



## **Minutes of a meeting of Audit and Governance Committee held on Tuesday, 28 January 2025**

### Members present:

Nigel Robbins	Helene Mansilla
Patrick Coleman	Michael Vann
Jeremy Theyer	Len Wilkins

### Officers present:

Michelle Burge, Chief Accountant	Angela Claridge, Director of Governance and Development (Monitoring Officer)
Lucy Cater, Assistant Director (SWAP)	Nickie Mackenzie-Daste, Senior Democratic Services Officer
Emma Cathcart, Head of Service, Counter Fraud and Enforcement Unit	David Stanley, Deputy Chief Executive and Chief Finance Officer

### Observers:

Councillor Alex Walling (Bishop Fleming)  
Christopher Bass, Independent Member

### **310 Apologies**

The Chair opened the meeting.

Apologies were received from John Chesshire and Councillor Christopher Twells. The Director of Governance and Development apologised for her slightly late arrival.

### **311 Substitute Members**

There were no substitute members.  
The Chair confirmed that the meeting was quorate.

### **312 Declarations of Interest**

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There were no declarations of interest.

### **313 Minutes**

The minutes of the previous meeting, held 21 November 2024, were considered and the following amendment requested:

Councillor Vann noted that in item 3.08, line 8 "capital loses" should be changed to "capital losses".

RESOLVED: The Committee APPROVED the minutes of the meeting held on 21 November 2024 subject to the above revision.

### **314 Public Questions**

There were no public questions.

### **315 Member Questions**

There were no member questions.

### **316 External Auditors Annual report 2023/24**

The purpose of the item was to update the Committee on the findings of the financial statement and Value for Money (VFM) external audit of the 2023/24 financial year.

The External Auditor was expected to sign the accounts in the week commencing 3 February 2025, following the resolution of a few outstanding points. Signing would take place after the Committee had had the opportunity to review the findings of the audit work.

1. The Deputy Chief Executive & Section 151 Officer explained to Councillors that there were two additional papers related to the item: the Bishop Fleming audit completion report with annexes which addressed the findings from the Council's financial statements audit, including the updated annual statement of accounts for the financial year 2023-24.
2. the Bishop Flemming auditor's annual report focused on the value-for-money conclusion.

It was emphasised that this was not the final version, as some changes were still required to reflect the Council's budget position for 2024-25 and certain aspects of the Publica review narrative.

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Alex Walling, Key Audit Partner from Bishop Fleming, presented the audit completion report, outlining key risks and compliance with auditing standards. This was Bishop Fleming's first year auditing The Council's local government accounts, and processes were still being refined. Despite delays in receiving working papers, the audit was largely smooth, with no significant issues identified.

In response to a question, it was confirmed that risks related to revenue and expenditure recognition were common, and local government-specific risks included property valuation, investment properties, and pension fund net liability. The audit was ongoing, with outstanding work noted on p.15 and amendments on p.23. Minor audit adjustments were mostly presentational, with one unadjusted misstatement of £90,000 related to the Gloucestershire pension fund, deemed immaterial.

The Deputy Chief Executive highlighted competing priorities affecting audit readiness. Efforts would be made to bring forward VFM work to avoid last-minute tasks. The audit opinion deadline was set for 28 February 2025, with the audit certificate to be delivered by the National Audit Office (NAO)

It was noted that some meeting papers were received late. The Deputy Chief Executive acknowledged this, citing draft reports received the prior week and unexpected delays. He apologised and committed to reviewing processes for timely document delivery.

The Committee questioned the pension fund undervaluation, which was linked to a wider Gloucestershire fund undervaluation of £3m. The 2022 valuation stood at 90% funded, with the next expected to show improvement.

The Committee questioned the additional audit cost of £2,500 plus VAT. The Deputy Chief Executive attributed this to Bishop Fleming redeploying resources due to delays. The auditor emphasised the importance of adhering to agreed deadlines. Submission deadlines were confirmed as 27 February 2026, 31 January 2027, and 30 November 2027 moving forward. The backlog of 1,000 plus public sector audits was decreasing, but recruitment challenges in external audit firms remained. The audit fee increased by 151% to £131,000 under the new PSAA contract.

Members of the Committee stressed the need for adequate finance team resources. The Deputy Chief Executive agreed but highlighted the challenge of balancing costs and securing qualified staff. Options for additional hiring or interim staffing would be considered, with ongoing review due to increasing pressures from devolution.

