

17 July 2018

AUDIT AND STANDARDS COMMITTEE

A meeting of the Audit and Standards Committee will be held on **THURSDAY 26 JULY 2018** in the Council Chamber, Ebley Mill, Ebley Wharf, Stroud at **5.00 pm.**



David Hagg
Chief Executive

Please Note: This meeting will be filmed for live or subsequent broadcast via the Council's internet site (www.stroud.gov.uk). By entering the Council Chamber you are consenting to being filmed. The whole of the meeting will be filmed except where there are confidential or exempt items, which may need to be considered in the absence of the press and public.

AGENDA

- 1** **APOLOGIES**
To receive apologies for absence.
- 2** **DECLARATIONS OF INTEREST**
To receive declarations of interest.
- 3** **MINUTES**
To approve the minutes of the meeting held on 10 April 2018.
- 4** **PUBLIC QUESTION TIME**
The Chair of Committee will answer questions from members of the public submitted in accordance with the Council's procedures.
DEADLINE FOR RECEIPT OF QUESTIONS
Noon on MONDAY 23 JULY 2018
Questions must be submitted in writing to the Chief Executive, Democratic Services, Ebley Mill, Ebley Wharf, Stroud and sent by post or by Email: democratic.services@stroud.gov.uk.
- 5** **STANDING ITEMS**
 - (a) To consider the work programme for 2018/19.
 - (b) To consider any Risk Management issues.
 - (c) To receive a verbal update on the Task and Finish Group (Ethical Audit).

- 6 **ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY AND ACTUAL PRUDENTIAL INDICATORS 2017/18**
To approve the treasury management activity annual report for 2017/18 and the actual Prudential Indicators.
- 7 **1ST QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2018/19**
To approve the treasury management activity first quarter report 2018/19.
- 8 **ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2017/18**
To accept the Chief Internal Auditor's opinion on the control environment.
- 9 **LIMITED ASSURANCE REPORT – CAPITAL UPDATES**
To consider and note the progress made against implementation of the audit recommendations.
- 10 **INTERNAL AUDIT/EXTERNAL AUDIT WORKING PROTOCOL**
To approve the Internal Audit/External Audit Working Protocol.
- 11 **DRAFT ANNUAL GOVERNANCE STATEMENT (AGS) 2017/18**
To approve the AGS 2017/18 (including the actions planned by the Council to further enhance good governance arrangements), as set out in Appendix A.
- 12 **EXTERNAL AUDIT REPORT 2017/18**
To consider KPMG's External Audit Report 2017/18 and receive KPMG's audit opinion on the Financial Statements and the Value for Money arrangements.
Report to follow.
- 13 **STATEMENT OF ACCOUNTS 2017/18**
To approve the statement of accounts 2017/18. **Report to follow.**
- 14 **MEMBERS' QUESTIONS**
See Agenda Item 4 for deadline for submission.

Members of Audit and Standards Committee

Councillor Nigel Studdert-Kennedy (Chair)
Councillor Skeenor Rathor (Vice-Chair)
Councillor Rachel Curley
Councillor Stephen Davies
Councillor Keith Pearson

Councillor Simon Pickering
Councillor Mark Reeves
Councillor Tom Williams
Councillor Penny Wride

AUDIT AND STANDARDS COMMITTEE

10 April 2018

7.00 pm – 8.25 pm

Council Chamber, Ebley Mill, Stroud

MinutesMembership

Councillor Nigel Studdert-Kennedy (Chair)	P	Councillor Keith Pearson	P
Councillor Rachel Curley (Vice-Chair)	P	Councillor Mark Reeves	P
Councillor Martin Baxendale	P	Councillor Tom Williams	P
Councillor Stephen Davies	A	Councillor Penny Wride	P
Councillor Colin Fryer	P		

A = Absent P = Present

Other Councillors present

Councillors Cooper and Cornell

Officers in attendance

Accountancy Manager and Acting Section 151 Officer	Principal Accountant
Group Manager – Audit, Risk and Assurance	Principal Procurement Officer
Shared Service (ARA)	Democratic Services Officer
Head of Legal Services and Monitoring Officer	

AC.047**APOLOGIES**

Apologies for absence had been received from Councillor Davies and Darren Gilbert and Matt Arthur from KPMG, the Council's External Auditors.

AC.048**DECLARATIONS OF INTEREST**

There were none.

AC.049**MINUTES****RESOLVED**

That the Minutes of the meeting held on 6 February 2018, are approved as a correct record.

AC.050**PUBLIC QUESTION TIME**

There were none.

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AC.051 **STANDING ITEMS**

- (a) Work Programme - The following items were added to the work programme for the new 2018/19 civic year:-
- UBICO – to receive a follow up report at October’s meeting
 - The implementation of the workforce plan would be linked in with the Risk Register and / or the workforce audit work for 2018/19
 - The profile of the audit plan
- (b) Risk Management - Councillor Curley raised concerns about the number of risks with high risk levels and significantly above the risk appetite and that half of these had not been reviewed since the beginning of January 2018. Members were concerned that Corporate Team had been unable to attend this meeting and invited them to attend another meeting.

AC.052 **FIRST REPORT OF TASK AND FINISH GROUP (ETHICAL AUDIT)**

The Head of Legal Services and Monitoring Officer outlined the report and responded to questions.

RESOLVED **That the terms of reference of the Task and Finish Group (Ethical Audit) are as outlined in section 2 of the report.**

AC.053 **EXTERNAL AUDIT PLAN 2017/18**

In the absence of KPMG, the Accountancy Manager and Acting Section 151 Officer, presented this item. He confirmed that to date the audit work was on track and there were no significant matters to highlight. A report would be presented at July’s Committee meeting.

AC.054 **INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2017/18**

The Group Manager (ARA) outlined the work streams and the three areas of concern. Members raised concerns about the Capital Strategy still being outstanding; accountability; capital projects not having business cases; audit findings and management responses not being positive; and further the risk register was not being updated on a regular basis by responsible officers.

- RESOLVED**
- a. **To accept the progress against the Internal Audit Plan 2017/18;**
 - b. **Requests senior management attendance at the next meeting of the Committee to provide an update on the actions taken in relation to the recommendations made in the Capital Programme, Post Project Reviews and The Pulse, Dursley audits; and**
 - c. **To accept the assurance opinions provided in relation to the effectiveness of the Council’s control environment comprising risk management, control and governance arrangements as a result of the Internal Audit activity completed to date.**

AC.055 **RISK BASED INTERNAL AUDIT PLAN 2018/19**

The report was outlined by The Group Manager (ARA). The Accountancy Manager and Acting Section 151 Officer confirmed that he understood Corporate Team would be preparing the Annual Governance Statement for 2018/19 instead of the internal auditors, but would require a named officer to coordinate the work. Confirmation was given by the Group Manager that the internal audit of the Council's data protection practices would be carried out by specialists in this field.

RESOLVED **To approve the Annual Risk Based Internal Audit Plan 2018/19 as detailed in Appendix A.**

AC.056 **ANNUAL REPORT OF THE AUDIT AND STANDARDS COMMITTEE (PREPARED BY THE CHAIR FOR AGREEMENT PRIOR TO PRESENTATION TO COUNCIL)**

The Chair introduced the above item and in the absence of any questions or comments, members

RESOLVED **To agree the Audit and Standards Committee Annual Report 2017/18.**

RECOMMENDED **The Annual Report is approved.**
TO COUNCIL

AC.057 **MEMBERS' QUESTIONS**

There were none.

The meeting closed at 8.25 pm.

Chair

AUDIT AND STANDARDS COMMITTEE

26 JULY 2018

5a

WORK PROGRAMME

Proposed Meeting Date	Report Description	Responsible Officer / Member
9 October 2018	Review of Audit Shared Service	Chief Internal Auditor
	Further Internal Audit Management Update – Local Government Pension Scheme	Chief Internal Auditor
	Treasury Management Half Year Review	Principal Accountant
	Workforce Planning Update Report	Chief Internal Auditor
	UBICO – follow up report	Chief Internal Auditor
29 January 2019	Internal Audit Activity Progress Report 2017/18	Chief Internal Auditor
	Annual Summary of Certification of Grant Claims and Returns 2017/18	KPMG
	Annual Governance Statement 2017/18 Improvement Plan	Chief Internal Auditor
	Treasury Management Activity 2017/18	Principal Accountant
	Treasury Management, Annual Investment, and MRP Strategy 2018/19	Principal Accountant
7 May 2019	Annual Report of the Audit and Standards Committee (prepared by the Chairman) for agreement prior to presentation to Council	Chair
	External Audit Plan 2017/18	KPMG
	Internal Audit Activity Progress Report 2017/18	Chief Internal Auditor
	Internal Audit Plan 2018/19	Chief Internal Auditor

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

26 JULY 2018

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Report Title	ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY AND ACTUAL PRUDENTIAL INDICATORS 2017/2018
Purpose of Report	To advise on the treasury management activities in 2017/2018, in accordance with the Council's Treasury Policy Statement. To report on actual 2017/2018 Prudential Indicators in accordance with the requirements of the Prudential Code.
Decision(s)	The Audit & Standards Committee approves the treasury management activity annual report for 2017/2018 and the actual Prudential Indicators.
Consultation and Feedback	Link Asset Services Limited (LAS).
Financial Implications and Risk Assessment	<p>This report sets out the outturn position on the Council's Treasury Management activities for the 2017/18 financial year.</p> <p>Paragraph 12 of the report highlights the return achieved on the Council's investments during the year of £195k (0.51%) which reflects the challenging investment environment given low interest rates. The level of investment income gained is a positive outcome and the Council performs well against benchmarked authorities given the level of risk the undertaken.</p> <p>As at 31 March 2018, the Council had external debt of £105.7m (£1m reduction on the previous year). The majority of this debt relates to HRA self-financing (£97.7m) and is serviced through annual revenue payments from the Housing Revenue Account.</p> <p>Internal borrowing of £6.647m was undertaken to finance the capital programme, rather than taking-on further external debt.</p> <p>David Stanley, Accountancy Manager Tel: 01453 754100 E-mail: david.stanley@stroud.gov.uk</p>

Legal Implications	<p>This report is provided for the Committee's information as part of its treasury management procedures. There are no significant legal implications.</p> <p>Craig Hallett, Solicitor & Deputy Monitoring Officer Tel: 01453 754364 Email: craig.hallett@stroud.gov.uk RC22.06D10.07</p>
Report Author	<p>Graham Bailey, Principal Accountant Tel: 01453 754133 Email: graham.bailey@stroud.gov.uk</p>
Chair of Committee	<p>Nigel Studdert-Kennedy Chair of Audit and Standards Committee Tel: 01453 821491 Email: cllr.nigel.studdert-kennedy@stroud.gov.uk</p>
Options	None
Performance Management Follow Up	The Committee will receive regular reports on treasury activity throughout the 2018/2019 financial year.
Appendices	<p>A – Temporary investments 2017/2018 B – Actual Prudential Indicators 2017/2018 C – Explanation of Prudential Indicators D – The economy and interest rates 2017/2018 E – Borrowing and investment rates in 2017/2018</p>

Introduction

1. This Council fully complies with the CIPFA Treasury Management Code of Practice and the CIPFA Prudential Code for Capital Finance in Local Authorities.
2. For the financial year 2017/18 the minimum reporting requirements were that the full Council should receive the following reports:
 - Annual treasury strategy (Council 23/02/2017)
 - Mid-year treasury update (Council 25/01/2018)
 - Annual treasury review (this report)
3. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body, which in this Council is the Audit & Standards Committee.

Treasury Activity

4. A summary of treasury management activity for 2017/2018 is shown below:

Treasury Activity 2017-18				
	April 2017	Increase	Decrease	March 2018
	£000	£000	£000	£000
Debt				
Borrowing:				
Long-term	-106,717	-	1,000	-105,717
Short-term	-	-	-	-
Total debt	-106,717	-	1,000	-105,717
Investments				
Externally managed	-	-	-	-
Internally managed - Long term	-	-	-	-
Internally managed - Short term	28,931	2,483	-	31,414
Total investments	28,931	2,483	-	31,414
Net debt	-77,786	2,483	1,000	-74,303

Investment Strategy

5. Investment strategy for 2017/2018 was to give primary importance to security of capital and liquidity. This was achieved through having regard to government 'Guidance on Local Government Investment' issued in March 2004, and our own investment policy which set out permitted specified and non-specified investments. In addition, the Council received and followed weekly investment advice from Link Asset Services detailing counterparty credit ratings, which were also subjected to a credit default swap overlay. This was supplemented by daily update emails from Link Asset Services, economic briefings and monitoring the financial press.
6. Investment strategy, set out in the report to Council in February 2017, stated that in 2017-18 the Council would continue to invest for the longest permitted duration with quality counterparties to maximise return without compromising security. In particular instances the Accountancy Manager would authorise UK investments in excess of a year for example to take advantage of enhanced interest rates on Lloyds 366-day notice deposit. Otherwise, the length of investments permitted will vary if necessary in line with LAS advice and subject to the Council's 3-year upper limit.
7. The expectation for interest rates within the strategy for 2017/18 was for Bank Rate to remain unchanged for the duration of the financial year. In fact the rate did increase from 0.25% to 0.50% in November 2017.

8. **Appendix A** has a summary of investments during the year.

Borrowing Outturn for 2017/18

9. The Council had total borrowing of £105.717m as at 31 March 2018. On 28 March 2018 a £1m PWLB loan at 2.42% matured and was repaid. With a closing Capital Financing Requirement of £112.364m, the Council has continued and extended an element of internal borrowing during the year to help offset low investment returns. As at 31 March 2018 there is internal borrowing of £6.647m.

Lender	Principal	Type	Interest Rate	Years to Maturity	Maturity Date	New 17-18
Hampshire CC	£2m	Fixed Interest Rate	2.40%	1 years	05/02/2019	
PWLB	£1m	Fixed Interest Rate	1.63%	3 years	11/02/2021	
PWLB	£2m	Fixed Interest Rate	1.93%	5 years	11/02/2023	
PWLB	£6m	Fixed Interest Rate	3.32%	14 years	31/03/2032	
PWLB	£10m	Fixed Interest Rate	3.45%	19 years	31/03/2037	
PWLB	£7m	Fixed Interest Rate	3.51%	24 years	31/03/2042	
PWLB	£7m	Fixed Interest Rate	3.51%	24 years	31/03/2042	
PWLB	£7m	Fixed Interest Rate	3.53%	29 years	31/03/2047	
PWLB	£7m	Fixed Interest Rate	3.53%	29 years	31/03/2047	
PWLB	£7m	Fixed Interest Rate	3.52%	34 years	31/03/2052	
PWLB	£7m	Fixed Interest Rate	3.52%	34 years	31/03/2052	
PWLB	£7m	Fixed Interest Rate	3.51%	39 years	31/03/2057	
PWLB	£7m	Fixed Interest Rate	3.51%	39 years	31/03/2057	
PWLB	£10m	Fixed Interest Rate	3.48%	43 years	31/03/2061	
PWLB	£9.717m	Fixed Interest Rate	3.48%	43 years	31/03/2061	
PWLB	£1m	Fixed Interest Rate	2.51%	45 years	21/06/2063	
PWLB	£2m	Fixed Interest Rate	3.16%	45 years	20/08/2063	
PWLB	£1m	Fixed Interest Rate	3.55%	47 years	28/11/2064	
PWLB	£2m	Fixed Interest Rate	3.20%	47 years	18/08/2065	
PWLB	£2m	Fixed Interest Rate	2.96%	48 years	11/02/2066	
PWLB	£1m	Fixed Interest Rate	2.65%	48 years	14/06/2066	
Total Loans	£105.717m					

The Economy and Interest Rates

10. An analysis of UK economic performance and interest rates and the world economic context during 2017/2018 is in **Appendix D**.

Performance Measurement

11. **Appendix A** has details of the investments made during the year. All of these were 'approved investments' with counterparties included on the Council's lending list, and within permitted limits as regards time and amount.
12. The average level of investments held was £37.658 million and the average return on these investments was 0.51%, compared with the average un compounded 7-day LIBID rate of 0.36% which is a generally accepted benchmark rate (the 3 month un compounded LIBID rate is given as well for comparative purposes). The interest earned was £195k.

	Average Investment	Rate of Return	Benchmark Return 7 day LIBID un compounded	For comparison 3 month LIBID un compounded
Internally Managed	£37,657,799	0.51%	0.360%	0.500%
Externally Managed	N/A	N/A	N/A	N/A

13. Stroud is a member of a Link Asset Services Benchmarking group. The group is comprised of North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Oxford City Council, Rugby Borough Council, Stratford-on-Avon District Council, Warwick District Council, Warwickshire County Council, Worcester City Council, Worcestershire County Council and Wyre Forest District Council. A primary aim of the group is to evaluate and compare return on investment taking into account the level of risk for the investment portfolio. During 2017/18 Stroud has again compared very favourably with the benchmark group in terms of return achieved, whilst maintaining a low risk portfolio.

Prudential Indicators and Compliance with Borrowing Limits

14. The Council is required by the Prudential Code to report actual prudential indicators after the yearend. These are shown in **Appendix B**.
15. The Council had a maximum of loans totalling £106.717m during 2017/2018. This amount of borrowing was well within both the authorised and operational borrowing limits of £120m and £128m respectively.

Borrowing limits 2017/2018	Approved Limit	Actual
Authorised limit for external debt (£'million) (Includes deferred liabilities)	£128m	£106,717
Operational boundary for external debt (£'million)	£120m	£106,717

Member Training

16. Member training provided by Link Asset Services on treasury management issues took place on 1 November 2017. Further training for Members will be scheduled for 2018/19.

Treasury advice contract

17. The treasury advice service contract was re-tendered through the Eastern Shires Purchasing Organisation (ESPO) Framework Agreement in 2016. It was awarded to Link Asset Services (formerly Capita Asset Services). It is a contract for two years with an option to extend for a further two years. The contract commenced 1 October 2016. The option to extend the contract will be exercised later in 2018.

Local Authority Mortgage Scheme update

Through introducing a Local Authority Mortgage Scheme the Council offered a financial guarantee to enable first time buyers to obtain a mortgage. The maximum value of the guarantee is £1.2m. The Council invested £1m and the county council £200k with Lloyds bank for 5 years at a market rate of 3.8%. Premium interest of 0.7% was payable in return for the financial guarantee. Premium interest was been set aside to pay for any liability realised as a result of the financial guarantee. This scheme commenced in April 2012 and closed to new loan applications in 2015. A total of £4.7m of loans to 37 first time buyers were issued which utilised £0.9m of the available £1.2m guarantee. As at March 2018 there are no arrears cases, and there have been no repossessions under the scheme since inception. The financial guarantee continues for 5 years from the start date of each mortgage and so should gradually reduce and end in July 2020, provided that a mortgage is not in arrears during the last six months of its 5 year period. In any such cases the financial guarantee for those mortgages will extend for a further 2 years.

At March 2018 a financial guarantee liability of £0.49m was outstanding (£0.91m March 2017).

Temporary Investments - Summary Activity 2017/2018				
Borrower	Type	Average Principal Invested £	Interest £	Average Rate
RBS Group				
NatWest Treasury Reserve	Call	440,338	218.29	0.05%
RBS Deposit	Fixed	794,521	4,926.02	0.62%
RBS Deposit	CD	693,151	4,436.17	0.64%
RBS Deposit	CD	1,101,370	6,498.08	0.59%
RBS Treasury Reserve	Call	7,490	0.75	0.01%
RBS Group Total		3,036,869	16,079.31	0.53%
Lloyds Group				
Bank of Scotland	Fixed	515,068	3,090.41	0.60%
Bank of Scotland	Fixed	252,055	1,008.22	0.40%
Bank of Scotland	Fixed	164,384	1,397.26	0.85%
Bank of Scotland	Fixed	386,301	1,931.51	0.50%
Lloyds	Fixed	706,849	4,594.52	0.65%
Lloyds	Fixed	279,452	1,676.71	0.60%
Lloyds	Fixed	1,008,219	5,545.21	0.55%
Lloyds 32 Notice	Call	1,415,448	6,574.37	0.46%
Lloyds 175 Notice	Call	2,428,270	17,196.62	0.71%
Lloyds Group Total		7,156,047	43,014.83	0.60%
Barclays Bank PLC				
Barclays	Fixed	951,212	6,658.48	0.70%
Barclays Total		951,212	6,658	0.70%
Santander				
Santander - 95 day notice	Notice	1,708,233	7,899.48	0.46%
Santander - 180 day notice	Notice	2,194,758	14,526.00	0.66%
Santander Total		3,902,991	22,425.48	0.57%
Goldman Sachs				
Goldman Sachs	Fixed	991,781	7,735.89	0.78%
Goldman Sachs	Fixed	334,247	2,089.04	0.62%
Goldman Sachs	Fixed	1,002,740	6,467.67	0.64%
Goldman Sachs	Fixed	504,110	2,016.44	0.40%
Goldman Sachs	Fixed	991,781	6,049.86	0.61%
Goldman Sachs	Fixed	657,534	4,635.61	0.70%
Goldman Sachs	Fixed	991,781	6,793.70	0.69%
Goldman Sachs MMF	MMF	584,441	1,764.13	0.30%
Goldman Sachs 185 day notice	Call	1,584,699	11,951.23	0.75%
Goldman Sachs Total		7,643,113	49,503.57	0.65%
Svenska Handelsbanken				
Svenska 35 day notice	Notice	2,835,342	8,506.03	0.30%
Svenska	Call	1,379,908	2,759.82	0.20%
Svenska Handelsbanken Total		4,215,251	11,266	0.27%
Standard Chartered 95 day notice	Notice	2,000,000	12,468.49	0.62%
Co-Operative Rabobank	CD	1,090,411	6,978.63	0.64%
UBS	CD	893,151	8,767.60	0.98%
Deutsche	MMF	750,723	1,707.01	0.23%
Federated Prime Rate MMF	MMF	3,672,366	10,946.37	0.30%
Ignis	MMF	2,260,998	5,504.33	0.24%
Blackrock MMF	MMF	37,189	81.82	0.22%
Grand Total		£37,610,321	£195,402	0.52%

Types of investment

Call - account with current day access to funds invested. Interest rates are fixed.

