



STROUD DISTRICT COUNCIL

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AUDIT AND STANDARDS COMMITTEE

17 November 2020

7.00 pm – 8.49 pm

Remote Meeting

Minutes

Membership

Councillor Nigel Studdert-Kennedy (Chair)	P	Councillor Colin Fryer	A
Councillor Tom Williams (Vice-Chair)	P	Councillor Karen McKeown	P
Councillor Dorcas Binns	P	Councillor Keith Pearson	P
Councillor Miranda Clifton	P	Councillor Mark Reeves	P
Councillor Stephen Davies	P		

A = Absent P = Present

Officers in Attendance

Strategic Director of Resources	Head of Audit Risk Assurance (ARA)
Principal Accountant	(Chief Internal Auditor)
Housing Renewal Manager	Senior Democratic Services and Elections Officer
Head of Contract Services	Democratic Services and Elections Officer
Accountancy Manager	

Others in Attendance

Michelle Hopton, Audit Lead, Deloitte	Piyush Fatania, newly-appointed Head of ARA
Chris Lanham, Manager, Deloitte	

AC.034

APOLOGIES

There were none.

AC.035

DECLARATIONS OF INTEREST

There were none.

AC.036

MINUTES

RESOLVED That the Minutes of the meetings held on 6 October 2020 are approved as a correct record.

AC.037

PUBLIC QUESTION TIME

There were none.

Audit and Standards Committee
17 November 2020

Subject to approval to approval at the next meeting

AC.038 **INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2020/21**

The Head of Audit Risk Assurance (ARA) introduced the report and brought the Committee's attention to the results of the electrical works contract internal audit from page 16 onwards which had received a limited assurance opinion. The Chair welcomed the Head of Contract Services who responded to questions.

Councillor Pearson voiced concerns and asked why there was a lack of documentary evidence. The Head of Contract Services advised that he had personally asked for the audit to be carried out due to concerns that he had raised. Action was taken to rectify the problems and it was confirmed that most of the necessary information was available but had been stored incorrectly.

Councillor McKeown expressed concern that there may be a systemic issue around contract management and asked how these issues would be taken forward. The Strategic Director of Resources responded with gratitude to the Head of Contract Services for identifying the issue and encouraging the internal audit, adding that conversations had begun with the Corporate Policy and Governance team to undertake a review of contract management procedures. The Strategic Director of Resources advised that he would ensure the review was carried out and the results would be brought back to the Senior Leadership Team. Councillor McKeown requested that Members should also be given a copy of the results of the review.

Councillor Williams questioned whether an overhaul of how the Council runs contracts is needed. The Head of Contract Services responded that there this was not a systemic issue, on this occasion the normal identified process had not been followed.

The Chair drew attention to the three lines of defence which were outlined in the Committee meeting on 26 May 2020 and asked, with reference to the electrical contract oversight, whether any problems had arisen with the standard of execution of the contractor's work. The Head of Contract Services asserted that there was nothing wrong with the work and that the necessary certification was in place, assuring that it was just a matter relating to the storage of information.

RESOLVED **To note:**
a) the progress against the Revised Internal Audit Plan 2020/21; and
b) the assurance opinions provided in relation to the effectiveness of the Council's control environment.

The Strategic Director of Resources welcomed Piyush Fatania, whose appointment as the new the Head of ARA was now confirmed.

AC.039 **ANNUAL AUDIT LETTER**

Deloitte's Audit Lead introduced the Annual Audit Letter, detailing that it had been prepared on 6 November 2020 when the audit was ongoing. A few items were still being progressed including a review of the IAS-19 letter from the pension auditors and the investment property reclassification. The Covid-19 pandemic had a significant impact on the audit but sign-off should be possible before the deadline. Attention was drawn to the inclusion of an emphasis of matter paragraph, necessary this year due to the valuation report received from the Council's third party valuers, in which the potential for a material misstatement was identified due to Covid-19. It was confirmed that this is nothing unusual and was consistent in the sector.