The Deputy Chief Executive agreed that more resources were needed but acknowledged the balance between extra costs and the challenge of finding qualified finance staff for a niche role supporting financial statements.

There was a commitment to discussing the resources required with the chief accountant and the chief executive .

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The Committee inquired about a £12,000 fee on p.27, which covered additional work under the new ISA 315 standard. More stringent value-for-money assessments had also increased audit workload and costs. Corrections were needed in the Annual Governance Statement (e.g. land charges search rate to 90%). The draft auditor's annual report replaced the previous audit letter, focusing on financial sustainability, governance, and efficiency.

No significant weaknesses were identified, though some recommendations for improvement were made.

Public health was highlighted as a key area for future monitoring.

The final report would be completed after the auditor's opinion was issued.

The finance team was recognized for strong performance, and no major concerns were raised. Members thanked the finance team for all their hard work.

The Chair recapped next steps:

- Completion and final issuance of work by 28 February 2025.
- Signing of two management letters (p.31 of audit papers, p.153 of financial statements).
- Amendments to be issued separately, avoiding full report reissuance.
- Completion expected within weeks, well before the deadline.
- Member feedback would be welcomed and incorporated.

The recommendations in the report, having been proposed and seconded, were put to a vote and agreed by the Committee.

### Resolved: The Audit and Governance Committee:

1. Noted the Audit Completion Report (Annex A) and revised 2023/24 Statement of Accounts (Annex C)
2. Delegated authority to the Deputy Chief Executive and S151 Officer, in consultation with the Chair of the Audit and Governance Committee, to approve the 2023/24 Statement of Accounts upon receipt of advice for any outstanding issues from the External Auditor.
3. Agreed that the Chair of the Audit and Governance Committee and Deputy Chief Executive and Section 151 Officer would sign the Letter of Representation (Annex D).

## **317 Local Code of Corporate Governance**

The report presented the latest version of the Local Code of Corporate Governance for Cotswold District Council.

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The Director of Governance and Development presented the annual report which required review and adoption.

It was noted that CIPFA and SOLACE had introduced the governance framework in 2016, recommending local codes of governance.

The document presented outlined the seven principles of good governance, detailed in paragraph 3.3.

It was noted that governance covers systems, processes, culture, values, and accountability, ensuring public interest.

When asked how the Council's governance compared to other Gloucestershire districts, the Director of Governance and Development noted that no forensic comparison had been done but emphasised ongoing learning from professional bodies.

The Deputy Chief Executive explained that the local code of corporate governance was essentially the template of the principles that would be used to develop the annual governance statement, assessing compliance with the code and flagging any issues. The Annual Governance Statement (AGS) would be issued at year-end on the 31 March 2025.

An all-member briefing on the code of conduct for complaints would be added to the member briefing programme. It was also noted that more information would be made available to Councillors through the portal.

Councillor Robbins confirmed that the AGS would be reviewed by the Committee before year-end.

The Committee asked that two amendments be noted for inclusion in the 2024/2025 version.

- Updating terminology from AONB to "Cotswold National Landscape."
- Quantifying the success of Crowdfund Cotswold and SpaceHive

Resolved: The Audit and Governance Committee adopted the latest version of the Local Code of Corporate Governance.

### **318 Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy 2025/26**

The report invited the Committee to consider a Treasury Management Strategy and Non-Treasury Investment Strategy (Investment Strategy) for 2025/26 for adoption before 01 April 2025. The Treasury Management Strategy Statement (TMSS) for 2025/26 (Appendix 1); Non-Treasury Investment Strategy (Appendix 2) and Minimum

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Revenue Provision (MRP) Statement (Appendix 3) were prepared in accordance with CIPFA's "Prudential Code" and the "Treasury Management Code of Practice" (2021 editions), and the Ministry of Housing, Community and Local Government (MHCLG) revised guidance on Local Government Investments.

Deputy Chief Executive reiterated the apology already made by email for the late arrival of the reports.

It was noted that the final report would be going to Council on 24 February and that the reports presented to the Audit & Governance Committee were draft reports reflecting the emerging position on the Budget and the Capital Programme.

The draft Treasury Management Strategy (TMS) outlined how the Council intended to manage and invest its surplus cash and the principles upon which it may seek to borrow or how it would make investment decisions. It set out how the decisions would be reported to the Audit and Governance Committee.