CD - Certificate of Deposit which are tradeable financial investments.

DMO - Investment with the government's Debt Management Office. Interest rate fixed.

FIBCA - Fixed Interest Bearing Current Account

Fixed - fixed term investments at fixed interest rates.

MMF - Money Market Funds are AAA-rated current day access accounts. Interest rates can change daily.

Notice - account with withdrawal subject to minimum specified notice. Interest rates are fixed.

TB - Treasury Bills are fixed term investments in government securities at fixed interest rates.

	2016/17 £'000 actual outturn	2017/18 £'000 original indicator	2017/18 £'000 actual outturn
Prudential Indicators			
Capital Expenditure			
Non- HRA	10,975	3,949	4,479
HRA	10,527	12,290	6,002
TOTAL	£21,502	£16,239	£10,481
Ratio of financing costs to net revenue stream			
Non- HRA	-0.68%	-0.13%	-0.46%
HRA	16.03%	16.05%	15.94%
Net borrowing requirement			
brought forward 1 April	101,205	112,464	111,457
carried forward 31 March	111,457	113,984	112,364
in year borrowing requirement	£10,252	£1,520	£907
In-year Capital Financing Requirement			
Non- HRA	6,490	1,520	907
HRA	3,762	-	-
TOTAL	£10,252	£1,520	£907
Capital Financing Requirement as at 31 March			
Non- HRA	15,715	18,242	16,622
HRA	95,742	95,742	95,742
TOTAL	£111,457	£113,984	£112,364
HRA borrowing limit	£95,742	£95,742	£95,742
Incremental impact of capital investment decisions			
Increase in council tax (band D) per annum	£1.09	£1.02	£0.24
Increase in average housing rent per week	£0.19	£0.05	-£0.07
Authorised limit for external debt			
borrowing	106,717	128,000	128,000
other long term liabilities	-	-	-
TOTAL	106,717	128,000	128,000
Operational boundary for external debt			
borrowing	106,717	120,000	120,000
other long term liabilities	-	-	-
TOTAL	106,717	120,000	120,000
Upper limit for fixed interest rate exposure			
Net principal re. Fixed rate borrowing / investments	100%	100%	100%
Upper limit for variable rate exposure			
Net principal re. Fixed rate borrowing / investments	100%	100%	100%
Upper limit for total principal sums invested for over 365 days	-	8,000	-

Explanation of prudential indicators

Central Government control of borrowing was ended and replaced with Prudential borrowing by the Local Government Act 2003. Prudential borrowing permitted local government organisations to borrow to fund capital spending plans provided they could demonstrate their affordability. Prudential indicators are the means to demonstrate affordability.

Capital expenditure – compares the 2017/18 original capital estimates with the actual outturn. Actual 2016/17 outturn is shown for comparison.

Ratio of financing costs to net revenue stream – this indicator shows the effect of HRA self-financing debt, with the cost of servicing debt accounting for 15.94% of rental income. Interest on reserves and balances still makes marginal, but positive contribution to General Fund finances.

Net borrowing requirement – this demonstrates borrowing needed to fund capital spending.

In year capital financing requirement – this shows that in 2017/2018 capital spend was financed by borrowing (internal or external) of £0.907m, and the remainder was financed by the Council's capital resources such as grants, capital receipts and revenue contributions. The comparative 2016/2017 figure shows the capital spend financed by borrowing for that year was £10.252m.

Capital financing requirement (CFR) as at 31 March – the capital financing requirement shows the underlying need of the Council to borrow for capital purposes as determined from the balance sheet. The overall positive CFR of £112.364m provides the Council with the opportunity to borrow if appropriate. The Council has £105.717m in long term borrowing. This indicates Council is internally borrowing £6.647m .

Incremental impact of capital investment decisions – increase in Council Tax (Band D) per annum – this indicator shows that the funding of the Non-HRA capital programme compared with the original estimate for 2017/2018 of £1.02. The reduced actual for 2017/2018 of £0.24 per annum on band D council tax arose mainly through reductions in the original planned programme funded by borrowing and through increased internal borrowing.

Incremental impact of capital investment decisions – increase in average housing rent per week – The lower than estimated spending on the HRA capital programme saved an estimated 7p per week of the average housing rent in increased investment interest, rather than the expected cost of 5p per week. This was due to a reduced planned programme.

Authorised limit for external debt – this is the “affordable borrowing limit” for external temporary borrowing. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cash flows. The Council does not have the power to borrow above this level. The Authorised Limit was set at £128m in February 2017.

Operational boundary for external debt – this is set as the more likely amount required for day to day cash flow purposes. It is acceptable to be above or below this level as long as the Authorised Limit is not breached. The Operational Boundary was set at £120m in February 2017.

Upper limit for fixed and variable interest rate exposure – these limits allow the Council flexibility in its investment and borrowing options.

Upper limit for total principal sums invested for over 364 days – the amount it is considered can prudently be invested for a period in excess of a year. Although the Council can invest for longer than a year no such investments were made in 2017/2018 in accordance with Link Asset Services' advice.

The Economy and Interest Rates 2017-18

UK. The outcome of the EU referendum in June 2016 resulted in a gloomy outlook and economic forecasts from the Bank of England based around an expectation of a major slowdown in UK GDP growth, particularly during the second half of 2016, which was expected to push back the first increase in Bank Rate for at least three years. Consequently, the Bank responded in August 2016 by cutting Bank Rate by 0.25% to 0.25% and making available over £100bn of cheap financing to the banking sector up to February 2018. Both measures were intended to stimulate growth in the economy. This gloom was overdone as the UK economy turned in a G7 leading growth rate of 1.8% in 2016, (actually joint equal with Germany), and followed it up with another 1.8% in 2017, (although this was a comparatively weak result compared to the US and EZ).

During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year; quarter 1 came in at +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y), which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up in quarter 3 to 0.5% before dipping slightly to 0.4% in quarter 4.

Consequently, market expectations during the autumn rose significantly that the MPC would be heading in the direction of imminently raising Bank Rate. The **MPC meeting of 14 September** provided a shock to the markets with a sharp increase in tone in the minutes where the MPC considerably hardened their wording in terms of needing to raise Bank Rate very soon. The **2 November MPC quarterly Inflation Report meeting** duly delivered on this warning by withdrawing the 0.25% emergency rate cut which had been implemented in August 2016. Market debate then moved on as to whether this would be a one and done move for maybe a year or more by the MPC, or the first of a series of increases in Bank Rate over the next 2-3 years. The MPC minutes from that meeting were viewed as being dovish, i.e. there was now little pressure to raise rates by much over that time period. In particular, the GDP growth forecasts were pessimistically weak while there was little evidence of building pressure on wage increases despite remarkably low unemployment. The MPC forecast that CPI would peak at about 3.1% and chose to look through that breaching of its 2% target as this was a one off result of the devaluation of sterling caused by the result of the EU referendum. The inflation forecast showed that the MPC expected inflation to come down to near the 2% target over the two to three year time horizon. So this all seemed to add up to cooling expectations of much further action to raise Bank Rate over the next two years.

However, GDP growth in the second half of 2017 came in stronger than expected, while in the new year there was evidence that wage increases had started to rise. The **8 February MPC meeting** minutes therefore revealed another sharp hardening in MPC warnings focusing on a reduction in spare capacity in the economy, weak increases in productivity, higher GDP growth forecasts and a shift of their time horizon to focus on the 18 – 24 month period for seeing inflation come down to 2%. (CPI inflation ended the year at 2.7% but was forecast to still be just over 2% within two years.) This resulted in a marked increase in expectations that there would be another Bank Rate increase in May 2018 and a bringing forward of the timing of subsequent increases in Bank Rate. This shift in market expectations resulted in **investment rates** from 3 – 12 months increasing sharply during the spring quarter.

PWLB borrowing rates increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 bps for much of the year), compared to **US treasuries**. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.

As for **equity markets**, the FTSE 100 hit a new peak near to 7,800 in early January before there was a sharp selloff in a number of stages during the spring, replicating similar developments in US equity markets. The major UK landmark event of the year was the inconclusive result of the **general election** on 8 June. However, this had relatively little impact on financial markets. However, **sterling** did suffer a sharp devaluation against most other currencies, although it has recovered about half of that fall since then. Brexit negotiations have been a focus of much attention and concern during the year but so far, there has been little significant hold up to making progress.

The **manufacturing sector** has been the bright spot in the economy, seeing stronger growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, the manufacturing sector only accounts for around 11% of GDP so expansion in this sector has a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

EU. Economic growth in the EU, (the UK's biggest trading partner), was lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of quantitative easing to stimulate growth. However, growth eventually picked up in 2016 and subsequently gathered further momentum to produce an overall GDP figure for 2017 of 2.3%. Nevertheless, despite providing this massive monetary stimulus, the ECB is still struggling to get inflation up to its 2% target and in March, inflation was still only 1.4%. It is, therefore, unlikely to start an upswing in rates until possibly towards the end of 2019.

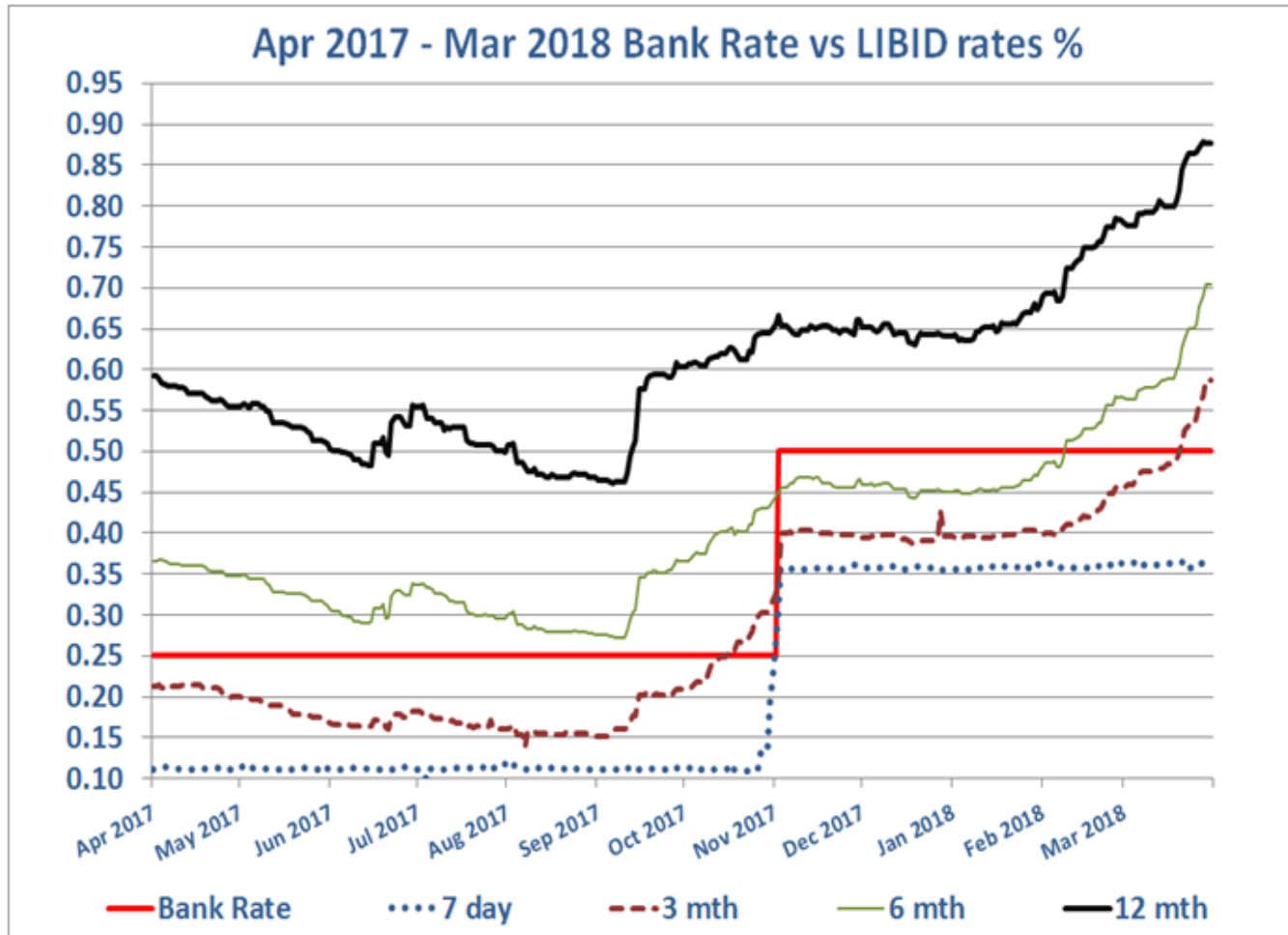
USA. Growth in the American economy was volatile in 2015 and 2016. 2017 followed that path again with quarter 1 at 1.2%, quarter 2 3.1%, quarter 3 3.2% and quarter 4 2.9%. The annual rate of GDP growth for 2017 was 2.3%, up from 1.6% in 2016. Unemployment in the US also fell to the lowest level for 17 years, reaching 4.1% in

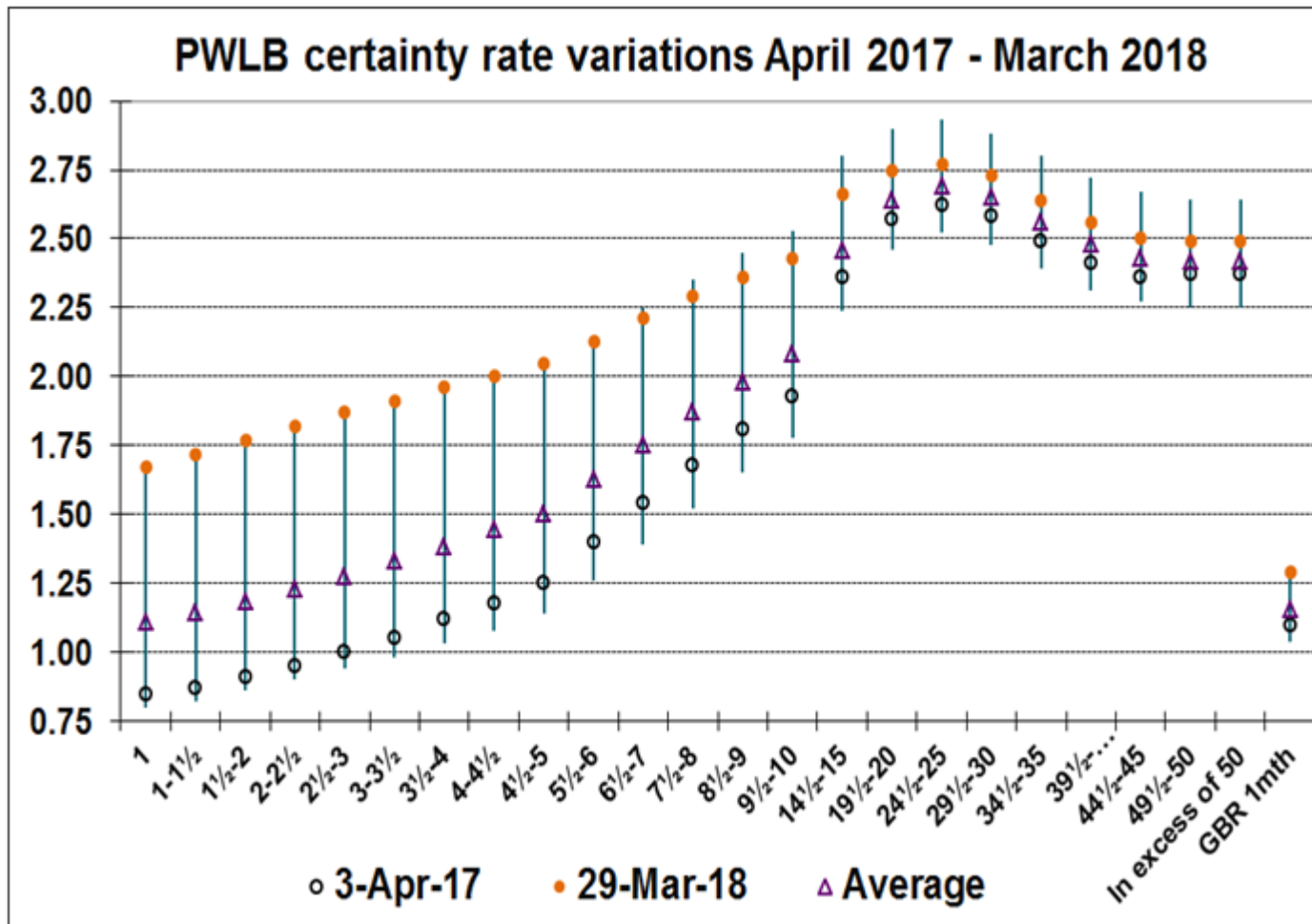
October to February, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has been the first major western central bank to start on an upswing in rates with six increases since the first one in December 2015 to lift the central rate to 1.50 – 1.75% in March 2018. There could be a further two or three increases in 2018 as the Fed faces a challenging situation with GDP growth trending upwards at a time when the recent Trump fiscal stimulus is likely to increase growth further, consequently increasing inflationary pressures in an economy which is already operating at near full capacity. In October 2017, the Fed also became the first major western central bank to make a start on unwinding quantitative easing by phasing in a gradual reduction in reinvesting maturing debt.

Chinese economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus and medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan. GDP growth has been improving to reach an annual figure of 2.1% in quarter 4 of 2017. However, it is still struggling to get inflation up to its target rate of 2% despite huge monetary and fiscal stimulus, although inflation has risen in 2018 to reach 1.5% in February. It is also making little progress on fundamental reform of the economy.

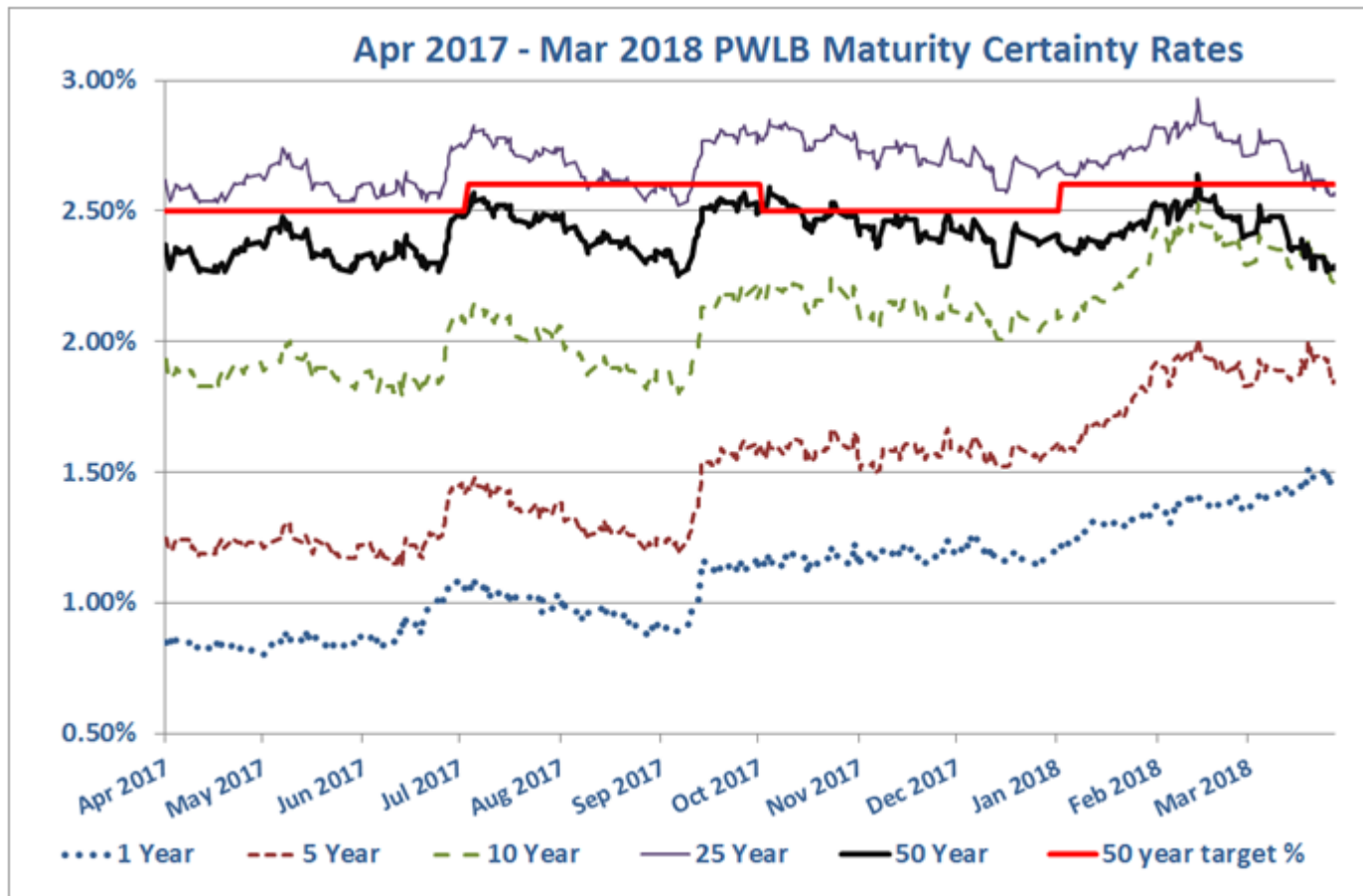
INVESTMENT AND BORROWING RATES 2017-2018