Further points highlighted were:

- There were no significant uncorrected misstatements or disclosure deficiencies identified.
- Two significant risks were identified relating to completeness of accruals and management override of controls, specific testing had been done to ensure these were correctly reflected in the accounts through which no issues were noted.
- There was no significant risk within property valuation, however they are an area of audit focus because they were big balances with the potential for a large increase or decrease in figures, scrutiny had been undertaken by a team of independent valuation experts who found nothing of note.
- The pensions valuation on pages 38 and 39 including the McCloud and Goodwin judgements
- Value for money was covered in detail, however there was nothing to bring to the Committee's attention.

The Strategic Director of Resources expressed gratitude for Deloitte's work with Officers, noting the achievement during a hard year to have got to a strong position, and the positive that Deloitte have recognised the improvements to the accounts.

Councillor Pearson asked how value for money is judged and by what criteria. Deloitte's Audit Lead explained that a level of materiality was set and specific frameworks were followed to identify any potential issues, adding that for a qualified audit opinion there would need to be a significant failure in governance around a specific area such as financial or contractual management. Determining factors include whether the Council have a robust financial plan, controls around review and amendments, reviewing contracts, and policies and necessary procedures in place. Value for money guidance would be expanded for next year, meaning more narrative would have to be provided.

Councillor Davies enquired about the timing of the audit regarding the disruption due to Covid-19, asking if the same increased pressure was expected going forward and whether there was anything the Council should be doing to help. Deloitte's Audit Lead explained that next year's audit was already scheduled, so the capacity and resources were available. Significant improvements had been made this year regards the trial balance and the quality of accounts and supporting statements, so this should be replicated going forward with the added suggestion that interim statements could be used more and details prepared upon request. It was confirmed that Deloitte and the Accountancy Manager will keep in touch and put a robust timetable in place.

Councillor McKeown asked about individual corporate accountability, referencing Nominated Officers on pages 14-15 and enquiring whether it could be advisable to include the Officer's designated role, as well as name. Deloitte agreed to include role titles in the final report.

RESOLVED To note the Annual Audit Letter on the 2018/19 External Audit

AC.040 STATEMENT OF ACCOUNTS 2019/20

The Principal Accountant presented the statement and outlined a number of its features:

- The extended deadline due to Covid-19 which gave until 31 August to produce the audited accounts. These were delivered by 31 July, quite an achievement under the circumstances.
- Improvements made regards ISO260 which has led to improved reports being generated out of the finance systems, an investment that will pay off into the future.
- Deloitte's detailed scrutiny of all aspects of the unaudited statement published online on 31 July 2020, which led to some items being changed or removed for the current version, which is now being refined following further auditors' comments.

- The narrative report being the best place for a good overview, with particular reference to page 75 which shows the movement in reserves.
- An update that there is no opinion yet from Deloitte, as their work is ongoing, but this will appear in the next few days. The Chair added that an unqualified note from the auditors on these accounts was expected.

Officers provided clarification on various points raised by Members including:

- the potential impact of a 1% increase in interest rates being minimal since all the Council's borrowings are fixed rate.
- details of the composition of the Covid-19 recovery reserve of £492k.

Councillor Binns drew attention to page 101 about income gain or loss on disposal of assets and enquired as to what the minus £1 million relates to. The Principal Accountant clarified that this is usually for Council homes and on this occasion there was a disposal of units in Littlecombe which may have had an impact on this figure. He confirmed that more detail will be supplied in answer to this question following the meeting.

On being put to the vote, the Motion was carried unanimously

RESOLVED To approve:

a) the audited Statement of Accounts for the year ending 31 March 2020;

and

b) that the Strategic Director of Resources and Chair of the Audit Committee sign the Statement of Accounts and the letter of representation.