It was noted that treasury management is determined according to SLY principle: security, liquidity, yield, in that order.

The TMS described a diversified portfolio including both short and longer-term investments, with an estimated total investment of £27.5m for the forthcoming financial year.

The IFRS 9 statutory override, set to expire on 31 March 2025, would require councils to account for unrealised losses on pooled funds, impacting financial flexibility. The Council would have to show adequate resources to mitigate the balance sheet situation for March 2026.

The current Medium Term Financial Strategy (MTFS) indicated a potential need for borrowing in 2027/2028. Borrowing would only proceed if necessary, with alternative options, such as generating capital receipts or reviewing expenditure, to be considered to reduce or eliminate the need for borrowing.

Non-Treasury Investment Strategy was also considered, setting out the approach, the limits and the risks. The role of Corporate Governance including the Audit and Governance Committee was highlighted and the requirement for non-treasury investment to be proportional was underlined.

The Committee considered the report and did not provide any feedback.

Councillor Mike Evely, Cabinet Member for Finance and Transformation arrived as an observer during the course of this item.

The purpose of the report was to present a summary of the audit work concluded since the last meeting of this Committee.

The Assistant Director of SWAP Internal Audit Services presented the report which was an update on the Internal Audit team's work for Cotswold District Council. The report was extensive, covering eight final audit reports—three with substantial assurance, two with reasonable assurance, and one with limited assurance. Additionally, two advisory reports were issued due to service transitions back to the Council from Publica, with no assurance ratings provided.

An update on Open Agreed Actions was included in Annex B, along with a draft plan for 2025-26, which members were invited to review and provide feedback on.

Councillors asked for clarity around the Emergency Planning function. It was confirmed that this service would remain within Publica, and that a Section 113 agreement was in place, allowing statutory officers across Cotswold, Forest of Dean, and West Oxfordshire District Council to provide strategic-level emergency planning support. Tactical-level support was adequately covered by Publica staff within the emergency planning team, with a detailed on-call rota and guidance in place. The Emergency Planning Service, when reviewed by the three partner councils, was considered to be robust under existing arrangements. While the nature of strategic-level support had changed for major incidents, tactical-level coverage remained sufficient.

The Committee raised concerns about the data protection and data breaches section and asked if the suggestions offered in the report were mandatory as the issues reported needed to be addressed. It was noted that the advisory report was conducted during a period of transition within Publica, and the data breach register was initially found to be of poor quality. Since then the data breach register had improved to meet expected standards as per the audit which followed best practices based on guidance from the Information Commissioner's Office.

A broader issue was identified regarding internal controls, particularly as services transferred from Publica to the Council. The Deputy Chief Executive emphasised that these concerns would not be ignored, and assured Members that a review of internal controls would take place.

Specific concerns were raised about human resources, including the lack of corporate monitoring of sickness absence reporting. It was acknowledged that approaches that had worked for Publica might not be suitable for the Council and might require modification. Assurance was given that advisory findings and best practice recommendations would be addressed. The Audit and Governance Committee would

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receive an update at its next meeting in May, detailing identified issues, actions taken, and further steps required.

The Planning Advisory Service was expected to review the planning service in March, likely recommending improvements related to internal controls and governance.

The Committee raised concerns about potential GDPR breaches in relation to data breaches. It was unclear whether a statutory breach had occurred, the Assistant Director of SWAP committed to reviewing this and updating the Committee. A follow-up audit for both HR and data breaches would be included in the 2025-26 audit plan to ensure continued oversight.

It was suggested that audit judgment gradations (e.g. high, reasonable, limited) be visually clarified using a colour-coded system for easier interpretation.

Significant gaps were identified in budget monitoring, particularly regarding oversight of members' expenses and the lack of evidence for claims.

The Deputy Chief Executive acknowledged that budget monitoring had been insufficient and emphasised that the issue was not fraudulent claims but an administrative oversight related to a Special Responsibility Allowance. Improved monitoring measures had been introduced, including clearer responsibilities for Democratic Services and enhanced oversight of payroll changes, with monthly reports now being reviewed to ensure accuracy and mitigate reputational risks for Cotswold District Council.