PWLB Certainty Rate Summary

	1 Year	5 Year	10 Year	25 Year	50 Year
1/4/17	0.85%	1.25%	1.93%	2.62%	2.37%
31/3/18	1.67%	2.05%	2.43%	2.77%	2.49%
Low	0.80%	1.14%	1.78%	2.52%	2.25%
Date	03/05/2017	15/06/2017	15/06/2017	08/09/2017	08/09/2017
High	1.51%	2.01%	2.53%	2.93%	2.64%
Date	21/03/2018	15/02/2018	15/02/2018	15/02/2018	15/02/2018
Average	1.11%	1.50%	2.08%	2.69%	2.41%



Money market investment rates 2017/18

	7 day	1 month	3 month	6 month	1 year
1/4/17	0.111	0.132	0.212	0.366	0.593
31/3/18	0.364	0.386	0.587	0.704	0.878
High	0.366	0.390	0.587	0.704	0.879
Low	0.099	0.122	0.140	0.273	0.461
Average	0.215	0.233	0.286	0.401	0.606
Spread	0.267	0.268	0.447	0.432	0.418
High date	27/2/18	22/3/18	29/3/18	29/3/18	28/3/18
Low date	4/7/17	10/8/17	7/8/17	7/9/17	6/9/17

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

26 JULY 2018

7

Report Title	1ST QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2018/19
Purpose of Report	To provide an update on treasury management activity as at 30/06/2018.
Decision(s)	The Audit and Standards Committee APPROVES the treasury management activity first quarter report for 2018/2019.
Consultation and Feedback	Link Asset Services Limited
Financial Implications & Risk Assessment	Interest of £57k in the first quarter is on target to achieve £180k for 2018/19. Graham Bailey, Principal Accountant Tel: 01453 754133 E-mail: graham.bailey@stroud.gov.uk
Legal Implications	There are no significant legal implications arising from the decision recommended in this report. (Ref : rc10718d12718) Karen Trickey, Legal Services Manager and Monitoring Officer Email : karen.trickey@stroud.gov.uk Tel: 01453 754369
Report Author	Maxine Bell, Snr Accounting Officer Tel: 01453 754134 E-mail: maxine.bell@stroud.gov.uk
Chair of Committee	Councillor Nigel Studdert-Kennedy Tel: 01453 821491 E-mail: cllr.nigel.studdert-kennedy@stroud.gov.uk
Options	None
Performance Management Follow Up	Further quarterly reports and a full 2018/19 annual report.
Appendices	A – Prudential Indicators as at 30 June 2018 B – Explanation of prudential indicators

Background

1. Treasury management is defined as: 'The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'
2. This report is presented to the Audit and Standards Committee to provide an overview of the investment activity and performance for the first quarter of the financial year, and to report on prudential indicators and compliance with treasury limits. A quarterly report is regarded as good practice, but is not essential under the Code of Practice for Treasury Management (the Code).

Discussion

3. The Chartered Institute of Public Finance and Accountancy (CIPFA) issued the revised Code in November 2011, originally adopted by this Council on 21 January 2010. This first quarter report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:
 - A review of the Treasury Management Strategy Statement (TMSS) and Investment Strategy
 - A review of the Council's investment portfolio for 2018/19
 - A review of the Council's borrowing strategy for 2018/19
 - A review of compliance with Treasury and Prudential Limits for 2018/19.
 - Other Treasury Issues

Treasury Management Strategy Statement and Investment Strategy update

4. The TMSS for 2018/19 was approved by Council on 22 February 2018. The Council's Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:
 1. Security of Capital
 2. Liquidity
 3. Yield
5. In 2018-19 the Council will continue to invest for the longest permitted duration with quality counterparties to maximise return without compromising security, or liquidity. In particular instances the Section 151 Officer will authorise investments in the LAS blue category for a period of up to two years, which is currently longer than the LAS recommended duration of one year. Otherwise, the length of investments permitted will vary if necessary in line with LAS advice subject to the Council's 3-year upper limit.
6. A breakdown of the Council's investment portfolio as at 30 June 2018 is shown in Table 2 of this report. Investments & borrowing during the year have been in line with the strategy.
7. Current advice from Link is to invest for no more than a year with UK banks, or up to a maximum of five years with government or local government provided they are sufficiently highly rated on Link's weekly list.

Investment Portfolio 2018/19

8. In accordance with the Code, it is the Council's priority to ensure security and liquidity of investments, and once satisfied with security and liquidity, to obtain a good level of return. The investment portfolio yield for the first quarter is shown in the table below:

TABLE 1: Average Interest Rate Compared With Benchmark Rates

Period	Investment Interest Earned	Average Investment	Average Interest Rate	Benchmark 7 day LIBID	Benchmark 3 month LIBID
01/04/18 - 30/06/18	£56,547	£36.344m	0.6316%	0.36%	0.51%

9. Table 2 below shows the investments and borrowing position at the end of June 2018.
10. The approved limits as set out in the Treasury Management Strategy report to Council 22nd February 2018 within the Annual Investment Strategy were not breached during the first 3 months of 2018/19.
11. Funds were available for investment on a temporary basis. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme and canal project. The authority holds £7m core cash balances for investment purposes (i.e. funds that potentially could be invested for more than one year).

		June 2018
		£'000
Standard Life	1	
Federated Prime Rate	2,429	
Deutsche	0	
Goldman Sachs	4	
Money Market Funds Total		2,434
Bank of Scotland	1,500	
Lloyds	6,449	
Lloyds Banking Group Total		7,949
NatWest	105	
Royal Bank of Scotland	3,007	
RBS Banking Group Total		3,112
Goldman Sachs	4,000	
Standard Chartered	4,000	
Santander	7,062	
Barclays Bank Plc	4,510	
Svenska Handelsbanken	2	
Other Banks Total		19,574
Coventry Building Society	4,000	4,000
TOTAL INVESTMENTS		<u>£37,069</u>
Local Authority		2,000
PWLB		103,717
TOTAL BORROWING		<u>£105,717</u>

External Borrowing

12. The Council's Capital Financing Requirements (CFR) for 2018/19 is £112.18m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (External Borrowing) or from internal balances on a temporary basis (Internal Borrowing). The Council has borrowing of £105,717m as at 30 June 2018.

13. Compliance with Treasury and Prudential Limits

14. It is a statutory duty for the Council to determine and keep under review the “Affordable Borrowing Limits”. Council’s approved Treasury and Prudential Indicators are outlined in the approved TMSS.
15. During the period to 30 June 2018 the Council has operated within treasury limits and Prudential Indicators set out in the Council’s TMSS and with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix A.

Prudential Indicators as at June 2018

Prudential Indicator	2018/19 Indicator £'000	Actual as at 30 June 2018 £'000
Capital Financing Requirement (CFR)	112,180	112,364
Gross Borrowing	107,717	105,717
Authorised Limit for external debt	130,000	105,717
Operational Boundary for external debt	122,000	105,717
Limit of fixed interest rates based on net debt	100%	100%
Limit of variable interest rates based on net debt	100%	0%
Principal sums invested > 364 days	8,000	0
Maturity structure of borrowing limits		
Under 12 months	100%	2%
12 months to 2 years	100%	0%
2 years to 5 years	100%	3%
5 years to 10 years	100%	0%
10 years and above	100%	95%

Explanation of prudential indicators

Central Government control of borrowing was ended and replaced with Prudential borrowing by the Local Government Act 2003. Prudential borrowing permitted local government organisations to borrow to fund capital spending plans provided they could demonstrate their affordability. Prudential indicators are the means to demonstrate affordability.

Gross borrowing – compares estimated gross borrowing in February 2018 strategy with actual gross borrowing as at 30 June 2018.

Capital financing requirement (CFR) – the capital financing requirement shows the underlying need of the Council to borrow for capital purposes as determined from the balance sheet. The overall positive CFR of £112.364m provides the Council with the opportunity to borrow if appropriate. £1m of borrowing is planned for 2018/19 arising from the approved capital programme.

Authorised limit for external debt - this is the maximum limit for gross external indebtedness. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cashflows. This limit has not been breached in the period 1 April 2018 to 30 June 2018.

Operational boundary for external debt – this is set as the more likely amount that may be required for day to day cashflow. This limit has not been breached in the period 1 April 2018 to 30 June 2018.

Upper limit for fixed and variable interest rate exposure – these limits allow the Council flexibility in its investment and borrowing options. Current investments are either fixed rate term investments or on call. Borrowing is at a fixed rate.

Upper limit for total principal sums invested for over 364 days – the amount it is considered can prudently be invested for a period in excess of a year. Current policy only permits lending beyond 1 year with other Local Authorities up to a maximum of 3 years.

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

AGENDA
ITEM NO

26 JULY 2018

8

Report Title	ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2017/18
Purpose of Report	To provide the Committee with an annual report on Internal Audit Activity which fully meets the Chief Internal Auditor's annual reporting requirements, as set out in the Public Sector Internal Auditing Standards (PSIAS) 2017.
Decisions(s)	The Committee is asked to RESOLVE to: <ul style="list-style-type: none"> • 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; and • Note that the performance of Internal Audit meets the required standards.
Consultation and Feedback	Internal Audit findings are discussed with Directors (where relevant) Service Heads/Managers. Management responses to recommendations are included in each assignment report.
Financial Implications and Risk Assessment	<p>Whilst there are no financial implications arising from the report, it is worth noting the Chief Internal Auditor's opinion on the control environment. It is also worth the committee considering whether management actions have been delivered against the accepted recommendations contained within the four limited assurance reports</p> <p>David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p> <p>Risk Assessment:</p> <p>Failure to deliver an effective Internal Audit service will prevent an independent, objective assurance opinion from being provided to those charged with governance that the key risks associated with the achievement of the Council's objectives are being adequately controlled.</p>

Legal Implications	The Committee needs to form its own reasonable opinion of the assurance which may be given, based upon the information provided although should seek further information if it considers it cannot otherwise be assured. (Ref10718cd12718) Karen Trickey, Head of Legal Services and Monitoring Officer
Report Author	Theresa Mortimer Head of Audit Risk Assurance (Chief Internal Auditor) Tel: 01453 754111 Email: theresa.mortimer@stroud.gov.uk
Options	There are no alternative options that are relevant to this matter.
Performance Management Follow Up	The Council's Internal Audit Plan for 2018/19 was approved by the Audit and Standards Committee on 10 th April 2018. Achievement against the Plan will be regularly reported to the Audit and Standards Committee via the Internal Audit Plan Monitoring Reports for 2018/19.
Background Papers/ Appendices	Appendix 1: Annual Report on Internal Audit Activity 2017/18 Appendix 2: Summary Activity Progress Report 2017/18 Appendix 3: BACS Direct Debit Report Background papers: <ul style="list-style-type: none"> ➤ Accounts and Audit Regulations 2015; ➤ Public Sector Internal Audit Standards (PSIAS) 2017; ➤ CIPFA Local Government Application Note for the UK PSIAS; and ➤ Audit and Standards Committee's Terms of Reference.

1.0 Background

1.1 The Accounts and Audit Regulations 2015 state that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance'. During 2017/18, Internal Audit work was carried out in accordance with the Public Sector Internal Audit Standards (PSIAS) 2017 and the CIPFA Local Government Application Note for the UK PSIAS.

1.2 The PSIAS define internal audit as 'an independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its

objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

- 1.3 To achieve full effectiveness, the scope of the internal audit function should provide an unrestricted range of coverage of the organisation’s operations and the internal audit function should have sufficient authority to access such records, assets and personnel as are necessary for the proper fulfilment of responsibilities. These access rights are specified in the Internal Audit Charter and Code of Ethics, which have been approved by Members.
- 1.4 The PSIAS requires the Chief Internal Auditor to ‘provide a written report to those charged with governance timed to support the Annual Governance Statement’. The content of the report is prescribed by the PSIAS which specifically requires Internal Audit to:
 - Provide an opinion on the overall adequacy and effectiveness of the organisation’s internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification;
 - Compare the actual work undertaken with the planned work, and present a summary of the audit activity undertaken from which the opinion was derived, drawing attention to any issues of particular relevance;
 - Summarise the performance of the Internal Audit function against its performance measures and targets; and
 - Comment on compliance with the PSIAS.
- 1.5 A separate report containing the Annual Governance Statement is included on the agenda for the Audit and Standards Committee on 26th July 2018.

Annual report on Internal Audit Activity

2017-2018



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(1) Introduction

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that ‘a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance’.

The standards define the way in which the Internal Audit Service should be established and undertakes its functions. The Council’s Internal Audit Service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Stroud District Council, Gloucester City Council and Gloucestershire County Council and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee. The standards also require that an independent and objective opinion is given on the overall adequacy and effectiveness of the control environment, comprising risk management, control and governance, from the work undertaken by the Internal Audit Service.

The Shared Service Internal Audit function conforms to the International Standards for the Professional Practice of Internal Auditing.

(2) Responsibilities

Management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non financial) and governance arrangements.

Internal Audit plays a key role in providing independent assurance and challenge, advising the organisation that satisfactory arrangements are in place and operating effectively.

Internal Audit is not the only source of assurance for the Council. There are a range of external audit and inspection agencies as well as management processes which also provide assurance and these are set out in the Council’s Code of Corporate Governance and its Annual Governance Statement.

(3) Purpose of this Report

One of the key requirements of the PSIAS is that the Chief Internal Auditor should provide an annual report to those charged with governance, to support the Annual Governance Statement. The content of the report is prescribed by the PSIAS which specifically requires Internal Audit to:

- Provide an opinion on the overall adequacy and effectiveness of the organisation's internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification;
- Compare the actual work undertaken with the planned work, and present a summary of the audit activity undertaken from which the opinion was derived, drawing attention to any issues of particular relevance;
- Summarise the performance of the Internal Audit function against its performance measures and targets; and
- Comment on compliance with the PSIAS.

When considering this report, the Committee may also wish to have regard to the quarterly interim Internal Audit progress reports presented to the Committee during 2017/18 and the reports on Risk Management Activity.

(4) Chief Internal Auditor's Opinion on the Council's Internal Control Environment

In providing my opinion it should be noted that assurance can never be absolute. The most that Internal Audit can provide is a reasonable assurance that there are no major weaknesses in risk management arrangements, control processes and governance. The matters raised in this report and our quarterly monitoring reports, are only those that were identified during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that may exist or represent all of the improvements required.

Chief Internal Auditor's Opinion

I am satisfied that, based on the internal audit activity undertaken during 2017/18 and management's actions taken in response to that activity, enhanced by the work of other external review agencies, sufficient evidence is available to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of Stroud District Council's overall internal control environment.

In my opinion, for the 12 months ended 31 March 2018, Stroud District Council has, with the exception of the matters relating to the ICT service as detailed within the Society for IT Practitioners in the Public Sector (Socitm) review, a **satisfactory** overall control environment, to enable the achievement of the Council's outcomes and objectives.

This opinion will feed into the Annual Governance Statement which will be published alongside the Annual Statement of Accounts.

(4a) Scope of the Internal Audit Opinion

In arriving at my opinion, I have taken into account:

- The results of all internal audit activity undertaken during the year ended 31st March 2018 and whether our high and medium priority recommendations have been accepted by management and, if not, the consequent risk;
- The effects of any material changes in the organisation's risk profile, objectives or activities;
- Matters arising from internal audit quarterly progress reports or other assurance providers to the Audit and Standards Committee;
- Whether or not any limitations have been placed on the scope of internal audit activity; and
- Whether there have been any resource constraints imposed on internal audit which may have impacted on our ability to meet the full internal audit needs of the organisation.

(4b) Limitations to the scope of our activity

There have been no limitations to the scope of our activity or resource constraints imposed on internal audit which have impacted on our ability to meet the full internal audit needs of the Council. Whilst the core Internal Audit service is provided by ARA during 2017/18, the Chief Internal Auditor has:

- Commissioned external specialist ICT audit via Warwickshire County Council's Internal Audit Framework Agreement;
- Set up joint working arrangements in relation to Internal Audit and Risk Management with the Chief Internal Auditor at Warwickshire and Worcestershire County Council and Stratford District Council;
- Arrangements in place with Gloucestershire NHS Counter Fraud Service to provide support with investigations; and
- An agreement in place with Gloucestershire's Counter Fraud Unit to provide counter fraud support.

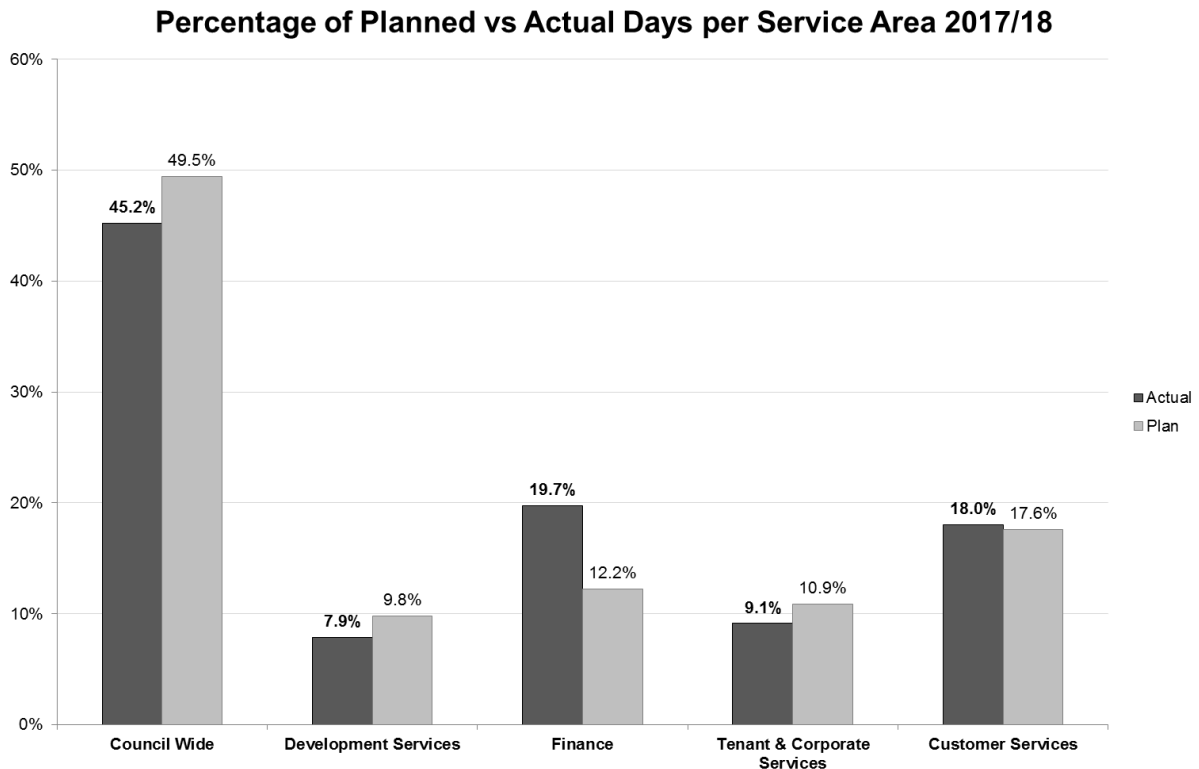
(5) Summary of Internal Audit Activity undertaken compared to that planned

The underlying principle to the 2017/18 plan is risk and as such, audit resources were directed to areas which represented ‘in year risk’. Variations to the plan are required if the plan is to adequately reflect the ongoing changing risk profile of the Council.

Since the original risk based plan was approved in April 2017 by the Audit and Standards Committee, a number of additional audit and consultancy activities have proved necessary and some of the original planned audits have been deferred into the 2018/19 Internal Audit Plan (based on appropriate client request and to ensure the audit adds value). Plan changes are detailed in **Appendix 2** (the Summary Activity Progress Report 2017/18).