AC.041 HALF-YEAR TREASURY MANAGEMENT ACTIVITY REPORT 2020/21

The Principal Accountant introduced this report which also served as the second quarter report, drawing attention to a number of aspects:

- No change to the Treasury Management strategy as approved by Council in February 2020.
- Compliance with the 2020 strategy set in February in the period April to September 2020.
- The information sheet circulated showed the split between interest earned on internally-managed cashflow investments for the first and second quarters. Currently there is no forecast prospect of interest rates rising from 0.1% over the medium term, which will be relevant through to March 2023. The second half of the sheet shows the performance of funds invested in the prior financial year. In October, £1 million was invested with CCLA multi asset fund, completing a total of £10 million investments approved in last year's selection process.
- No movement on borrowing, with £1million due to be repaid during this financial year.

Councillor Davies asked about high risk investments and an investment fund account closure, enquiring if that was a cause for concern. The Principal Accountant informed Members that although the Lothbury fund had been closed for a period of time, this fund was no longer closed and has caused no impact on cashflow, nor concern, as these are medium to long term investments.

On being put to the vote, the Motion was carried unanimously.

RESOLVED To accept the treasury management activity half year report for 2020/2021.

AC.042 **ACTIONS TAKEN IN RELATION TO THE AUDIT REPORT ON PRIVATE SECTOR HOUSING EMPTY HOMES**

The Head of ARA introduced the report and brought attention to the suite of recommendations made, which were fully accepted by Officers. The Housing Renewal Manager had provided written management updates as at 23 October 2020 and then answered Members' questions.

The Chair asked whether empty homes can be restored back to use in conjunction with owners. The Housing Renewal Manager advised of tools that could be used but the burden of proof required was very high so nationally not much action was taken. A new part-time post was recently introduced specifically for the role of bringing empty homes back into use. The new Officer was now in post, so reinvigorating work was underway as it also was on the first empty homes loan, with the intention to do some awareness-raising and generate publicity out of this.

Councillor McKeown enquired whether there were targets or drivers to measure how the improved access to housing may be developed, to which the Housing Renewal Manager stated that there was no target number, but one could be set if it would be looked at, reviewed and challenged. The Housing Renewal Manager added that in past years a target had been included in the Corporate Delivery Plan, which had been reported back to Members, and this was reviewed.

Councillor Pearson enquired about volumes of dwellings in the District as quoted in different reports with potential inconsistencies. The Head of ARA agreed to follow up after the meeting as to the source and narrative of the figures in question.

Councillor Binns asked how the Council compared to other district councils and whether there are any exemplar councils who have found a way forward. The Housing Renewal Manager answered affirmatively and added mention of the guidance and best practice from the National Empty Homes Agency. Build up charges through works in default are used to encourage some units back into use and Section 215 notices are now issuable on empty properties by more officers since a development 18 months ago. Nationally, a lot of people were making capital investments into property as they were seeing a much better return on this than other methods of investment, due to low interest rates. The Council were middle of the range in the sector nationally, benchmarking is used and best practice is followed.

RESOLVED To note the above reports

AC.043 **STANDING ITEMS**

(a) Work Programme

The Strategic Director of Resources informed Members that there were a number of government requirements for assurance on grant schemes:

- the local restrictions grant for closed businesses launched today
- an additional restrictions grant for impacted businesses which was due to launch later in the month
- the local test and trace support scheme
- the fees and charges reimbursements scheme.

Internal audit work would be required for all of these and agile adjustments would be needed. This would be reported back upon at future meetings.

(b) Risk Management

The Chair enquired whether Excelsis was being kept up to date and the Strategic Director of Resources confirmed that the Senior Policy and Governance Officer had done a lot of

work with managers to ensure it was. The Chair added that telephony was still high on the risk register and Councillor Pearson confirmed that the ICT Working Group is working on this matter and also looking at the migration to Microsoft 365.

AC.044 **MEMBERS' QUESTIONS**

There were none.

The meeting closed at 8:49 pm.

Chair