Head of Service, overseen by a Strategic Director who reviewed each assurance statement. All assurance statements go to the Strategic Leadership Team for general oversight. Within the AGS and under each principle, policies and procedures in place often overlapped and were therefore not repeated within each principle.

The Strategic Director of Resources confirmed that the performance monitoring arrangements were under review and would be standardised across all committees. To his knowledge there had not been any issues to date that had been referred to this Committee.

In response to a question from Councillor Reeves, regarding the building control green to amber warnings (4 out of 7 indicators warnings), the Head of Audit Risk Assurance (ARA) confirmed that these were open and honest statements. The governance and control framework issues had been reported to Committee and a management update on actions taken to address those issues had been provided to the Committee. A follow up audit was planned and the statement had reflected the position of the building control framework. There would be a further independent review this financial year and if the recommendations have been put in place before the next annual governance statement the statement would reflect green.

The Strategic Director of Resources confirmed the Committee would be updated of progress regarding the issues around the governance arrangements with Gloucester City Council at a future meeting.

- RESOLVED**
- a. **To review and approve the Annual Governance Statement and the actions planned by the Council to further enhance good governance arrangements; and**
  - b. **To agree that an update on actions taken to address the governance issues identified will be provided to the January 2021 Committee meeting.**

**AC.015**                      **ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2019/20**

The Head of ARA provided the Committee with an overview of the annual report on Internal Audit Activity which fully met the Chief Internal Auditor's annual reporting requirements, as set out in the Public Sector Internal Auditing Standards (PSIAS) 2017. It was a satisfactory opinion and she was pleased to be able to report this. Actual completed audits were 87% of the audit plan against a target of 85%. Some audits had not been finalised because of Covid-19.

There had been a lapse in procedures in respect of the empty homes audit and a split opinion provided on the creditor review. The Housing Renewal Manager was at the meeting to answer any questions. There would be a follow up audit review on both of the above audits, the outcomes will be reported to Committee.

In response to questions from Councillor Davies the Head of ARA confirmed that it had been agreed that there would not be any specific ICT audits because this had been encompassed within the Peer Review. A review had been carried out by Foresight and there would be no added value to undertake ICT audits which were coming out as limited assurance. However, an update on ICT would be given at the next Committee meeting in October.

In response to a question on purchase orders not being used in all cases, the Strategic Director of Resources confirmed that at the present time in some services payments had to be made very quickly. However, a lot of work had been undertaken with creditors and the Procurement Team whereby it had been agreed to not pay any invoices without purchase orders but there had been a delay in rolling out the programme. There had been three audits that had been deferred, none of which had been urgent.

- RESOLVED to:**
- a. **Assess, from the findings set out in this Internal Audit Annual Report, whether it can take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively;**
  - b. **Note that the performance of Internal Audit meets the required standards; and**
  - c. **Note the Council wide counter fraud activity during 2019/20 which includes the fraud reporting requirements as mandated by the Local Government Transparency Code 2015 (paragraph ref 7b).**

**AC.016**                      **ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY AND ACTUAL PRUDENTIAL INDICATORS 2019/20**

The Principal Accountant updated Committee on the treasury management activities in 2019/2020, in accordance with the Council's Treasury Policy Statement with the requirements of the Prudential Code. He referred to various tables contained within the report. Some investments had been made with other local authorities e.g. Rugby and Peterborough City

Council because they were the best option available to us on the day with secure counterparties. These investments were made through a broker. The Council were well within their borrowing limits and the Royal London Fund had recovered its loss in value since March 2020. The Strategic Director of Resources stated that any losses in capital values at year end were matched by an investment risk reserve set aside. This reserve will be reviewed each year.

In response to a question from Councillor Davies regarding the impact Covid-19 may have on the higher risk investments, the Principal Accountant confirmed that these investments were long term.

**RESOLVED**                    **To approve the treasury management activity annual report for 2019/2020 and the actual Prudential Indicators.**

**AC.017**                    **RECOMMENDATION FROM COUNCIL ON 16 JULY 2020**

The Chair confirmed that it had been agreed at Council for the draft Code of Conduct and the arrangements under which allegations under the Code of Conduct were investigated to be reviewed by the Audit and Standards Committee. An extraordinary meeting would take place on Tuesday, 25 August 2020.

In response to questions from Councillor Curley, the Monitoring Officer confirmed that the Code of Conduct would take time to review and would include bullying but that he could not have prepared the draft documents between Council and this meeting due to workloads, as such an extraordinary meeting had been agreed to consider this as a sole item. He would be implementing the best practice recommendations from the Committee on Standards in Public Life. The LGA has a consultation on a draft model Code of Conduct which closes on 17 August 2020. Members would be sent a report with a link to the consultation and invited to respond to the Monitoring Officer. The responses would be collated and then submitted on behalf of the Committee.

The Monitoring Officer confirmed in response to a query from Councillor Pearson, that last December a report had been taken to Council that had changed the terms of reference of the Audit and Standards Committee and the Code of Conduct was within its remit now.

**RESOLVED**                    **To note the recommendation from Council.**

**AC.018**                    **STANDING ITEMS**

- (a) Work Programme - The Audit Plan will be discussed with Officers before being considered the Strategic Leadership Team and then submitted to committee. An interim report on lessons learnt in dealing with the responses to Covid-19 would come to committee early next year. It was appreciated that we are still in the pandemic.
- (b) Risk Management Issues - The number of risks had decreased. Risks had been reviewed on a daily basis and would be reviewed, adjusted and added to when they were discussed at a forthcoming Strategic Leadership Team meeting.

**AC.019**                    **MEMBERS' QUESTIONS**

There were none.

The meeting closed at 9.47 pm.

Chair