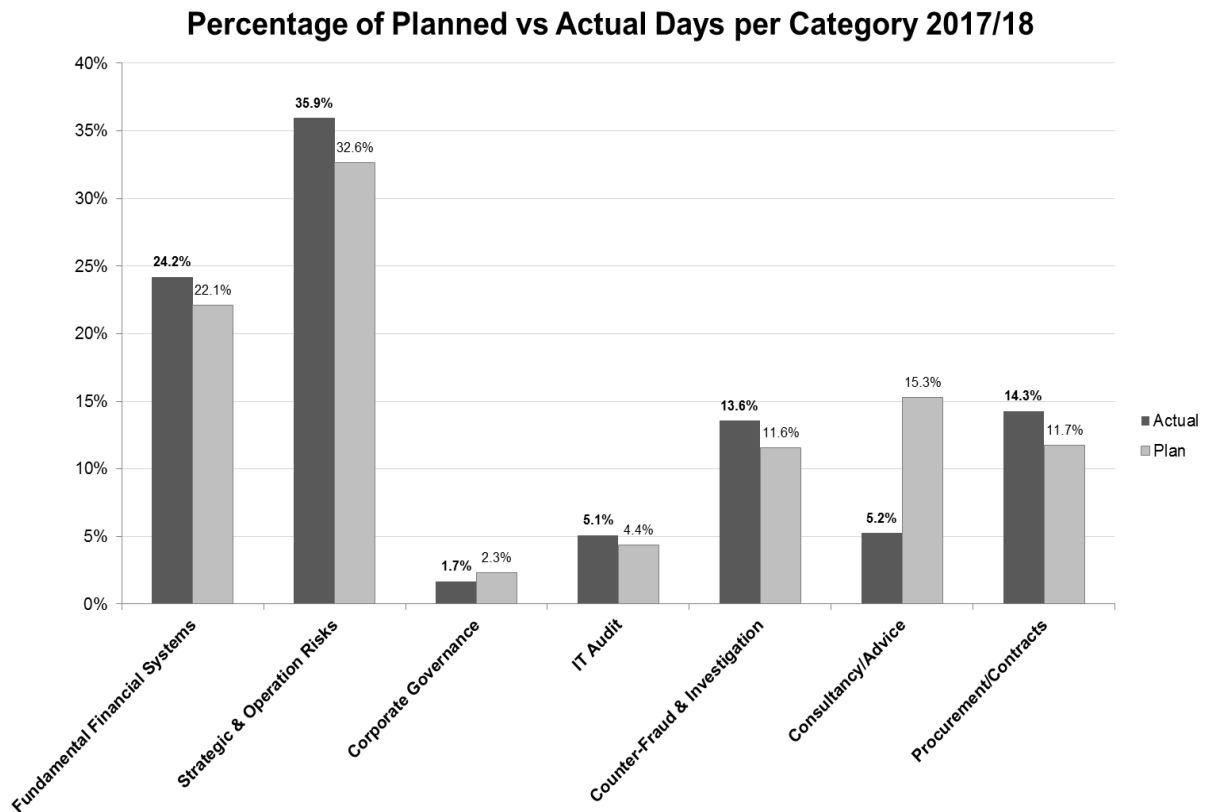
The net effect is that although the work undertaken was slightly different to that originally planned we are able to report that we achieved **96%** of the overall revised plan 2017/18, against a target of 85%.

The bar charts below summarise the percentages of planned audits per service area (i.e. Development Services, Finance, Tenant and Corporate Services, Customer Services, etc.) and category of activity (i.e. fundamental financial systems, corporate governance etc.) compared with the percentage of actual audits completed.



Example rationale for the variance between 2017/18 planned and actual days per service area include (but are not exclusive to):

- New activity requests: e.g. Subscription Rooms (Financial Reporting); and Equality and Rural Analysis (ERA) – Garden and Bulky Waste; and
- Audit activity where actual days were in excess of those originally budgeted, due to the findings and outcomes of the audit work e.g. The Pulse, Capital Programme and Local Government Pension Scheme.



In addition to the above, example rationale for the variance between 2017/18 planned and actual days per category include (but are not exclusive to):

- New activity requests e.g. Critical ICT systems back up arrangements;
- Client request / updated risk assessments resulted in audit deferrals into the 2018/19 Plan e.g. Homelessness; and
- Audit activity where actual days were in excess of those originally budgeted, due to the findings and outcomes of the audit work e.g. The Pulse, Post Project Reviews, Multi Services Contract and potential fraud / irregularity referrals.

(6) Summary of Internal Audit Activity undertaken which informed our opinion

The schedule provided at **Attachment 1** within this report provides the summary of 2017/18 audits which have not previously been reported to the Audit and Standards Committee.

The schedule provided at **Appendix 2** contains a list of all of the audit activity undertaken during 2017/18, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Audit and Standards Committee. Explanations of the meaning of these opinions are shown below.

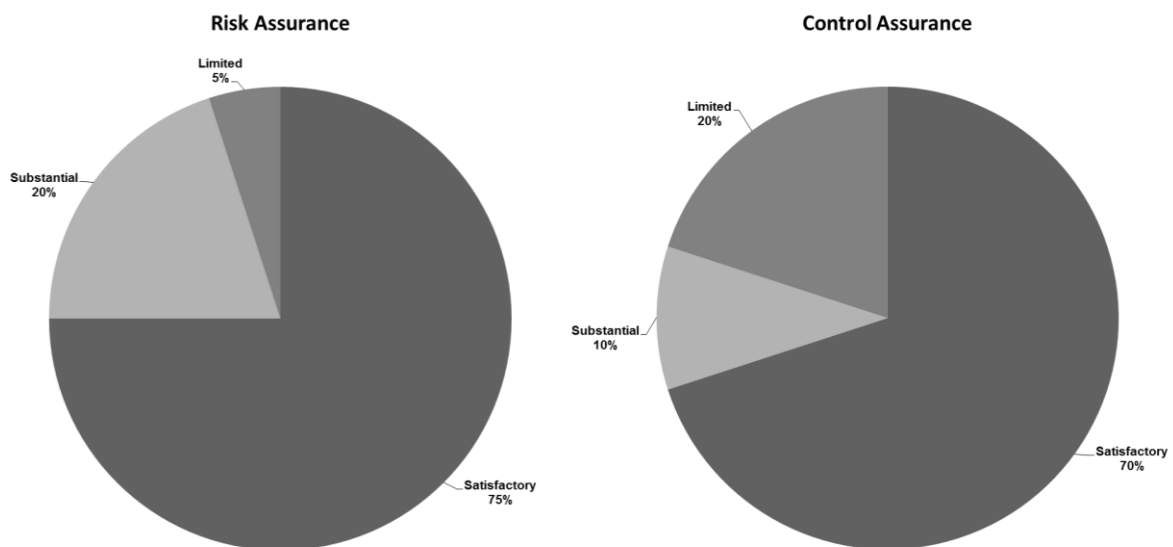
Appendix 3 confirms the audit coverage and outcomes from the BACS Direct Debit review 2018/19. Due to this review being part of the 2018/19 Internal Audit Plan, the results are not included within Appendix 2 or the 2017/18 audit statistics quoted within this report.

Assurance levels	Risk Identification Maturity	Control Environment
Substantial	<p>Risk Managed Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners, and staff. All key risks are accurately reported and monitored in line with the Corporate Risk Management Strategy.</p>	<ul style="list-style-type: none"> • System Adequacy – Robust framework of controls ensures that there is a high likelihood of objectives being achieved • Control Application – Controls are applied continuously or with minor lapses
Satisfactory	<p>Risk Aware Service area has an awareness of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners, and staff, however some key risks are not being accurately reported and monitored in line with the Corporate Risk Management Strategy.</p>	<ul style="list-style-type: none"> • System Adequacy – Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger • Control Application – Controls are applied but with some lapses
Limited	<p>Risk Naïve Due to an absence of accurately and regularly reporting and monitoring of the key risks in line with the Corporate Risk Management Strategy, the service area has not demonstrated an adequate awareness of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners and staff.</p>	<ul style="list-style-type: none"> • System Adequacy – Risk of objectives not being achieved due to the absence of key internal controls • Control Application – Significant breakdown in the application of control

(6a) Internal Audit Assurance Opinions on Risk and Control

The pie charts provided below show the summary of the risk and control assurance opinions provided within each category of opinion i.e. substantial, satisfactory and limited. ARA can report that the Council is showing that **80%** of the activities reviewed have received a **substantial (10%)** or **satisfactory (70%)** opinion on control. Whilst **20%** of the opinions on control are limited, this may be related to transformational change, continued focusing of our activity on the key risks of the Council and specific requests from Directors, who are asking for areas to be reviewed where issues have arisen or where independent assurance is required.

Risk and Control Opinions 2017/18



(6b) Limited Control Assurance Opinions

Where audit activity records that a limited assurance opinion on control has been provided, the Audit and Standards Committee may request Senior Management attendance to the next meeting of the Committee to provide an update as to their actions taken to address the risks and associated recommendations identified by Internal Audit.

(6c) Audit Activity where a Limited Assurance Opinion has been provided on Control

During 2017/18, four limited opinions on control were provided. These related to:

Audited Service Area	Date reported to Audit and Standards Committee
Local Government Pension Scheme (LGPS) Regulations 2014	12 th September 2017
Capital Programme	10 th April 2018
Post Project Reviews	10 th April 2018
The Pulse Dursley	10 th April 2018

(6d) Satisfactory Control Assurance Opinions

Where audit activity records that a satisfactory assurance opinion on control has been provided where recommendations have been made to reflect some improvements in control, the Audit and Standards Committee and Corporate Team can take assurance that improvement actions have been agreed with management to address these.

(6e) Internal Audit recommendations made to enhance the control environment

Year	Total No. of high priority recs.	% of high priority recs. accepted by management	Total No. of medium priority recs.	% of medium priority recs. accepted by management	Total No. of recs. made
2016/17	24	100%	67	100%	91
2017/18	33	*95%	63	100%	96

*Two of the three recommendations made within the Post Project Review audit were not accepted by management, as they were deemed to be within their risk appetite.

The Audit and Standards Committee and Corporate Team can take assurance that all high priority recommendations will remain under review by Internal Audit, by obtaining regular management updates, until the required action has been fully completed.

(6f) Risk Assurance Opinions

There was one audit where a limited assurance opinion was given on risk during 2017/18 which related to:

Audited Service Area	Date reported to Audit and Standards Committee
Capital Programme	10 th April 2018

Where limited assurance opinions on risk are provided, the relevant risk management lead officers within the Council are made aware, to ensure that the risks highlighted by Internal Audit are placed on the relevant risk registers. The monitoring of the implementation of the recommendations is then owned by the relevant manager and helps to further embed risk management into the day to day management, risk monitoring and reporting processes.

(6g) Internal Audit’s Review of Risk Management

During 2017/18, **95%** of the audited areas rated the effectiveness of risk management arrangements as **substantial (20%) or satisfactory (75%)** with **5%** obtaining a limited assurance opinion. This evidences that risk management continues to be further embedded into the Council’s business activities.

The assurance statements obtained from all Directors and Service Managers across the Council (when formulating the Annual Governance Statement), provided reasonable assurance that management apply the Council’s Risk Management Strategy and principles within their service areas.

However, the annual review of the governance arrangements operating within the Council has identified an action for the Audit and Standards Committee to continue to monitor and challenge key risk controls identified. This action has been included within the Council’s Annual Governance statement 2017/18.

(6h) Stroud District Council's Corporate Governance Arrangements

The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement. The Annual Governance Statement is signed by the Leader, Chief Executive and the Chief Financial Officer and must accompany the Annual Statement of Accounts.

In April 2016, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authorities Chief Executives (SOLACE) published 'Delivering Good Governance in Local Government: Framework 2016' and this applies to annual governance statements prepared for the 2017/18 financial year. Guidance notes were also published to assist Council Leaders and Chief Executives in reviewing and testing their governance arrangements against the seven principles for good governance.

The key focus of the framework is on sustainability – economic, social and environmental and the need to focus on the longer term and the impact actions may have on future generations. Internal Audit therefore:

- Reviewed the existing governance arrangements against the principles set out in the Framework;
- Developed and implemented a refreshed local Code of Corporate Governance, based on the new principles and guidance, including an assurance framework for ensuring ongoing effectiveness; and
- Will report publically, via the Annual Governance Statement on compliance with the code on an annual basis, how the council has monitored the effectiveness of the governance arrangements operating in the year and on planned improvement areas.

The key 2017/18 governance matters identified related to: Future Financial Stability, Capital Programme Management, Risk Management Framework, ICT Strategy and Infrastructure, ICT Back Up and Disaster Recovery Arrangements, Multi Services Contract, and the Procurement Action Plan.

The actions to be taken to address the above can be found within the Council's Annual Governance Statement 2017/18.

(7) Summary of additional Internal Audit Activity

(7a) Special Investigations/Counter Fraud Activities

During 2017/18 (1st April 2017 to 31st March 2018) six potential irregularities were referred to Internal Audit (IA), plus one case continued to be investigated from 2016/17. All cases referred to IA were investigated (some in collaboration with relevant officers within the Council) and six have now been finalised. The areas investigated occurred within tenancy services, benefits, customer services, financial reporting and cash handling. Of the six completed cases one resulted in the recovery of a Stroud District Council property, although eventually this was due to a non payment of rent rather than as a result of the investigation. One investigation looked at an equality issue in respect of access to services, which showed some ambiguity in how access was to be achieved. One further case was referred to the DWP as the allegation related to non-council benefit fraud, another case involving whether or not an individual had deliberately made themselves homeless could not be proven, and recommendations were made to management in the remaining two cases, to improve and strengthen the control environment and accuracy of financial reporting.

The Counter Fraud Unit (CFU) has been engaged through ARA in 2017/18 to undertake work on behalf of the Council. All counter fraud activity undertaken by the CFU has been agreed with the relevant Service Managers, S151 Officer and overseen by the Chief Internal Auditor.

As a result of a piece of bespoke counter fraud work on the Right to Buy applications (RTB), the CFU has worked on eight cases involving potentially fraudulent cases, plus one case already known to Internal Audit. The outcomes of the investigations will be reported to the Audit and Standards Committee once they have been completed.

In addition, a piece of work was undertaken by the CFU in respect of the housing list whereby 120 applications were reviewed. 17 applications raised queries and were flagged for more urgent attention. The queries ranged from 'already housed' or contradictory information held on the Revenues and Benefits system, to queries with the grounds for the housing need and whether it is genuine and correctly assessed as 'Gold' priority. A further 32 applications showed minor queries/anomalies. All findings were reported back to the relevant managers.

In respect of any outstanding investigations Internal Audit continues to work with relevant officers within the Council and the investigation outcome will be provided to the Audit and Standards Committee once concluded.

IA also continued to be involved in following up a previously reported Housing Revenue Account (HRA) reporting issue in 2017/18.

Any fraud alerts received by Internal Audit from the National Anti Fraud Network (NAFN) are passed onto the relevant service area within the Council, to alert staff to the potential fraud.

Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policies

The Council is committed to the detection of fraud and has a responsibility to ensure that Housing Benefit and Council Tax Support are paid correctly (Council Tax Support is also referred to as the Council Tax Reduction Scheme or Local Council Tax Support Scheme). Penalty and prosecution policies were developed within 2017/18 and approved by the Strategy and Resources Committee on 12th April 2018. These policies set out the Council's approach to prosecution or sanctions in cases of fraud or misinformation in respect of Council Tax Support, Council Tax and Housing Benefit.

Fraud Risk Assessment / Risk Register

A fraud risk register is used to assist in the formation of the annual Internal Audit plan.

Counter Fraud Training

During 2017/18 both ARA and the CFU have provided counter fraud training within the Council.

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data collections were collected throughout October 2016 and generating reports containing data set matches for follow-up action. Examples of data sets includes housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol. Not all matches are investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area.

Work to review the NFI Council Tax Reduction Scheme (CTRS) matches was commissioned by ARA through the CFU during 2017/18 although not all work has been completed to date. The outcomes of the review will be provided to the Audit and Standards Committee once complete. However, one match has already identified a potential over claim of Council Tax subsidy. Again, outcomes of the investigation will be provided on completion. A further three cases investigated showed no issues.

Two other RTB cases identified through NFI were also reviewed by the CFU. In one of the cases the RTB did not progress and in the other case, although the RTB application was appropriate, issues were identified which were referred to the DWP in relation to pension credit.

In addition, an annual data matching exercise is undertaken to match the electoral register data to single person discount data held within the Council. Once all relevant data has been uploaded onto the NFI portal, a data match report is instantly produced and available for analysis. This latest report is still being reviewed. The outcomes of this will be provided to the Audit and Standards Committee

Monitoring and Review

The Audit and Standards Committee can also take assurance that all special investigations/counter fraud activities are reported to the Chief Executive, Monitoring Officer and Chief Financial Officer.

Anti Fraud and Corruption Policy Statement and Strategy

Effective governance requires the Council to promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour. To enable this, the Fighting Fraud and Corruption Locally 2016–2019 Strategy has been developed by local authorities and counter fraud experts and supported by the CIPFA Counter Fraud Centre. It is the definitive guide for council leaders, chief executives, finance directors and all those with governance responsibilities. The strategy includes practical steps for fighting fraud, shares best practice and brings clarity to the changing anti-fraud and corruption landscape.

The Chief Internal Auditor has undertaken a self-assessment against the guidance to measure the Council's counter fraud and corruption culture and response and as such, a revised Anti Fraud and Corruption Policy Statement and Strategy, Anti Bribery Policy and Anti Money Laundering Policy 2017-2019 was developed and subsequently approved by the Audit and Standards Committee on 11th April 2017.

As part of the counter fraud awareness communications plan, in June 2017 Internal Audit presented and promoted the revised Policies and Strategy to staff at the Proud of Stroud sessions.

Serious and Organised Crime Strategic partnership led by Gloucestershire Police

The Chief Internal Auditor is a member of the Serious and Organised Crime Strategic Partnership (SOCSP) to discuss the local multi agency approach to tackling crime/fraud.

There is a clear direction from central government that a ‘whole government approach’ is required, with the co-ordination of the Police, statutory partners and the community and voluntary sector. It is the intention that this partnership is to set the context of Serious and Organised Crime within Gloucestershire and then mobilise the network of local partners to work together with a strong emphasis on a preventative, early intervention approach.

(7b) Local Government Transparency Code 2015

Introduction

This Code is issued to meet the Government’s desire to place more power into citizens’ hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services.

Transparency is the foundation of local accountability and the key that gives people the tools and information they need to enable them to play a bigger role in society. The availability of data can also open new markets for local business, the voluntary and community sectors and social enterprises to run services or manage public assets.

Detecting and preventing fraud (taken from Annex B of code)

Tackling fraud is an integral part of ensuring that tax-payers money is used to protect resources for frontline services. The cost of fraud to local government is estimated at £2.1 billion a year. This is money that can be better used to support the delivery of front line services and make savings for local tax payers.

A culture of transparency should strengthen counter-fraud controls. The Code makes it clear that fraud can thrive where decisions are not open to scrutiny and details of spending, contracts and service provision are hidden from view. Greater transparency, and the provisions in this Code, can help combat fraud.

Local authorities must annually publish the following information about their counter fraud work ¹ (as detailed for Stroud District Council) in the table below:

¹ *(The definition of fraud is as set out by the Audit Commission in Protecting the Public Purse).*

Council wide fraud and irregularity activity relating to 2017/18 including Internal Audit activity

Question	Stroud District Council Response
Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.	2 (1 currently pending/under investigation)
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.	0.45 FTE for ARA/CFU plus SDC staff employed in housing and tenancy services involved in investigations which cannot be quantified.
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.	The Council has access to 1.8 FTE fraud investigators plus qualified staff within the Counter Fraud Unit (CFU), as part of the Internal Audit shared service arrangement.
Total amount spent by the authority on the investigation and prosecution of fraud.	Approximately £14,069 in staff time from ARA/CFU. Staff costs employed by SDC unknown
Total number of fraud cases investigated by ARA and the CFU.	11

In addition to the above, it is recommended that local authorities should go further than the minimum publication requirements set out above (as detailed for Stroud District Council) in the table below.

Question	Stroud District Council Response
Total number of cases of irregularity investigated.	8
Total number of occasions on which a) fraud and b) irregularity was identified.	(a) 1 (10 ongoing) (b) 2 + 2 referred to DWP.
Total monetary value of a) the fraud and b) the irregularity that was detected.	(a) Estimated £12,000 (£7k based on cost of providing temporary accommodation for a year). Excluding ongoing cases where value is currently not known. (b) None
Total monetary value of a) the fraud and b) the irregularity that was recovered	(a) Estimated £12,000 (£7k based on cost of providing temporary accommodation for a year) (b) none

Full details about the code and its requirements can be found at:

<https://www.gov.uk/government/publications/local-government-transparency-code-2015>

(8) Internal Audit Effectiveness

The Accounts and Audit Regulations 2015 require '*a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*'. This process is also part of the wider annual review of the effectiveness of the internal control system, and significantly contributes towards the overall controls assurance gathering processes and ultimately the publication of the Annual Governance Statement.

The Accounts and Audit Regulations 2015 also state that internal audit should conform to the Public Sector Internal Audit Standards (PSIAS) 2017.

Public Sector Internal Audit Standards (PSIAS)

These standards have four key objectives:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

The Internal Audit Charter and Code of Ethics reflect the requirements of the standards.

External Assessment of the effectiveness of Internal Audit

The last External Quality Assessment (an independent assessment of the effectiveness of an internal audit function which should take place at least every five years) was completed within 2015/16 of the Gloucestershire County Council internal audit service.

The review was undertaken during May 2015 by the Chartered Institute of Internal Auditors and included a review of the team's conformance to the International Professional Practice Framework (IPPF) as reflected in the PSIAS, benchmarking the function's activities against best practice and assessing the impact of internal audit on the organisation.

There are 56 fundamental principles to achieve with more than 150 points of recommended practice in the IPPF. The independent assessment identified 100% conformance.

The Chartered Institute of Internal Auditors stated: *'It is our view that (the Council's) internal audit function conforms to all 56 principles. This is excellent performance given the breadth of the IPPF and the challenges facing the function'*.