The audit report identified some unspent allocation in both the UK Shared Prosperity Fund (UKSPF) and the regional Strategic Partnership Fund (RSPF). The Committee asked what actions were being taken to ensure the remaining £71k of Royal Agricultural University (RAU) Growth Hub funding would be spent effectively before the March 2025 deadline, and how were the project's outcomes being aligned with UKSPF and RSPF objectives to avoid repayment risk. The Deputy Chief Executive reassured and confirmed that adequate steps had been taken to minimize the risk and ensure the effective use of resources within grant conditions and the overall framework. An overview of spend would be provided in May.

The Committee discussed unresolved suspense account balances dating back to 2020, audit trail issues, and negative balances in revenues and benefits. The following actions are being taken:

- Historic suspense account values would be reviewed as part of the year-end process, with a firm implementation deadline of 31 March 2025. A final review to resolve any remaining discrepancies would be scheduled after financial year-end.
- Accurate reconciliation to be assured by matching payments to the correct accounts through regular reviews.
- Collaboration between finance and revenues staff to minimize errors and unclear balances.

The Committee thanked the Assistant Director for her report.

Resolved: The Audit and Governance Committee noted the report.

### **320 Annual Capital Strategy 2025/2026**

The report presented the Capital Strategy for 2025/26 for consideration prior to its approval by Council before 1 April 2025.

The Capital Strategy 2025/26 (Appendix 1) was prepared in accordance with CIPFA's "Prudential Code" and the "Treasury Management Code of Practice" (2021 editions), and the Ministry of Housing, Community and Local Government (MHCLG) revised guidance on Local Government Investments.

The Capital Strategy was presented, outlining the Council's long-term ambitions, available capital resources, and approach to capital expenditure. It was noted that the strategy aligned with corporate priorities, enabling the Council to achieve its plans while emphasising sustainability, risk management, and governance.

The Deputy Chief Executive and the Chief Accountant offered to respond to questions.

There was a discussion around pooled funds and the Council's requirement to consider mitigation to ensure that there would be enough reserve balances to cover any eventual losses.

The Committee expressed disquiet around losing the statutory override IFR9. The Deputy Chief Executive stated that the government might argue that since discussions on the statutory override had been ongoing for five or six years, local authorities should have prepared for its eventual end, as proper accounting practice required recognising unrealised losses.

Councillors noted that if the statutory override was not renewed, many authorities would be forced to reallocate resources from their priorities and day-to-day services to cover unrealised losses.

It was noted that the Local Government Association (LGA) was actively lobbying to highlight the scale of the problem across the sector, emphasising that while individual councils like Cotswold District Council might manage, the overall impact across local authorities could be significantly larger.

There was a discussion around investment properties and their location. It was noted that the purchase of properties outside of the district had been funded by capital receipts. Councillors were reassured that the MTFs had taken into account the reduced rental values of high street properties with the effect of making decisions to retain or

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dispose of assets easier. It was noted that while existing properties could be retained, selling one and purchasing another outside the district would result in losing access to Public Works Loan Board (PWLB) borrowing option for approximately three years. Since PWLB remained the most cost-effective borrowing option, for capital projects this restriction could have significant financial implications.

The Committee suggested that some amendments be made to the draft tables.

The Deputy Chief Executive reassured members that the Audit and Governance Committee would have sight of the final reports before they were presented at Council on 24 February.

Resolved: The Audit and Governance Committee noted the report and undertook to consider the Draft Capital Strategy (appendix 1) for 2025/2026 and provide feedback to the Cabinet and Council for consideration as part of the Council's budget setting process.

### **321 Matters Exempt from Publication**

The Chair proposed that the press and public be excluded for the remaining item of business. This proposal was seconded, put to the vote and agreed by the Committee.

Resolved: The Audit and Governance Committee excluded the press and the public from the meeting during consideration of item 11 in accordance with provisions of section 100A of the Local Government Act 1972 on the grounds that their presence could involve the likely disclosure of exempt information as described in paragraph 3 of schedule 12A of the Local Government Act 1972, with the public interest in maintaining the exemption outweighing the public interest in disclosure.

Live webcast concluded at 4:00pm

### **322 Cyber Security Report**

The Committee received an update on cyber security from the Chief Technology Officer.

The Audit and Governance Committee discussed this report in private session.

It was noted that a member briefing session on the subject had been arranged for 10 June 2025.

Resolved: The Audit and Governance Committee noted the content of the report.

Meeting closed 18:49

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The Meeting commenced at Time Not Specified and closed at Time Not Specified

Chair

(END)