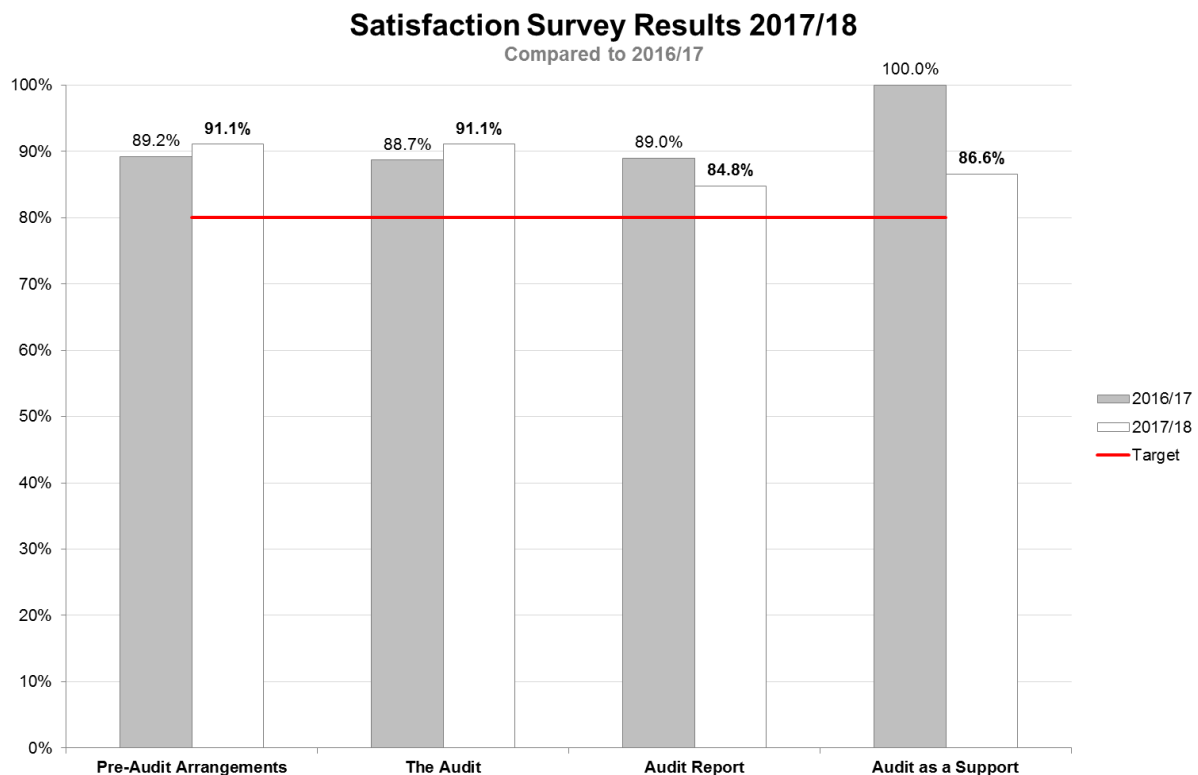
The internal audit shared service applies consistent systems and processes, which supports compliance across the Audit Risk Assurance Shared Service partners.

During 2017/18 the Chief Internal Auditor assessed Internal Audit’s performance against the Internal Audit’s Quality Assurance and Improvement Programme (QAIP) as required by the PSIAS. The QAIP confirmed compliance against the PSIAS and highlighted opportunities for further service improvement.

Internal Assessment - Customer Satisfaction Survey results 2017/18

At the close of each audit review a customer satisfaction questionnaire is sent out to the Strategic Head, Service Manager or nominated officer. The aim of the questionnaire is to gauge satisfaction of the service provided such as timeliness, quality and professionalism. Customers are asked to rate the service between excellent, good, fair and poor.

A target of 80% was set where overall, audit was assessed as good or better. The latest results as summarised below, shows that the target has been exceeded, with the score of **86.6%** reflecting Internal Audit as being a positive support to their service.



In addition, the following positive comments have been received from our customers:

- *‘The timing of the audit was appreciated as it was scheduled for when the service was relatively new. As we are still in the learning phase of implementation, this should make it easier to embed the audit recommendations’.*

- *'The main area was the time the auditor spent putting together the reconciliation process and training the team members to prepare the reconciliation each month. The auditor has continued to support as this has been a difficult task due to the number of mistakes made this year. Without this support on this element we would not have been able to meet the criteria for reconciliation'.*
- *'The final report was as discussed in earlier feedback meetings. There were no surprises'.*
- *'Minimum disruption to work. Positive recommendations that should help improve performance'.*
- *'We seem to be in a much better place with Audit and have developed good relationships with the officers. The audits are more relevant to the service rather than going over the same old audit year on year'.*
- *'Highlighting actions for consideration that were beneficial to the overall project management of the scheme i.e. formalising the terms of reference for the Project Board and reviewing the format of the risk register'.*
- *'The auditor talked us through the process, kept us up to date with her thoughts as the audit progressed and ran through the report prior to it being issued. The auditor was supportive throughout the process'.*

Lessons Learned from customer feedback and actions taken by Internal Audit

The Chief Internal Auditor reviews all client feedback survey forms and where a less than good rating has been provided by the client, a discussion is held with both the relevant auditor and the manager to establish the rationale behind the rating and where appropriate actions are agreed and taken to address any issues highlighted.

The following specific feedback for improvement of audit approach has been received within 2017/18:

- *'Been more flexible given current climate. Appeared to be a lack of understanding about financial constraints facing the council. We are not working in an ideal world and there has been a clear reduction in staffing resource which is set to continue'.*
- *'We have had some discussions around future audits. Particularly in that there is more value in auditing some of our high risk areas rather than auditing what has been audited for x amount of years'.*

Discussions have been held with relevant managers / officers in relation to the above feedback further explaining the role of internal audit and changing working arrangements, where appropriate, such as the joint working protocol with the external auditors to avoid duplication and static annual auditing of the same service area / system or process.

ARA Learning and Development

Development of leaders, managers and staff within ARA is a key priority, to ensure that the service has the qualities, behaviours and skills to deliver efficient and effective services to our partners and external clients.

The Chief Internal Auditor is a member of the Local Authorities Chief Auditor's Network, Midland Counties Chief Internal Auditor Network and the Midland District Chief Internal Auditors Group. ARA staff participate in CPD and / or are members of other relevant internal audit, counter fraud and risk related forums / groups, all of which provides the opportunities to discuss and understand the latest developments affecting the internal audit, counter fraud and risk management profession, contribute to strategy, exchange ideas and work collaboratively on problems and issues.

ARA is also committed to offering a structured trainee auditor programme, to attract people to the Council and to the profession, currently supporting three trainee auditor posts.

ARA Partner Dividend

During 2017/18 ARA has been in a position to be able to provide a dividend to the Council in the sum of £6,646.07. This is due to efficiencies achieved by the shared service during this period.

Completed Internal Audit Activity during the period April – June 2018**Summary of Satisfactory Assurance Opinions on Control****Service Area: Council Wide****Audit Activity: Members Allowances and Expenses****Background**

The Local Authorities (Members' Allowances) (England) 2003 Regulations (the Regulations) provide that it is for each local authority to decide its scheme of Members' allowances and the amounts to be paid under that scheme to its Member.

Stroud District Council (the Council) currently has 51 elected councillors (Members). Each Member is eligible to receive a basic annual allowance and where appropriate, Members who hold special responsibilities in relation to the authority are eligible to receive a special responsibility allowance. Members are also entitled to claim expenses associated with their 'approved duties' as detailed within the Members' Scheme of Allowances.

Scope

The objective of this audit was to review the framework of controls for administering the Council's Members' Scheme of Allowances (the Scheme) and evaluate the operating effectiveness of the systems and processes in place.

Risk Assurance – Satisfactory**Control Assurance – Satisfactory****Key Findings**

- The Scheme was drawn up with regard to the recommendations of an Independent Remuneration Panel (IRP) in 2015. The IRP was made up of three Members as required under section 20 of the Regulations.
- Section 10 of the Regulations state that before the beginning of each year, an authority shall make the Scheme required by Regulation 4(1) (a) for the payment of basic allowance for that year. The IRP via the Monitoring Officer put forward the current scheme for approval to full Council in February 2016 however, approval was deferred until April 2016. The Scheme is effective from 2016/17 until 2019/20.

- The Council has published all Regulations required 2016/17 information through their website.
- Schedule one of the Scheme sets out the in year allowances payable (basic and special responsibility). However the monetary sum to be received by Members for both allowances does not reflect the correct application of the index uplift (as per clause 16), this being stated as applicable from the municipal year whereas the monetary sum stated is reflective of the index uplift for the financial year. Therefore Members could never receive the full amount as stated within the table, within the financial year.
- From review of the application of the index uplift in both 2016/17 and 2017/18 Internal Audit identified an inconsistent approach. While the index uplift was applied in concordance with clause 16 of the Scheme in 2016/17, in 2017/18 Democratic Services had directed Finance to apply the index uplift as of the financial year, resulting in a small overpayment to each Member for the period 1st April to the beginning of the municipal year. Going forward, management will need to give consideration to the narrative and application of the index uplift in order for there to be a clear representation of the sum that a Member will receive.
- For the basic allowances paid to Members in 2016/17 for all 36 Members who remained in position for the entire year received the sum of £5,207. Special Responsibility Allowances paid to four Members during 2016/17, were found to have been paid in accordance with clause 16 of the Scheme.
- From a review of all 16 new starters from May 2016, Internal Audit found that 15 Members started their new position on 5th May 2016. However one Member who was elected on 5th May 2016 had been given a start date of 9th May 2016 in error which has led to a small underpayment of £55.56.
- The Council has an appropriate escalation process for resolving any dispute as claims for Members' allowances and expenses. The Proper Officer (Chief Executive) is responsible for resolving any queries directly with Members should they arise.
- Expenses claim forms were confirmed as paid in line with the Scheme.
- Internal Audit established during the undertaking of this review that the Council do not currently reclaim VAT for any claimed mileage expenses (i.e. employee or Members).

As a result, a small project was undertaken independently by Finance Services to determine whether it is now beneficial for the Council to consider if backdated VAT and future VAT for incurred mileage expenses could be claimed. Finance Services have since clawed back **£12,977** of VAT in the April 2018 Return from HMRC.

- The Scheme does not make any provision for the requirement of an independent review of each Member's driving licence, MOT certificate and business insurance policy (driver checks). However, Democratic Services do have a process in place at the start of each year to undertake driver checks for each Member. At the date of the review of this process (August 2017), checks had been completed for nine of 51 Members and therefore Internal Audit was unable to verify if the documents required to drive a personal vehicle whilst directly on council business has been satisfied for the majority of Members.
- The Council does have an insurance policy including a motor contingency policy to cover any potential liabilities caused by Members driving in the course of council business however, if the Council cannot demonstrate that it has adequate risk management arrangements in place to ensure that the inherent risks are sufficiently mitigated and align to the policy requirements, any claim against the Council may be deemed outside of the coverage of the policy and the Council is exposed to the risk of a claim for vicarious liability.

Conclusion

Overall the review findings confirm there is a satisfactory control framework in place for managing the inherent risks associated with administering the Council's Members' Scheme of Allowances. Audit testing has identified opportunities for further control improvement and has made two recommendations. These aim to:

- Align the payment parameters within the Members' Scheme of Allowances to ensure going forward there is a consistent approach to the remuneration of Members;
- Enable management consideration to be given to the action that should be taken to remedy the identified under/overpayments that have arisen from human error and the application of the index uplift for the financial year 2017/18; and
- Review, refresh, and formalise, as appropriate, the current risk management arrangements for Members' driver checks.

Management Actions

Management have responded positively to the two recommendations made.

Service Area: Development Services

Audit Activity: Community Infrastructure Levy (CIL)

Background

The CIL came into force in April 2010, allowing local authorities to charge a levy on buildings and extensions to buildings in accordance to their floor areas. The purpose of CIL is *'to ensure that costs incurred in providing infrastructure to support the development of an area can be funded (wholly or partly) by owners of developers of land'* (section 205, Planning Act 2008).

The money raised from the levy can be used by the Council to pay towards district wide infrastructure priorities included on its approved Regulation 123 list. The list sets out infrastructure projects or types of infrastructure that the Council intends will be, or may be, wholly or partly funded by CIL funds. A percentage of the collected CIL funds are then allocated to the parish / town council.

Revisions to the CIL Regulation in 2014 introduced a range of technical amendments to improve the administration of the levy, these came into force in March 2015. The Council adopted the levy in February 2017 and introduced it from 1st April 2017. Any application for full planning permission of chargeable development determined from this date is liable to pay CIL in line with the Council's Charging Schedule rates.

Scope

This review was undertaken to ensure that the Council has a robust control environment for the administration, management and monitoring of CIL charges. The specific objectives of this audit were to provide assurance on the following areas:

- All developments are liable to CIL are correctly identified and the appropriate documents completed;
- Claims for relief or exemption from CIL are correctly granted against approved policy;
- CIL charges have been approved, correctly calculated and the developer promptly and correctly informed of the levy and payment procedure;

- All CIL receipts are promptly received, correctly processed, accounted for, and a receipt issued;
- Enforcement procedures have been agreed, documented and applied where appropriate; and
- The costs of the service is correctly identified and accounted for within the Council's financial records.

Outside of scope:

- A review of Section 106 Agreements to fund infrastructure;
- Determination and calculation of the infrastructure funding gap and CIL charges;
- Reporting of CIL income and expenditure for 2017-18 as this is not required to be completed until, at the latest, December 2018; and
- The framework and process for determining and delivery of CIL to fund and support the infrastructure development within the Stroud District Council area. This aspect has not, at the time of this audit, been established and operated due to the current phase of CIL development.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

This is the Council's first year of the CIL operation and Internal Audit test results and discussions with CIL officers has confirmed that there is a robust control environment for the administration, management and monitoring of CIL charges. However, lapses / improvements were identified in the control environment relating to the following areas:

- Evidencing of the CIL liability for a planning application;
- Formal management oversight of the processes and controls;
- Reconciliations of CIL income and liabilities between systems, i.e. General Ledger, Planning and Land Charges;
- User access control to the CIL system;
- Evidencing of approval and checks to standing data within the CIL system;

- Clarity over the application of indexation of CIL;
- Management review of overdue CIL debts;
- Debt management procedures; and
- Accounting for all CIL related expenditure.

Internal Audit believes, based on the known expenditure and actual and anticipated CIL receipts over the first three years of the CIL operation, that it will prove challenging for the Council to cover all of its estimated CIL expenditure. Therefore management should consider its options to make this service financially viable, e.g. increase the CIL charges, reduce expenditure, make the service more efficient, etc.

Conclusion

The Internal Audit findings support a satisfactory assurance conclusion for both risk identification and control environment, with the identification of a number of opportunities for the Council to further strengthen processes and controls in the area as the CIL approach is embedded by the Council.

Management Actions

Internal Audit has raised one high, and nine medium priority recommendations to further strengthen the risk management arrangements and internal control environment, which have been accepted by management.

Service Area:	Development Services
Audit Activity:	Licensing (Business Licences)

Background

The Council raises Licensing income as a result of statutory legislation such as The Licensing Act 2003 and The Gambling Act 2005. For 2017-18 the total Licensing income is expected to be circa £160k.

Scope

The audit reviewed the key processes and controls for fee income and the service control environment, as follows:

- Evidence of relevant procedure notes to administer the initiation, raising and invoicing of fees payable;

- Review of Licensing risk recognition in the Excelsis service performance system;
- High level review of Council Licensing policies, with the objective of assessing their clarity, completeness and are up to date;
- Sample testing the procedure to ensure that: i) compliance with the Licensing Policies is in place, ii) fraud checks have been completed, iii) the fees raised are accurately calculated, and iv) invoiced fees are received before Licences are issued or renewed;
- Exception reports from the Uniform Licensing module are frequently used and evidenced to demonstrate that system records are up to date and where applicable instigate appropriate procedures e.g. Licence holder Disclosure Barring Service certificates renewed every three years;
- Inspection of Licenced premises by Environmental Health staff, are suitably documented on the Uniform database;
- Premises licenced under the Licensing Act 2003 have been allocated a risk rating based on a range of factors, which determines the frequency of inspection;
- An adequate monitoring procedure is in place for: i) key performance indicators (KPI's) with time scales as identified by legislation, and ii) evidence of reporting KPI's to the Licensing Committee;
- The fee setting arrangements, to assess whether these are appropriate to cover the costs of service provision and are in compliance with legislative requirements;
- A transparent process is in place to revoke, refuse or suspend a licence, based on the Wednesbury principle; and
- A licensing register of issued licences is available for the public to access.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

The key eleven processes and controls for the Licensing service to the public were assessed and tested by Internal Audit. The audit results demonstrate that the Council have developed an effective and efficient Licensing team and approach to the requirements of the various statutory acts.

Good use was made of the Uniform Licensing system to record, monitor and report to the licence stakeholders.

Five medium priority recommendations have been identified which when implemented will further strengthen the existing controls in place, these include:

- A revision to a section within the Taxi and Private Hire Policy;
- Formalising the risk management arrangements for the area under review;
- Fee setting/cost recovery; and
- Revisions to the information accessible via the Council's website.

Conclusion

Audit review of the key processes, controls and service control environment, supports the audit outcome of satisfactory assurance for both risk identification maturity and control environment.

Management Actions

Management have responded positively to recommendations emanating from the review.

Service Area: Finance

Audit Activity: General Ledger

Background

The Agresso general ledger contains all the accounts for recording transactions relating to the council's assets, liabilities, reserves, revenue and expenses and is supported by feeder subsidiary systems including (but not exclusive to) Northgate for payroll, Northgate for housing, Civica for Council Tax, Business Rates and housing benefits, the Fixed Asset Register and Treasury Management system.

The general ledger is a key financial reporting and financial transaction system that supports the annual financial statements. It is of vital importance that there is a sound control environment and that the agreed systems and processes are operating effectively.

This audit considered and reviewed the relevant general ledger areas, as defined by the joint working protocol between Internal Audit and External Audit (KPMG).

Scope

The specific objectives of the audit were to review and provide assurance as to whether:

- Key feeder system reconciliations to the general ledger are regularly and promptly performed, correctly reconciled and subject to management review;
- Suspense and control accounts are periodically reviewed and unmatched transactions cleared;
- Journals are correctly authorised and material journals subject to independent review;
- Only authorised current users have access to the financial system, their access is appropriate for their post responsibilities and segregation of duties for key processes is assured; and
- Previous Internal Audit recommendations have been fully implemented.

The bank and cash receipting reconciliations were separately reviewed through the Cash and Bank internal audit which was reported in this financial year.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

The key feeder system reconciliations to the general ledger and other council systems and suspense reconciliations had mainly been completed for the set periods in a timely manner and agreed back to supporting documents during the period April 2017 to January 2018. Unmatched transactions identified by the reconciliations were being investigated and material transactions promptly cleared.

The key control reconciliations were subject to management review, although this monitoring control for housing rents and housing benefit sundry debtors' reconciliations was introduced during the period of this audit following an Internal Audit observation to management.

Internal Audit tests of a sample of 26 financial journals highlighted that non budget holders were approving journals and that Finance were accepting their authority.

A report of all journals £100k and greater is produced and subject to Finance management review to confirm that they are appropriate.

Internal Audit established for the period April 2017 to January 2018 that:

- Journal exception reports had not been produced and reviewed by Finance management for the period August 2017 to January 2018 as at 27th February 2018;
- June 2017 journal exception report had not been reviewed by Finance management; and
- A journal exception report for the accounting period 2017/00 (two journals had been posted) had not been produced.

The Agresso financial system resides on a server and user access to the system is controlled through the users' Windows profile. From July 2017 a monthly report of staff leavers from the Payroll system stopped without explanation. Staff that have subsequently left since this date have not had their access to the financial accounting system removed. In addition Finance do not receive regular notification from Human Resources / Service areas regarding agency staff or contractors who have access to the financial accounting system and whose services have been terminated. A mitigation to this is that these staff and agency or contractors would have had their Windows system access (Stroud network access) removed by ICT.

The five recommendations that were raised in previous audits were found to be implemented.

Conclusion

The Internal Audit review highlighted that in the main the key feeder system and suspense reconciliations were operating as required at the point of this audit. As regard journals, improvements to the control environment is required to ensure only properly authorised journals are accepted and processed and that material journals are subject to prompt Finance management review and approval.

The issues identified by Internal Audit regards Agresso general ledger user systems access have been recognised by Finance and are to be resolved as part of the 2018/19 upgrade of the financial system.

Management Actions

Internal Audit has raised two medium priority recommendations to further strengthen the control environment around journals. Both have been accepted by management.

Service Area: Finance

Audit Activity: Budget Setting

Background

Budgeting is the process of setting financial goals and forecasting future financial resources and needs. The design of the budget should offer the opportunity for effective monitoring and control of both income and expenditure.

The Council had a net general revenue budget of £15.345m for 2017/18. It faces budget funding challenges in 2018/19 and beyond. The Budget Strategy 2018/19 to 2021/22 outlines the funding estimates from central government, which generate a funding gap. A balanced budget is to be achieved each year through the delivery of a savings plan and the utilisation of reserves.

References to the Accountancy Manager include his statutory and delegated Section 151 Officer responsibilities where it is applicable to the comment made.

Scope

The objective of the audit was to review the effectiveness of the budget setting process and relevant control arrangements to provide assurance that an accurate and operationally reflective budget is set prior to the start of the financial year, which then informs the Council's Medium Term Financial Plan (MTFP). This included audit review of:

- Budget setting is linked to medium term financial planning, with multi-year budgeting being undertaken, supported by appropriate levels of detail and certainty;
- Budgets are based on realistic projections about pay, inflation, grants and receipts, previous year outturn, known cost pressures and takes account of changes occurring within the Council;
- Clear budget ownership and accountability is present with budget holders leading the budget setting process and approving all budgets prior to final budget approval;
- For all major budget saving and income generation schemes the Accountancy Manager has formal assurances that these are attainable, with the financial implication being proven in advance of budget setting;
- Opening budgets input to the financial management system are controlled to ensure accuracy; and

- The timetable and resources available to undertake the budget setting process are appropriate and adequate to meet budget setting deadlines.

The review covered the general fund revenue budget setting arrangements only.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

There are a number of uncertainties, clearly identified in the budget setting related reports, which impact on the robustness of medium term financial planning. However, reduction of the net cost of services is a clearly stated requirement. The saving pressures for 2018/19 have been substantially mitigated by service savings achieved, with pressures to make savings in following years being clearly identified.

The identified levels of saving included within the MTFP reduce, but do not eliminate, the continued reliance on utilising reserves and this has been clearly stated.

Based on the information and explanations obtained, the Budget Setting report for 2018/19 reported to Full Council on 25th January 2018 links well to medium term financial planning as is required by Financial Regulations. The Budget Setting report offers a risk based commentary of the budget challenges faced, indicates the work streams currently running to provide some mitigation and identifies the requirement to seek further savings or income generation sources.

The budget setting and delivery risk are stated as high risks on the Council's risk register and are reviewed as part of the risk management process.

Internal Audit confirmed that budgets developed for 2018/19 and summarised in Budget Setting reports to Committee are based on realistic projections about pay, inflation, grants and receipts, previous year outturn, known cost pressures and take account of changes occurring within the council. For two specific potential budget pressure areas (IT salaries and the multi service contract) the risk of managing costs within the existing budgets has been clearly identified as being challenging. This risk should be monitored and managed by the service areas and the Corporate Team as the year progresses with Members being fully advised through budget monitoring reports.

There are a number of processes present that support and ensure clear budget ownership and accountability is present. Finance driven communication and consultation with budget holders and Directors ensure matters that will impact on the budget are identified along with saving opportunities.

These processes support and ensure ownership of the final Council approved budget by senior managers linking to the budget management requirements stipulated within the council's Financial Regulations.

The saving plan processes ensures the Accountancy Manager has appropriate supporting evidence in support of major budget saving and income generation schemes that have been attained in advance of the budget year. For those that are target savings, to be delivered within the year, the delivery risks are identified with assurance being gained throughout the year from close budget monitoring. For the latter the information flows between projects, particularly the Workforce Planning Project and the Finance Team is key to ensuring the realisation of savings are reported to Members and reflected within the respective service budgets. A recommendation has been made by Internal Audit in respect of this.

The arrangement for the creation of the 2018/19 budget in the main financial system was reviewed as appropriate.

The Finance Team operate to a budget development plan and timetable that is updated and monitored. Effective resource planning and prioritising of work within the Finance Team has been identified, within other recent Internal Audit work, as a risk. During the course of this Internal Audit review, it was apparent that the Accountancy Manager held knowledge and understanding of specific aspects of the budget setting process, for example Business Rate retention. Although Internal Audit was advised that a process to spread this knowledge and understanding within the Finance Team has commenced, single officer dependence remains a risk. This risk has been discussed with the Accountancy Manager and it has been agreed that mitigating actions will form part of the review of resource planning and work prioritisation.

Conclusion

The Internal Audit review confirms that effective General Fund budget setting processes and relevant control arrangements provide assurance that an accurate and operationally reflective budget is set prior to the start of the financial year. This process then informs the council's MTFP, which although based on a number of uncertainties (which are appropriately disclosed within Committee reports) reflect the budget pressures faced by the council.

The budget reports to Members and the Accountancy Manager's Section 25 statement (a requirement of the Local Government Act 2003 that a Chief Financial Officer reports to Full Council on specified areas when it is considering its Budget and setting its Council Tax) clearly identify the budget related risks and the requirement for the savings plan to reduce the reliance on the use of reserves. The Corporate Risk Register appropriately reflects the significance of budget related risk.

Although the budget setting process was delivered in accordance with the plan and timetable, recent Internal Audit work has identified the need for greater assurance in respect of resource and work prioritisation for key Finance Team activities like budget setting.

Internal Audit has raised two High Priority recommendations that are aimed at strengthening the control framework and ensuring alignment with best practice. One of the recommendations link to resource and work prioritisation requirements that will be delivered as an agreed action stemming from the recent Subscription Rooms Financial Error report (presented to Audit and Standards Committee on 10th April 2018).

Management Actions

Management have responded positively to the two recommendations made.

Summary of Consulting Activity and/or support provided where no opinions are provided

Service Area: Council Wide

Audit Activity: Contract Management Framework (Consultancy)

Background

The Council has a number of key contracts, it is therefore essential that these are effectively managed to mitigate the Council's exposure to commercial, contractual and reputational risk through good contract management throughout the life of the contract.

Scope

Internal Audit to provide professional support and advice in the development of a Contract Management Framework that aims to map out a consistent approach to contract management activities across Stroud District Council.

Key Findings

The Principal Procurement Officer provided an update for the 2017/18 Procurement Action Plan to the July 2017 Audit and Standards Committee. The benefits for developing corporate guidance for contract management based on internal and external best practice and external guidance was highlighted.

Internal Audit has provided the Principal Procurement Officer with documentation (based on existing good practice and National Audit Office and Government Procurement Service guidance) to support her in the development of corporate contract management framework/guidance.

The documentation details how an organisation can put in place a framework that recognises that contract management is a holistic process that combines a mix of strategic and operational tasks depending on the type of contract, and the goods and services being supplied. The framework is designed to ensure that contract management resources are appropriately allocated to those commercial relationships that present the highest strategic importance or risk.

Conclusion

A corporate contract management framework/guidance has not yet been finalised, however there is a commitment from the Principal Procurement Officer for a contract management framework/guidance to be published during the financial year 2018/19.

Service Area: Council Wide

Audit Activity: Information Management

Background

The EU's General Data Protection Regulation (GDPR) becomes enforceable from 25 May 2018, when it supersedes the UK Data Protection Act 1998. Significant and wide-reaching in scope, it expands the rights of individuals to control how their personal information is collected and processed, and places a range of new obligations on organisations to be more accountable for data protection.

Scope

This piece of consultancy work by Internal Audit aimed to review/support (where relevant) Legal Services regards their understanding of the new GDPR requirements and assist with the Information Champion/relevant officers awareness meetings to discuss information management practices and procedures within each service

Key Findings

It is pleasing to report that from September 2017, Legal Services have been proactive in supporting service areas in their understanding of the impact of GDPR and how it will affect the way they work with local residents and third parties.

Legal Services delivered awareness sessions for Information Champions and key officers, as well as formal training sessions and an interactive presentation at the four Proud of Stroud meetings in March 2018.

Legal Services, especially the Solicitor and Trainee Solicitor, have demonstrated a good awareness of GDPR and how it will affect Stroud District Council service areas.

Internal Audit attended two GDPR awareness sessions, run by Gloucestershire County Council (GCC), with the aim to share good practise. Feedback was given to Legal Services including a copy of the GCC Destruction of Records form.

Internal Audit attended, with Legal Services, ten 'Information Management Procedures & Practices' meetings held for: Property Services, Tenant Services, Community Services, Customer Services, ICT, Environmental Health, Finance, Chief Executive's Office, Procurement and Human Resources. These meetings were interactive and informative and officers who attended were given ample time and opportunity to ask questions to ensure their full understanding of the changes in the regulations. Officers were also encouraged to take responsibility for the changes their service areas would have to make to meet the requirements of the GDPR, such as privacy notices.

The Gloucestershire Information Sharing Partnership Agreement (GISPA) is designed to encourage the safe, lawful and secure sharing of personal information between the police, health services, local authorities and their partners, for which Stroud District Council is a signatory. Internal Audit liaised with the Chair of the Gloucestershire Information Governance Group (GIGG) to verify that the GISPA was going to be updated in line with the GDPR; and arranged for Legal Services to be included in the GIGG mailing lists to ensure they are updated on progress.

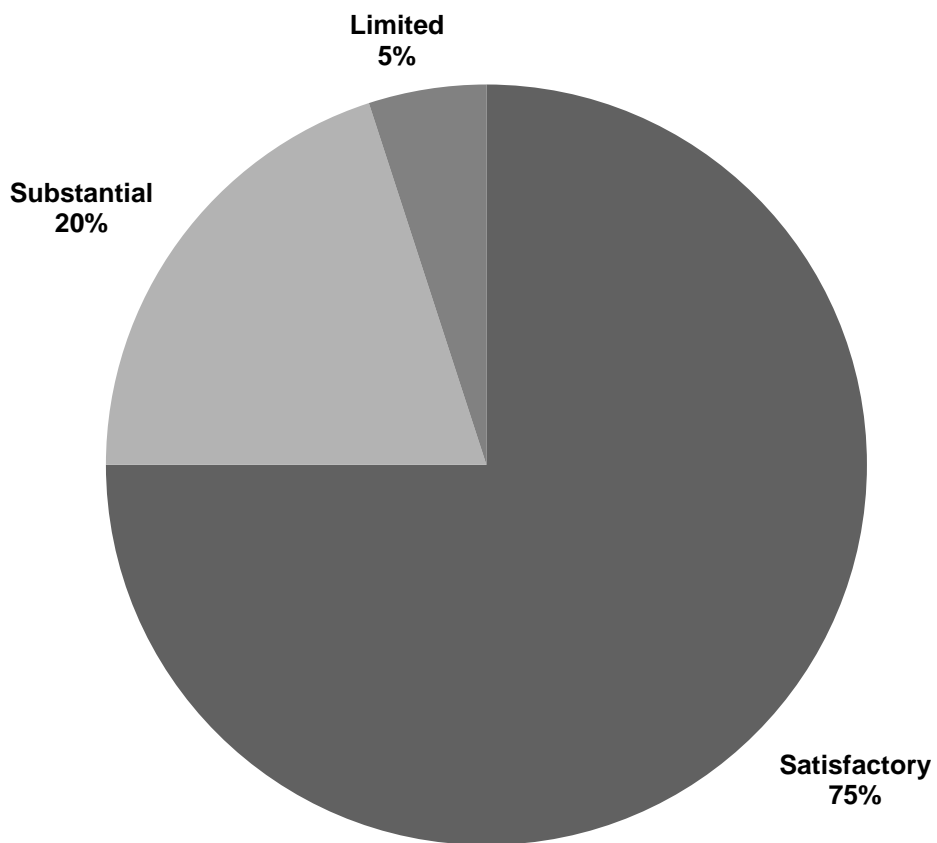
Conclusion

Internal Audit concludes that Legal Services were knowledgeable in their understanding of GDPR and proactive in raising the awareness of key officers to the new regulations.

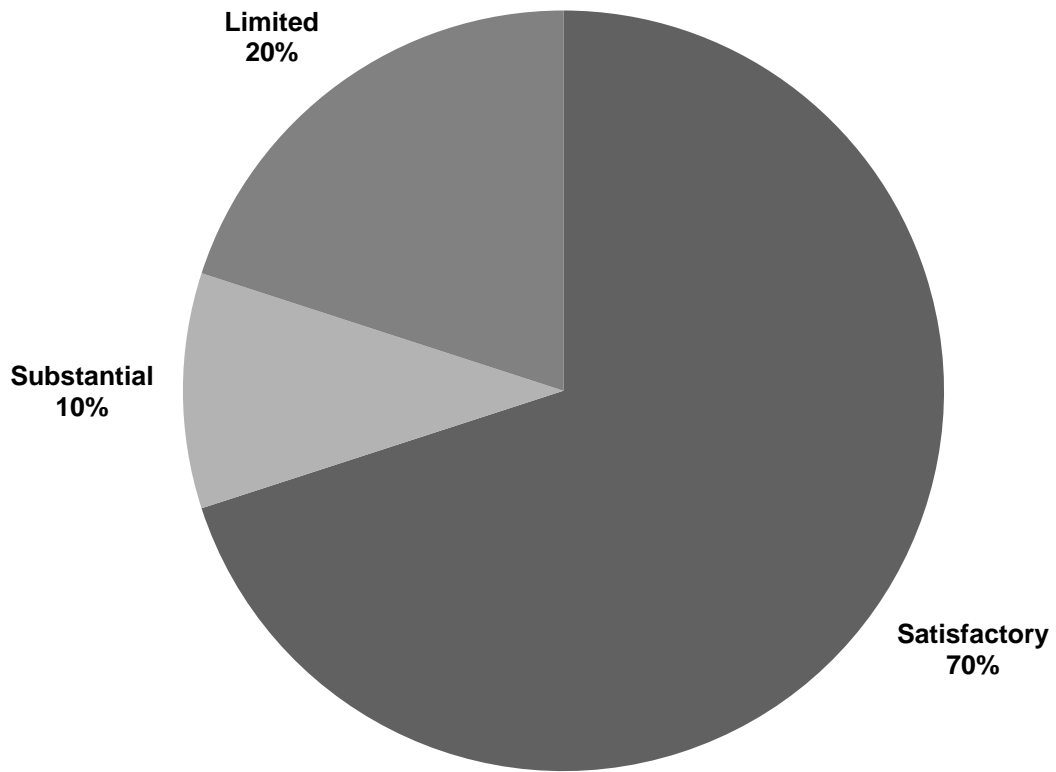
Progress Report including Assurance Opinions

Department	Activity Name	Priority	Activity Status	Risk Opinion	Control Opinion	Reported to Audit and Standards Committee	Comments
Council Wide	Delivery of Savings Target	High	Final Report Issued	Satisfactory	Satisfactory	28/11/2017	Brought Forward from 2016/17 plan
Council Wide	ICT Business Process follow up	High	Final Report Issued	Substantial	Satisfactory	10/04/2018	
Council Wide	Capital Programme	High	Final Report Issued	Limited	Limited	10/04/2018	
Council Wide	Contract Management Framework	High	Consultancy	Not Applicable	Not Applicable	26/07/2018	Reported in annual report
Council Wide	Gifts and Hospitality	High	Final Report Issued	Not Applicable	Not Applicable	10/04/2018	
Council Wide	Information Management	High	Consultancy	Not Applicable	Not Applicable	26/07/2018	Reported in annual report
Council Wide	Members Allowances and Expenses	Medium	Final Report Issued	Satisfactory	Satisfactory	26/07/2018	
Council Wide	Post Project Reviews	High	Final Report Issued	Satisfactory	Limited	10/04/2018	
Council Wide	Procurement	High	Audit in Progress				Carried forward into 2018/19 plan
Council Wide	Legacy software	High	Draft Report Issued				
Council Wide	Data Protection	High	Cancelled				Cancelled based on updated client risk
Council Wide	Critical ICT systems back up	High	Final Report Issued	Not Applicable	Not Applicable	10/04/2018	New Activity
Development Services	Community Infrastructure Levy (CIL)	High	Final Report Issued	Satisfactory	Satisfactory	26/07/2018	
Development Services	Licensing (Business Licences)	Medium	Final Report Issued	Satisfactory	Satisfactory	26/07/2018	
Customer Services	Homelessness	Medium	Deferred				Defer to 18/19 plan to ensure consideration of
Customer Services	Discretionary Housing Payments	Medium	Final Report Issued	Substantial	Satisfactory	06/02/2018	
Customer Services	Multi Services Contract	High	Final Report Issued	Not Applicable	Not Applicable	28/11/2017	
Customer Services	The Pulse Dursley	Medium	Final Report Issued	Satisfactory	Limited	10/04/2018	
Finance	Housing Revenue Account (HRA) Balances final follow up	High	Final Report Issued	Not Applicable	Not Applicable	12/09/2017	Brought Forward
Finance	Budget Setting	High	Final Report Issued	Satisfactory	Satisfactory	26/07/2018	
Finance	Cash and Bank	High	Final Report Issued	Substantial	Substantial	10/04/2018	
Finance	General Ledger	High	Final Report Issued	Satisfactory	Satisfactory	26/07/2018	
Finance	National Non Domestic Rates (NNDR)	High	Final Report Issued	Satisfactory	Satisfactory	28/11/2017	
Council Wide	IT Disaster Recovery follow up	High	Final Report Issued	Not Applicable	Not Applicable	10/04/2018	
Finance	Benefits Uprating 2017/18	High	Final Report Issued	Substantial	Substantial	12/09/2017	
Finance	Council Tax Opening Debit - 2017/18	High	Final Report Issued	Satisfactory	Satisfactory	12/09/2017	
Finance	Local Government Pension Scheme (LGPS) Regulations 2014	High	Final Report Issued	Satisfactory	Limited	12/09/2017	Brought Forward from 2016/17 plan
Tenant & Corporate Services	Response Repairs Contract	High	Final Report Issued	Satisfactory	Satisfactory	12/09/2017	Brought Forward from 2016/17 plan
Tenant & Corporate Services	Brimscombe Port Redevelopment	High	Final Report Issued	Satisfactory	Satisfactory	12/09/2017	
Customer Services	Equality and Rural Analysis (ERA) - Garden and Bulky Waste	High	Final Report Issued	Not Applicable	Not Applicable	10/04/2018	Requested by Chief Executive (New Activity)
Council Wide	Banks Automated Clearing System (BACS)	High	Final Report Issued	Satisfactory	Satisfactory	04/07/2017	
Council Wide	Network Access Controls	High	Final Report Issued	Satisfactory	Satisfactory	12/09/2017	Brought Forward from 2016/17 plan
Council Wide	Subscription Rooms	High	Final Report Issued	Not Applicable	Not Applicable	10/04/2018	New Activity

Risk Assurance



Control Assurance



Service Area: Council Wide

Audit Activity: Bankers Automated Clearing System (BACS)

Background

BACS is an electronic system used in the UK for making payments directly from one bank account to another. There are two types of bank to bank payments: Direct Debits and Direct Credits.

Direct Debits are typically used for taking regular or recurring payments such as household bills. Direct Credits are typically used for making regular payments such as salaries and supplier payments. These payments normally take three working days to clear through the system before they become available in the beneficiary's bank account.

During 2016-17 issues arose in respect of the collection of Council Tax and National Non Domestic Rates (NNDR) payments from residents and housing rents from council tenants using the BACS system. As a consequence of this issue with Council Tax and NNDR BACS Direct Debits, a management investigation was undertaken resulting in a report with an action plan for suggested improvements.

During 2017-18 Internal Audit undertook a review of the progress made against the agreed actions. The review confirmed that overall progress had been made on implementing the improvement / action plans, although further work was still required to strengthen the arrangements in respect of business continuity arrangements and back-up arrangements for the Direct Debit and Direct Credit system called BACSTEL, resulting in one high and two medium priority recommendations being made.

Scope

This audit sought to provide assurance that the remaining actions have been fully implemented.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

Medium priority - recommendation 1: Procedure notes and BACS template document - implemented.

Procedure notes and the Request for Direct Debit Transmission Schedule were both updated in April 2018 by Revenue and Benefits and Tenant Services in accordance with Internal Audit's recommendations.

High priority - recommendation 2: Business continuity arrangements - implemented.

Each of the three Service areas has documented their business continuity arrangements on a Business Continuity Management Plan (BCMP), which is centrally held by Finance and by the individual Service areas. A review of each Service BCMP by Internal Audit, at the time of this audit, established that updates were required to the documents to ensure they were up to date and remained fit for purpose. Details of the issues were provided by Internal Audit to the appropriate officers who provided assurance that the appropriate updates had now been made to their BCMP.

Supporting arrangements for the primary BACSTEL unit operating from the Council's Ebley Mill office have been concluded with the standby BACSTEL unit being relocated and made operational from the Council's office from 14th September 2017.

While outside the scope of this review, it is noted there are still some other key risks that remain with the operation of the two BACTEL units and the Experian Payment Gateway (EPG) software, as the BACS server and hardware are all located in the Council's server room at Ebley Mill. Therefore in the event of a catastrophic incident resulting in some or all the Council's servers in the server room being destroyed, the Council may find it difficult to make timely payments or receipts, as well as performing and delivering other functions.

This issue has previously been highlighted in the Council commissioned independent review of the Council's ICT service (delivered by Socitm) and the IT Disaster Recovery Follow-up Internal Audit report (published in March 2018) as significant issues for the Council to consider and resolve.

Medium priority - recommendation 3: Risk register - not implemented.

The Council's risk register has not been updated for the operational and cross cutting risk relating to the unavailability of the BACSTEL unit to securely transmit Direct Debit and Direct Credit files to the BACS system. The Accountancy Manager advised Internal Audit that:

- Whilst this risk is not formally documented, it is known and being managed; and
- It is anticipated, from July 2018 that a full review of the Finance risks will be performed, including the identified BACS risk being updated to the Council's risk register Excelsis.

Conclusions

It is pleasing to report that the agreed management action to address the high priority business continuity recommendation emanating from the 2017-18 review has been implemented. However, it is important that those officers responsible for their BCMP regularly review, test and update the BCMP to ensure that it remains fit for purpose.

The medium priority recommendation relating to procedure notes and a BACS template document was implemented during the undertaking of this audit review, the other medium priority recommendation relating to the risk register still remains outstanding.

Management Actions

No additional recommendations were raised by the Internal Audit report. Management actions have been confirmed against the one outstanding Medium Priority recommendation regards the risk register (see Key Findings section above).

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

26 JULY 2018

9

Report Title	LIMITED ASSURANCE REPORT – CAPITAL PROGRAMME
Purpose of Report	To highlight the progress made by management in implementing the recommendations raised by Internal Audit following its 2017-18 review of the internal control environment in respect of the Capital Programme.
Decision(s)	Audit and Standards Committee is asked to consider and note the progress made against implementation of the audit recommendations.
Consultation and Feedback	Internal Audit
Financial Implications and Risk Assessment	There are no financial implications arising directly from this report. David Stanley – Accountancy Manager (s151 Officer) Tel: 01453 754100 Email: david.stanley@stroud.gov.uk
Legal Implications	None (Ref: KT/rd127d137)
Report Author	David Stanley – Accountancy Manager (s151 Officer) Tel: 01453 754100 Email: david.stanley@stroud.gov.uk
Options	There are no alternative options that are relevant to this matter.
Performance Management Follow Up	Management progress in implementing Internal Audit recommendations during 2018-19 with the results reported to the Audit and Standards Committee.

1.0 Background

- 1.1 The Internal Audit Progress Report presented to Audit and Standards Committee in April 2018 included the findings from the Capital Programme audit review, which resulted in three recommendations and a Limited assurance opinion concerning risk identification.
- 1.2 This report provides members of the committee with an update as to the progress against the agreed management actions in response to the three recommendations.

2.0 Management Actions to date

Recommendation 1

The Council should introduce the best practice processes and controls for the capital programme governance framework as published by CIPFA in its Capital Strategies and Programming (2014) guidance (see Appendix A).

Management Response

A Capital Strategy will be produced in light of the revised guidance from DLCCG and CIPFA, taking into account the revised requirements. The Capital Strategy will be presented to Strategy and Resources committee and Council for approval, and included in the revised Treasury Management Strategy.

Person Responsible

David Stanley – Accountancy Manager, Graham Bailey – Principal Accountant

Completion Date

July 2018

Update

Members of the administration are currently reviewing the capital programme and have indicated that they would like member involvement and discussion around the Council's Capital Strategy. It is likely that this will not be completed until the autumn, with the final version of the Capital Strategy being presented to Strategy and Resources Committee and Council in January 2019. Whilst this is a high priority recommendation, it is the view of the Accountancy Manager that a revised completion date of January 2019 is more appropriate.

Recommendation 2

Fully develop and finalise the Council's Investment Strategy and five year Maintenance Plan (2017-2022) in order to support the Corporate Asset Management Strategy. In addition the Council's Capital Strategy should be documented and subject to appropriate formal approval.

Management Response

A Capital Strategy, as outlined in the management response to recommendation 1, will be prepared that will incorporate the revised guidance concerning asset management planning, maintenance requirements, planned disposals, acquisitions, investment strategy, and the cost of past and future borrowing. In consultation with other officers, the Council's Corporate Asset Management Strategy, Investment Strategy and Maintenance Plan will be reviewed and revised accordingly.

Person Responsible

David Stanley – Accountancy Manager, Graham Bailey – Principal Accountant

Completion Date

July 2018

Update

In line with the update to recommendation 1, it is the view of the Accountancy Manager that a revised completion date of January 2019 is more appropriate

Recommendation 3

To support the implementation of capital strategies and programming best practice and in accordance with Financial Regulations the Acting Section 151 Officer should document and publish guidance on the process for capital schemes and the controls, to also include template documents for the submission of capital bids.

Management Response

A Capital Strategy, as outlined in the management response to recommendation 1, will be prepared that will incorporate guidance to officers on the process for capital schemes. The Financial Regulations will also be revised to reflect the adoption of the Council's Capital Strategy

Person Responsible

David Stanley – Accountancy Manager, Graham Bailey – Principal Accountant

Completion Date

September 2018 (post adoption of Capital Strategy by Council)

Update

In line with the update to recommendation 1, it is the view of the Accountancy Manager that a revised completion date of March 2019 is more appropriate (so ready for 2019/20 FY).

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

26 JULY 2018

10

Report Title	INTERNAL AUDIT / EXTERNAL AUDIT WORKING PROTOCOL
Purpose of Report	To inform Members of the Internal Audit / External Audit joint working protocol which reflects the commitment to promote productive joint working between the Council's audit teams.
Decisions(s)	The Committee RESOLVES that the Internal Audit / External Audit Working Protocol as set out in Appendix A be approved.
Consultation and Feedback	Monitoring Officer and Chief Financial Officer.
Financial Implications and Risk Assessment	<p>Financial Implications: There are no financial implications relating to this report. The joint working arrangements will support efficiency and avoid duplication of resources.</p> <p>David Stanley, (Acting Section 151 Officer) Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p> <p>Risk Assessment:</p> <ul style="list-style-type: none"> ▪ Not sharing good practice; ▪ Duplication of audit activity; and ▪ Inefficient use of audit resources.
Legal Implications	None. Karen Trickey, Head of Legal Services and Monitoring Officer (Ref: rcd14.6c15.6d5.7)
Report Author	Theresa Mortimer, Head of Audit Risk Assurance (Chief Internal Auditor) Tel: 01453 754319 Email: theresa.mortimer@stroud.gov.uk
Options	There are no alternative options that are relevant to this matter.
Performance Management Follow Up	The protocol will be reviewed annually and updated to reflect changes to internal audit standards, international standard on auditing and codes of practice and presented to the Audit and Standards Committee accordingly.

Background Papers/ Appendices	Appendix A – Internal Audit / External Audit Working Protocol. Background papers: <ul style="list-style-type: none"> ▪ Public Sector Internal Audit Standards 2017 ▪ International Standard on Auditing (UK and Ireland) 610 ▪ National Audit Office – Code of Practice
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1.0 Background

1.1 Stroud District Council faces ever-increasing pressure on their resources. External and internal auditors can assure management and the Audit and Standards Committee that audit resources are being applied efficiently and represent good value for money by demonstrating their commitment to work together effectively. This protocol sets out the arrangements to support that commitment.

2.0 What is the difference between Internal and External Audit?

2.1 External Audit is governed by the Code of Audit Practice determined by the National Audit Office. The work essentially forms two elements: (a) an independent opinion on the financial statements, and (b) a value for money conclusion focusing on the Council's arrangements to take properly informed decisions and deploy resources to achieve planned and sustainable outcomes for taxpayers and local people.

2.2 Whereas internal auditors are required to adhere to the Public Sector Internal Audit Standards (PSIAS) 2017. Internal audit's scope of work is wide ranging and it serves the Council by helping it accomplish its objectives and improving operations, risk management, internal controls and governance processes. Internal Audit is concerned with all aspects of the organisation, both financial and non-financial and the Chief Internal Auditor is required to provide an annual opinion on the effectiveness of those arrangements.

3.0 What are the objectives of this protocol?

- provide a framework for cooperation in planning and conducting respective audit work;
- maximise the benefit from available audit resources, through agreed coordination arrangements; and
- assist the Audit and Standards Committee to fulfil its responsibility for overseeing effective liaison between both external and internal audit.

Internal Audit – External Audit Working Protocol for Stroud District Council

June 2018

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Introduction and Principles

Introduction

The protocol sets out the key principles and procedures underpinning the working relationship between Internal Audit and the Council's external auditors, Deloitte. It establishes a framework for coordination, cooperation and exchange of information.

The protocol is based on the understanding of International Standards on Auditing (ISA), in particular ISA 315 (identifying and assessing risks of material misstatement through understanding the entity and its environment) and ISA 610 (using the work of internal auditors).

Principles

ISA 315 states the internal audit function is likely to be relevant to the audit of the financial statements if the nature of their work relates to the entity's financial reporting.

ISA 610 recognises external audit and internal audit have different objectives and priorities. The external auditor has the sole responsibility for the opinion on the financial statements and using the work of internal audit does not impact on this responsibility in any way. Therefore the external auditor needs to consider how and whether it is appropriate to place reliance on the work of internal audit.

Procedures

Together Internal Audit and Deloitte will:

- Meet on a quarterly basis to share and discuss audit plans, update and review issues identified through on-going or planned work, review progress and exchange key findings. Such discussions will inform Deloitte's and Internal Audit's audit approach.
- Liaise to identify and exchange knowledge of emerging or identified key risk areas.
- Use quarterly meetings to ensure reporting lines to the Audit and Standards Committee are clear and information provided is clear and timely.

Internal Audit will:

- Provide details to Deloitte of fraud above £10,000 and details of any identified or potential cases of corruption.
- Provide Deloitte with appropriate access to working papers and relevant documents, and with electronic access to published internal audit reports on key financial systems which may impact upon on the audit approach.
- Share its approach to systems audit work and associated documentation with Deloitte.

Deloitte will:

- Advise Internal Audit which of the financial systems we consider are key to the production on the financial statements.
- Share testing strategies with Internal Audit on a timely basis to maximise the scope to ensure effective and efficient use of resources for both parties.
- Share details of our approach as requested.

Way Forward

This protocol has been discussed and agreed with Stroud District Council's Chief Internal Auditor. The protocol will be reviewed annually and updated to reflect changes to internal audit standards and the ISAs.



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STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

26 JULY 2018

11

Report Title	DRAFT ANNUAL GOVERNANCE STATEMENT (AGS) 2017/18
Purpose of Report	To summarise Stroud District Council's corporate governance arrangements in place during 2017/2018, via the publication of an AGS, (to be signed by the Leader and the Chief Executive), supported by a revised Local Code of Corporate Governance 2017/2018 and the Council Wide Governance Assurance Map, which is in accordance with the requirements of the Local Government Act 1999, the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authorities Chief Executives (SOLACE) guidance – Delivering Good Governance in Local Government Framework 2016.
Decision(s)	Audit and Standards Committee is asked to RESOLVE that the AGS 2017/18 (including the actions planned by the Council to further enhance good governance arrangements), as set out in Appendix A, be approved.
Consultation and Feedback	Corporate Team, Monitoring Officer, Chief Financial Officer.
Financial Implications	<p>There are no financial implications arising from the report.</p> <p>The AGS does set out the key 2017/18 governance matters and provides a commentary from each lead officer on the matters identified, actions to be taken, and a target date. If the Council does not address or mitigate the issues identified, the Council may not be able to deliver its Corporate Priorities or incur additional expenditure/loss of income.</p> <p>David Stanley Acting S151 Officer Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>

Risk Assessment	<p>Risk Assessment:</p> <p>Failure to deliver effective governance will impact on the ability of the Council to achieve its vision, priorities and key actions. It is important to recognise that the purpose of the AGS is not just to be 'compliant', but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required.</p>
Legal Implications	<p>There are no direct legal implications in respect to this report. (Ref:r107cd127)</p> <p>Karen Trickey, Head of Legal Services Email: karen.trickey@stroud.gov.uk</p>
Report Author	<p>Theresa Mortimer Head of Audit Risk Assurance (Chief Internal Auditor) Tel: 01453 754319 Email: Theresa.mortimer@stroud.gov.uk</p>
Options	<p>There are no alternative options that are relevant to this matter.</p>
Performance Management Follow Up	<p>The AGS contains the Council's Action Plan – 2017/18. The Council will continually monitor progress against the Action Plan within 2018/19. Results will be summarised and reported to Audit and Standards Committee throughout 2018/19.</p>
Background Papers/ Appendices	<p>Appendix A Draft AGS 2017/18 Appendix B Revised Local Code of Corporate Governance (LCCG) 2017/18 Appendix C Council Wide Governance Assurance Map 2017/18.</p> <p>Background papers: None. Reference and Council website links to supporting reports and documentation are made within the draft AGS and LCCG 2017/18. (Appendix A, Appendix B and Appendix C).</p>

1.0 Background

- 1.1 In April 2016, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework 2016 and this applies to annual governance statements prepared for the 2017/2018 financial year. Guidance notes were also published to assist Council Leaders and Chief Executives in reviewing and testing their governance arrangements against the revised seven principles for good governance.

- 1.2 The key focus of the framework is on sustainability: economic, social and environmental and the need to focus on the longer term and the impact actions may have on future generations.
- 1.3 In response to the above, we therefore:
- reviewed the existing governance arrangements against the principles set out in the Framework;
 - developed and implemented a refreshed local code of corporate governance, based on the principles, including an assurance framework for ensuring ongoing effectiveness; and
 - will report publically, via the Annual Governance Statement on compliance with our code on an annual basis, how we have monitored the effectiveness of our governance arrangements in the year and on planned improvement areas.

Annual Governance Statement 2017/18



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Scope of Responsibility

Stroud District Council (SDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

SDC acknowledges its responsibility for ensuring that there is effective governance within the Council and as such has developed a Code of Corporate Governance that defines the principles and practices that underpin the governance arrangements operating within the Council.

The Code is reviewed and updated annually and is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) guidance 'Delivering Good Governance in Local Government framework - 2016 Edition', the key focus being on sustainability i.e. economic, social and environmental and the need to focus on the longer term and the impact actions may have on future generations.

A copy of the Code can be accessed on the Council's website. However, a summary of the seven core principles upon which it is based can be found on page 9 of this document.

This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1) (a) and (b), which requires the Council to prepare and publish an Annual Governance Statement (AGS).

The responsibility for leading and directing the annual reviews of the effectiveness of the Council's governance arrangements against the Code and providing ongoing oversight and robust challenge, is the Council's Corporate Team and when completed, the findings are reported to and improvement actions identified, monitored by, the Audit and Standards Committee.

What is Governance?

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- ❑ leadership and management;
- ❑ performance and risk management;
- ❑ stewardship of public money; and
- ❑ public engagement and outcomes for our citizens and service users.

What is the purpose of a Governance Framework?

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. It enables the Council to monitor the achievement of its vision and strategic priorities and to consider whether those priorities have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It assures that in conducting its business, the Council:

- ❑ operates in a lawful, open, inclusive and honest manner;
- ❑ makes sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud, properly accounted for and used economically, efficiently and effectively;
- ❑ has effective arrangements for the management of risk;
- ❑ secures continuous improvement in the way that it operates;
- ❑ enables human, financial, environmental and other resources to be managed efficiently and effectively;
- ❑ properly maintains records and information; and
- ❑ ensures its values and ethical standards are met.

What is the Annual Governance Statement?

The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement, in order to report publicly on the extent to which we comply with our own local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year.

In this document the Council:

- ❑ acknowledges its responsibility for ensuring that there is a sound system of governance;
- ❑ summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- ❑ describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- ❑ provides details of how the Council has responded to any issue(s) identified in last year's governance statement; and
- ❑ reports on any key governance matters identified from this review and provides a commitment to addressing them.

The Annual Governance Statement reports on the governance framework that has been in place at Stroud District Council for the year ended 31st March 2018 and up to the date of approval of the Statement of Accounts.

It should be noted however, that any system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and priorities; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Council's Governance Assurance Framework, which underpins the AGS, has been in place at the Council for the year ended 31st March 2018 and up to the date of approval of the AGS and Statement of Accounts.

What is a Governance Assurance Framework?

Assurance provides confidence, based on sufficient evidence, that internal controls are in place and are operating effectively and that priorities/objectives are being achieved. An Assurance Framework is a structure within which Members and Senior Management identify the principal risks to the Council meeting its key priorities, and through which they map out both the key controls to manage them and how they have gained sufficient assurance about the effectiveness of those controls. The assurance framework underpins the statements made within the Annual Governance Statement.

An assurance process is in place to provide a framework for the annual assessment of the effectiveness of the governance arrangements operating within the Council. This includes robust challenge by the Council's Audit and Standards Committee, Statutory Officers i.e. the Chief Executive, Monitoring Officer, Chief Financial Officer and the Corporate Team.

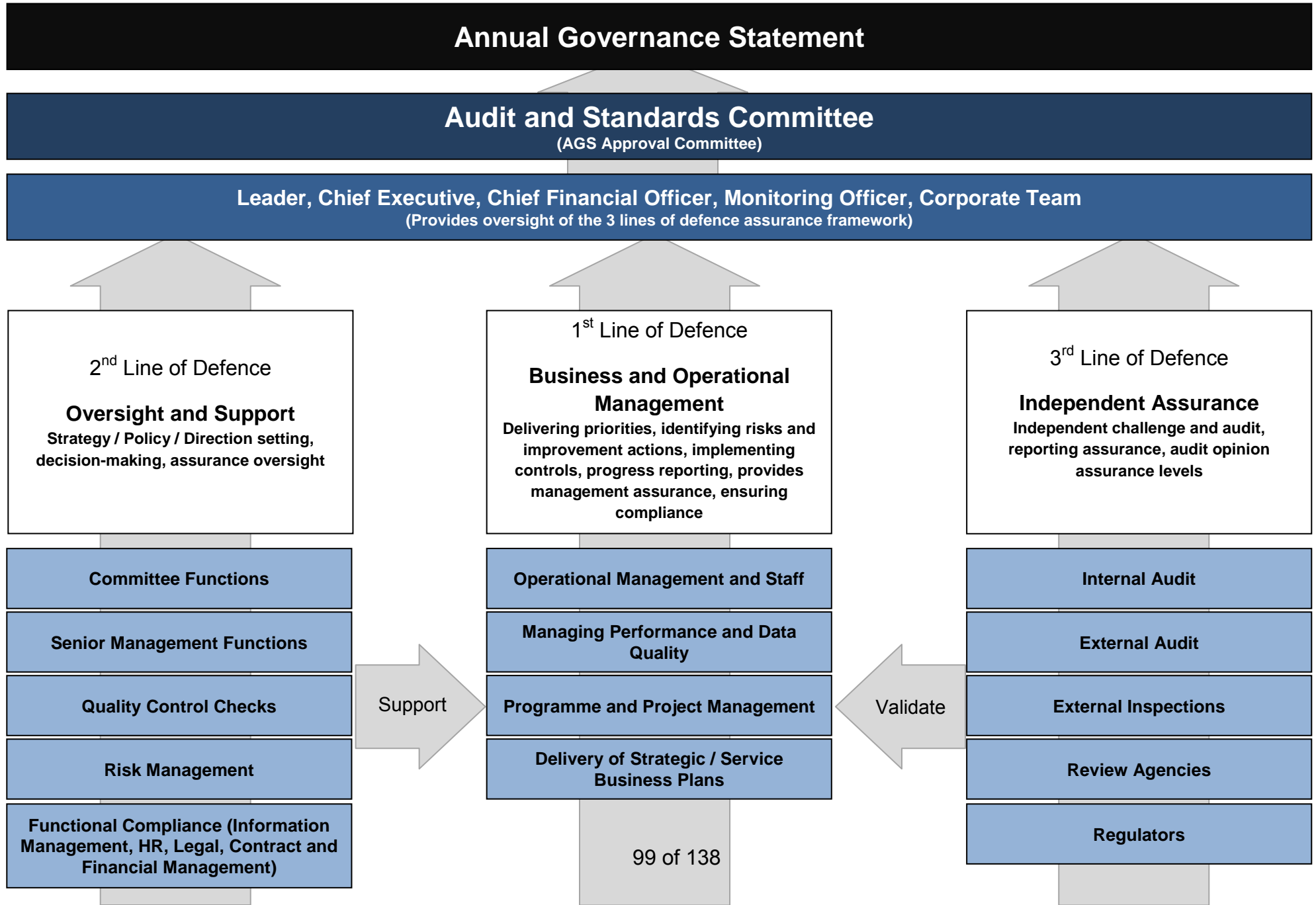
In addition, 'the three lines of defence assurance model' is in place which helps Members and Senior Management to understand where assurances are being obtained from, the level of reliance they place on that assurance and identify potential gaps in assurance.

The Three Lines of Defence in effective Risk Management and Control

Assurance can come from many sources within the Council. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance.

By defining these sources into three categories i.e. the First Line (functions that own and manage risks e.g. management and supervisory controls), the Second Line (functions that oversee risks e.g. Governance structures and processes such as Audit and Standards Committee, other Council Committees, Management Teams) and the Third Line (functions that provide independent assurance on the management of risks e.g. HMRC, Internal/External Audit), helps the Council understand how each contributes to the overall level of assurance and how best they can be integrated and supported. Please see page 7 below which summarises the Council's governance assurance framework, which is based on the three lines of defence model.

What is the Council's Governance Assurance Framework?



How has the Annual Governance Statement been prepared?

In preparing the Annual Governance Statement the Council has:

- ❑ reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance;
- ❑ updated the Council's local Code of Corporate Governance to reflect this guidance which includes the revised seven principles of good governance and associated required actions and behaviours taken by the Council that demonstrate good governance; and
- ❑ assessed the effectiveness of the Council's governance arrangements against the revised local Code of Corporate Governance.

How does the Council monitor and evaluate the effectiveness of its governance arrangements?

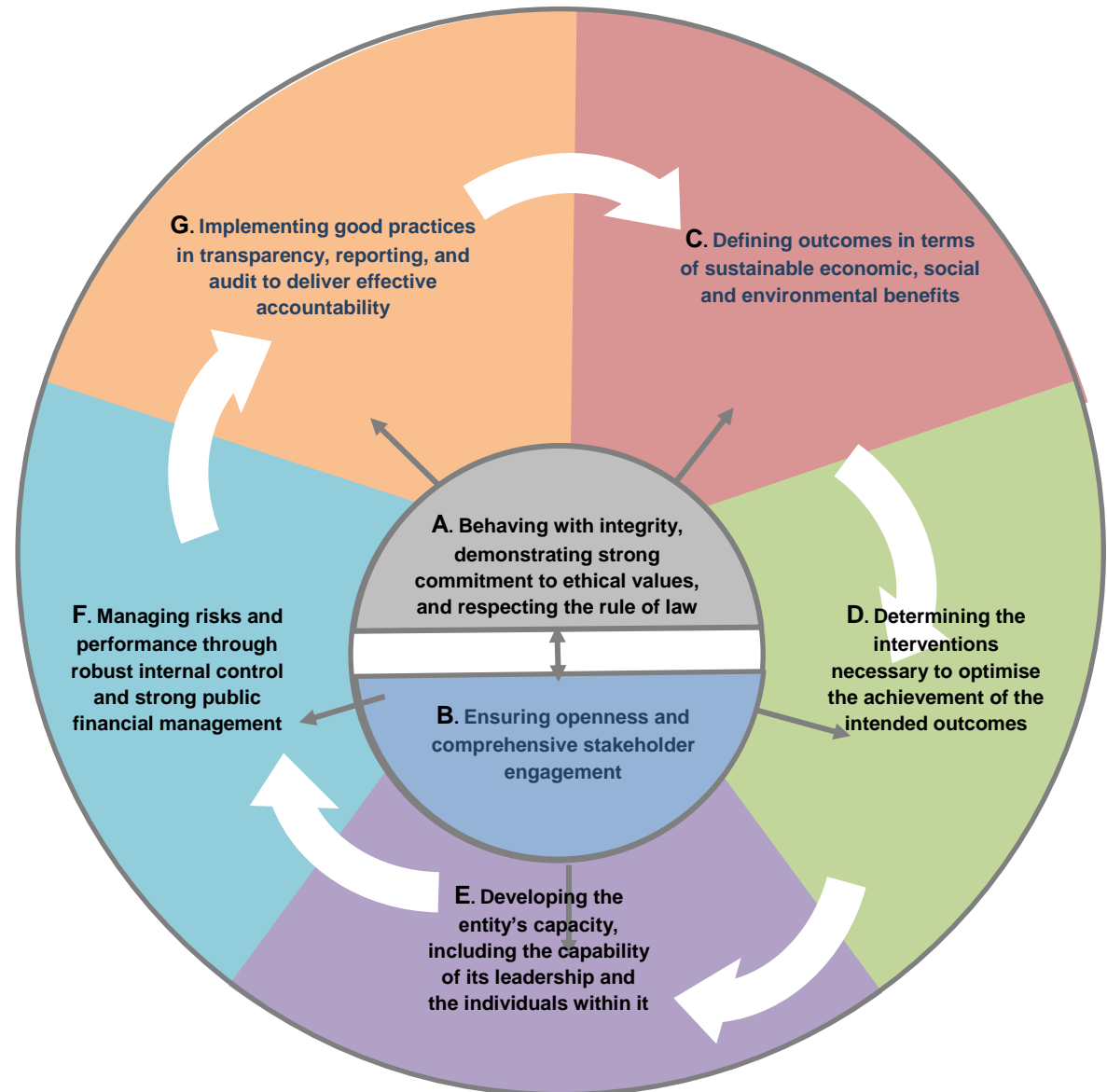
The Council annually reviews the effectiveness of its governance arrangements. The key sources of assurance that inform this review are outlined below:

- ❑ The development and implementation of a Management Governance Assurance Framework which enables the Council to gain assurance that good governance actions and behaviours are operating within the Council;
- ❑ The work of Members and Senior Officers of the Council who have responsibility for good governance;
- ❑ The Chief Internal Auditor's annual report on Internal Audit Activity 2017/2018, which provides the independent assurance that key risks (financial and non-financial) are being adequately controlled and provides an opinion on the effectiveness of these arrangements;
- ❑ Reports on Risk Management activity during 2017/2018;
- ❑ Any comments made by the Council's External Auditors; and

Any other review agencies and inspectorates.

What are the key elements of SDC's Governance Framework?

The Council aims to achieve good standards of governance by adhering to the seven core principles below, which form the basis of the Council's Code of Corporate Governance:



The following pages provide a summary of actions and behaviours taken by the Council in relation to each of these seven core principles and associated sub principles.

Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Supporting Principles:

Behaving with integrity

How we do this:

- ❖ The Council has an [Audit and Standards Committee](#) and Monitoring Officer promote the duty of the Council to encourage and maintain high standards of member conduct. The Council has a Member [Code of Conduct](#) plus various good conduct practice guides to strengthen the Council's ethical framework. The framework is regularly reviewed.
- ❖ In upholding high standards, investigations are undertaken and reports submitted to the Audit and Standards Committee and the independent standards panel. Officer behaviour is governed by the Employees' Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work.
- ❖ External providers of services acting on behalf of the Council are also required to comply with the Code of Conduct.

Demonstrating strong commitment to ethical values

- ❖ Arrangements exist to ensure that members and officers are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
 - Statutory registers of interests;
 - Requirements to declare conflict of interests and refrain from participating in relevant matters; and
 - Employee Registers of gifts and hospitality.
- ❖ A [customer feedback / Complaints Policy](#) exist to receive and respond to any complaints received.
- ❖ Actively seek to deter and prevent fraud and corruption and ensure where irregularity is suspected that it is thoroughly investigated.
- ❖ The Council's competency framework seeks to promote good 'behaviours'.

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Respecting the Rule of Law

- ❖ The [Constitution](#) sets out the decision making responsibilities of the Council, its Committees and officers and associated decision making procedures.
- ❖ The Council's in house legal team identifies and advises the Council (including its committees and officers) on key elements of the law and their application, also providing training and guidance notes where there are capacity or skill shortages. All committee reports include legal implications.
- ❖ The Council has a duty to appoint three of its staff to specific roles, these being:
 - **The Head of Paid Service (i.e. Chief Executive)**, who has overall accountability for the governance arrangements operating within the Council.
 - **The Monitoring Officer** who has a key role in ensuring that decisions taken are within the law and the Council complies with the provisions of its Constitution.
 - **The Chief Financial Officer** is the principal financial adviser to the Council and is responsible for the proper administration of the Council's financial affairs & internal control environment.

Principle B

Ensuring openness and comprehensive stakeholder engagement

Supporting Principles:

Openness

Engaging comprehensively with institutional stakeholders

Engaging stakeholders effectively, including individual citizens and service users

How we do this:

- ❖ To help the Council deliver its vision it produces a 4-year rolling [Corporate Delivery Plan](#) (CDP) which is reviewed annually. This allows us to maintain a focus over the medium term and ensures that we plan financially and adapt what we do to the changing demands of local people and the Government. The CDP is publicly available.
- ❖ Member decisions and significant officer decisions are also reported on the Council's website.
- ❖ The Council publishes certain data in accordance with the [Local Government Transparency Code](#) which enables more power to be placed into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services.

- ❖ Elected members are democratically accountable to their local area and this provides a clear leadership role in building sustainable communities.
- ❖ The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.
- ❖ Formal Public Consultation arrangements and public meetings held to ascertain stakeholder views prior to developing and implementing key policy changes.
- ❖ Developed and implemented alternative service delivery models, where appropriate, to allow for resources to be used more efficiently and effectively.

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- ❖ The long-term vision for the Council is set out in the Corporate Delivery Plan 2017-2021 which is informed by public consultation.
- ❖ [Annual resident/business council satisfaction surveys](#) are received from the local communities.
- ❖ The Councillor Call for Action is to support elected members in achieving improvements for their local areas. In their day to day roles, councillors identify issues of significant concern to their communities. They seek to resolve problems by talking to the Council and other service providers. If they cannot resolve a particular issue they are able to refer it to a relevant committee for further investigation.
- ❖ A [consultation hub](#) is on the website which provides the details of both open and closed consultations, where we consult regularly with local people on a wide range of policies, plans and proposals affecting our communities.

Principle C

Defining outcomes in terms of sustainable, economic, social and environmental benefits

Supporting Principles:

Defining outcomes

Sustainable economic, social and environmental benefits

How we do this:

- ❖ The long term vision and Council's priorities are set out in the Corporate Delivery Plan 2017-2021.
- ❖ A [Budget and Medium Term Financial Plan](#), Capital Programme and annual budget process ensure that financial resources are directed to the Council's priorities.
- ❖ The Council works with partner organisations where there are shared objectives and clear economic benefits from joint working.
- ❖ The Council has a co-ordinated and structured approach to developing services and defining outcomes.
- ❖ Contract management and monitoring arrangements are in place to ensure that services provided are delivered to a high standard.
- ❖ The Council's business planning, performance and risk management framework enables the monitoring of progress against service strategic / business plans priorities and objectives, key performance indicators and targets.

- ❖ The Medium Term Financial Plan identifies the required efficiency savings across the Council in a systematic and considered manner.
- ❖ The Council aims to ensure that the purchase of goods, services or works required to deliver services is acquired under Best Value terms.
- ❖ The Council develops [business continuity plans](#) to ensure that critical service delivery can be maintained or recovered during an emergency.
- ❖ The Council's decision making process requires consideration of the economic, social and environmental impacts of policies and plans when taking decisions about service provision.
- ❖ Programme and project management arrangements require consideration of Political, Environmental, Societal (i.e. increased demand for a service and demographic changes), Technological, Legislative, Economic and Efficiency issues, risks and opportunities and value for money.

Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

Supporting Principles:

Determining interventions

Planning interventions

Optimising achievement of intended outcomes

How we do this:

- ❖ The Council's decision making processes ensure that decision makers receive objective and robust analysis of a variety of options indicating how the intended outcomes will be achieved, providing information on the risks and opportunities associated with those options, thus helping to inform those decisions.
- ❖ Public consultation is undertaken to ensure that feedback from citizens and service users are fully considered when making decisions about service improvements / changes.

- ❖ The Council's Corporate Delivery Plan defines the Council's vision and key priorities, following full consultation with the local communities.
- ❖ The Council has a performance management and monitoring process in place.
- ❖ Performance reports analysing trends and latest budget position are monitored by management and the relevant Committees.

- ❖ The Council has developed and implemented a Budget and Medium Term Financial Plan (MTFP).
- ❖ The financial plans demonstrate how the Council's financial resources will be deployed over the next four years to deliver declared aims and priorities.
- ❖ The MTFP sets out the overall shape of the Council's budget by determining the level of resources that will be available and how these are currently allocated between services.
- ❖ The Council ensures the achievement of 'social value' (i.e. a way of thinking about how scarce resources are allocated and used when awarding a contract) when procuring services and service planning.

Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it

Supporting Principles:

Developing the Council's capacity

Developing the capability of the Council's leadership and other individuals

How we do this:

- ❖ The Council participates in relevant benchmarking exercises and peer reviews to help inform how the resources are allocated, so that outcomes can be achieved effectively and efficiently.
- ❖ Collaborative working and alternative service delivery models are fully considered as part of the option appraisal process, when looking to determine how the Council's resources are allocated in order to meet our priorities.
- ❖ The Council has developed and implemented a management development programme for senior managers to enable and encourage increased knowledge and skills.
- ❖ Access to a separate programme through the Institute of Leadership and Management is also provided.
- ❖ Sometimes, people want to expand their skill set beyond those used in their usual role and gain an insight into other parts of the Council. We know that this fresh look at the workplace can help to maintain enthusiasm and job satisfaction, so we provide our employees with secondment opportunities within the Council and externally.

- ❖ The Council's Constitution clearly defines the statutory and distinctive roles of the Leader and other councillors and sets out to who decision making powers are delegated, including senior officers such as the Chief Executive.
- ❖ A Members Training and Development Programme is in operation, which supports continued Member development.
- ❖ The Council has implemented a corporate competency framework for all employees, managers and Leadership Team, which provides an opportunity to reflect on how individuals are performing, what is going well and also where the individual may need further support or development as part of their role.
- ❖ The above includes required skills and behaviours as these behaviours are essential for the delivery of our key priorities, to continue to support our savings targets, and form part of our on-going commitment to personal and professional development.
- ❖ 121's are held to monitor staff performance and identify learning and development needs.

Principle F

Managing risks and performance through robust internal control and strong public financial management

Supporting Principles:

Managing Risk

How we do this:

- ❖ The Council has a [Risk Management Policy / Strategy](#) which clearly defines the roles and responsibilities for managing risk, confirming that risk management is an integral part of all our business activities including all aspects of business planning, option appraisals and decision making.
- ❖ Business Continuity arrangements should be in place for critical services to ensure they can continue to operate in an emergency.
- ❖ The Audit and Standards Committee monitor the adequacy of the risk identification, monitoring and control of strategic and operational risk within the Council.

Managing Performance

- ❖ The Council's Corporate Delivery Plan (CDP) outlines our vision as leading a community that is making Stroud district a better place to live, work and visit for everyone. The plan seeks to demonstrate how this will be achieved around five key priorities: Economy, Affordable Housing, Environment, Health and Wellbeing and Delivery.
- ❖ A business planning framework is in operation which includes our Service Strategic Plans which aligns with our CDP and sets out our strategic priorities and business plans which set out the key priorities / tasks / targets / risks for the day job.
- ❖ Priorities are monitored through our performance, programme and project management framework.

Robust internal control

- ❖ There is an Internal Audit (IA) function (100% compliant with Public Sector Internal Audit Standards 2017) which has provided, with the exception of the matters relating to the ICT service, a satisfactory independent opinion on the effectiveness of the Council's control environment comprising, risk management, control and governance.
- ❖ The Council takes fraud, corruption and maladministration very seriously and has established policies and processes which aim to prevent or deal with such occurrences. These can be found within the [Anti Fraud and Corruption Policy](#) Statement and Strategy.
- ❖ Audit and Standards Committee monitor and review all of the above.

Managing Data

- ❖ Data is managed in accordance with the law. Key information management policies e.g. [freedom of information](#) and data protection. The Council has information champions who help to promote effective management of information across the Council.
- ❖ Information Sharing protocols are in place when sharing data with third parties.
- ❖ [ICT Infrastructure Investment Plan 2017/18 to 2019/20](#).

Strong public financial management

- ❖ Robust budget management arrangements are in place including monitoring and review by all Committees.
- ❖ [External Audit review](#) and report on the Council's financial statements (including this Annual Governance Statement), providing an opinion on the accounts and concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).
- ❖ The Audit and Standards Committee monitor the effectiveness of the Chief Financial Officer's responsibility for ensuring an adequate internal / financial control environment.

Principle G

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Supporting Principles:

Implementing good practices in transparency

Implementing good practices in reporting

Assurance and effective accountability

How we do this:

- ❖ [Agendas and minutes](#) of Council and Committee meetings are publically available on the Council's website and Council and Committee meetings are available live and afterwards on the Council's website.
- ❖ The Council has a Freedom of Information Act publication scheme (to ensure the members of the public have access to all recorded information held by the Council).
- ❖ Compliance with the Local Government Data Transparency Code which sets out the minimum data that the Council should be publishing, the frequency it should be published and how it should be published e.g. expenditure exceeding £500, grants to voluntary, community and social enterprise organisations, senior salaries etc. This makes it easier for local people to contribute to the local decision making processes and help to shape public services.

- ❖ The published Annual Statement of Accounts is the statutory summary of the Council's financial affairs for the financial year. The purpose of the Annual Statement of Accounts is to give clear information on the income and expenditure of the Council and to demonstrate the Council's stewardship of public money for the year.
- ❖ The Council publishes an Annual Governance Statement in order to report how we have monitored the effectiveness of our governance arrangements (self assessed against the seven key principles set out within our Code of Corporate Governance) in year and on any planned changes in the coming year.
- ❖ The Audit and Standards Committee review and approve the Annual Statement of Accounts and Annual Governance Statement.

- ❖ Accountability and decision making arrangements are clearly defined within the Council's Constitution. These accountabilities include arrangements when delivering services with our key partners.
- ❖ The Audit and Standards Committee provide independent assurance to the Council on the adequacy and effectiveness of the governance arrangements and internal control environment operating within the Council.
- ❖ Risk based internal auditing provides ongoing assurance that the key risks material to achieving the Council's objectives are being managed.
- ❖ Peer reviews and benchmarking undertaken to ascertain good practice and implement improvements as identified.

What are the key roles of those responsible for developing and maintaining the Governance Framework?

<p>The Council</p>	<ul style="list-style-type: none"> - Adopting and making substantive changes to the Constitution. - Approving or adopting the annual budget. - Agreeing and/or amending the Terms of Reference for Committees, deciding on their composition and appointing Chairmen and Vice Chairmen to them.
<p>Audit and Standards Committee</p>	<ul style="list-style-type: none"> - Provides independent assurance to The Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment. - Promotes high standards of member conduct. - Approves the Annual Statement of Accounts and Annual Governance Statement.
<p>Committees</p>	<ul style="list-style-type: none"> - There are four Committees aligned to the Council's corporate priorities (excluding Audit and Standards and the Development Control Committee). They hold Officers to account and scrutinise performance. Any two members of each committee will meet on a quarterly basis with senior management in non decision making, informal meetings. They report back on an exception basis to their Committees any key issues.
<p>Chief Executive Corporate Management Team</p>	<ul style="list-style-type: none"> - Implements the policy and budgetary framework set by the Council and provides advice to Committees and the Council on the development of future policy and budgetary issues and oversees the implementation of Council policy.
<p>Chief Financial Officer (s151)</p>	<ul style="list-style-type: none"> - Accountability for developing and maintaining The Council's governance, risk and control framework. - Contribute to the effective corporate management and governance of the Council.
<p>Monitoring Officer</p>	<ul style="list-style-type: none"> - To advise the Council on ethical issues, standards and powers to ensure the Council operates within the law and statutory Codes of Practice. - Overall responsibility for the maintenance and operation of the Confidential Reporting Procedure for Employees. (Whistleblowing) and contributes to the effective corporate management and governance of the Council.
<p>Internal Audit</p>	<ul style="list-style-type: none"> - Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. - Delivers an annual programme of risk based audit activity, including counter fraud and investigation activity. - Makes recommendations for improvements in the management of risk.
<p>External Audit</p>	<ul style="list-style-type: none"> - Audit / review and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).
<p>Directors/Managers</p>	<ul style="list-style-type: none"> - Responsible for developing, maintaining and implementing the Council's governance, risk and control framework. - Contribute to the effective corporate management and governance of the Council.

How has the Council addressed the governance improvement actions from 2016/17?

The Annual Governance Statement 2016/17 contained the following key improvement actions. Details of the issues and how they have been addressed during the year have been reported to the Audit and Standards Committee at their meeting on 6th February 2018. Please note that where actions are ongoing they have been carried forward into the 2017/2018 Action Plan.

2016/17 Review Reference	Action	Current Status
Chief Financial Officer Assurance Statement	Future Financial Sustainability	C/F into the 2017/ 2018 AGS Action Plan
Corporate Team Review	ICT Strategy / Infrastructure Investment Plan 2017/18 to 2019/20	C/F into the 2017/ 2018 AGS Action Plan
Directors Composite Assurance Statement	Multi Service Contract	C/F into the 2017/ 2018 AGS Action Plan
Directors Composite Assurance Statement	Council Tax and Business Rates Direct Debit issues Internal Audit to review the outstanding recommendation relating to Business Continuity arrangements to verify implementation.	C/F into the 2017/ 2018 AGS Action Plan
B/F from 2015/16	HRA balances investigation	Completed
B/F from 2015/16	Procurement Action Plan	Corporate actions completed early 2017/18. Any ongoing work is part of routine business and effective management.
B/F from 2015/16	Business Continuity and Disaster Recovery	C/F into the 2017/ 2018 AGS Action Plan

What are the key 2017/18 governance matters identified?

The review of the effectiveness of the Council's governance framework has identified the following actions that will need to be addressed during 2018/19, which includes the carried forward actions from 2016/2017.

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
Chief Financial Officer Assurance Statement	<p>Future Financial Sustainability</p> <p>The 2018/19 Medium Term Financial Plan identified core deficit of £1.5m by 2021/22.</p> <p>Actions: Work is currently underway with senior officers and key members of the administration to produce a balanced savings plan that addresses the funding shortfall.</p> <p>The 2017/18 Medium Term Financial Plan (MTFP) identified a core deficit of £3.4m by 2020/21. At the time the MTFP was published in February 2017, there was not a balanced and proportionate savings plan in place to mitigate the reliance on reserves and balances. During 2017/18, a Savings Plan was produced that reduced the reliance on reserves and balances significantly. The 2018/19 MTFP (as published in February 2018), showed that the Core Deficit had reduced to £1.222m by 2020/21, rising to £1.526m by 2021/22. The Savings Plan does include a number of assumptions and savings targets, which will need to be monitored closely in 2018/19 to ensure these, can be delivered in accordance with the plan.</p> <p>Further savings will be required over the MTFP to address the remaining core deficit, given the risks inherent in the MTFP around funding, the attainment of savings targets and the cost pressures facing the Council particularly around Waste Management.</p>	Ongoing	Chief Financial Officer (S151)

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
2017/2018 Limited Assurance Internal Audit Review (Fundamental Financial System)	<p>Capital Programme Management</p> <p>A capital programme is a set of capital projects that a council plans to undertake within a given timetable and should be based on an approved Capital Strategy, which in turn should be linked to the council's Asset Strategy. The development of a capital programme, as per Chartered Institute of Public Finance and Accountancy (CIPFA) best practice, involves the following key activities: (1) Setting the parameters; (2) Identifying and developing project proposals; (3) Evaluating and prioritising project proposals; and (4) Finalising and approving the programme and confirming the funding.</p> <p>The council's medium term General Fund capital programme has planned expenditure of approximately £20m for the period 2017-18 to 2020-21. Due to the significance of the budget, Internal Audit undertook a review of the systems and processes relating to the General Fund capital programme, which resulted in a limited assurance opinion provided on the control environment. The outcomes of the review have been reported to Audit and Standards Committee on 10th April 2018.</p> <p>Actions: Management attendance at the Audit and Standards Committee on 26th July 2018 to provide an update as to the progress made in implementing the recommendations and an Internal Audit follow up review included as part of 2018/2019 Internal Audit Plan.</p>	26th July 2018 Management update 31st March 2019	Chief Financial Officer (S151) (Management Actions) Chief Internal Auditor (Follow Up Review)

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
AGS Assurance Framework	<p>Risk Management Framework</p> <p>Following the Council’s fundamental review of its Risk Management framework, a new Policy Statement and Strategy was adopted by the Audit and Standards Committee in April 2017. Guidance and training was provided to all Directors and heads of service / managers in 2017/18 and the strategic risk register updated. Relevant responsibilities are clear within the policy. Further compliance with the policy is now overseen and reviewed by the Audit and Standards Committee at each meeting as a result of which in recent months, the committee has taken a more active role in ensuring compliance with the policy, particularly within the context of management of the strategic risk register, which identifies key issues of concern for the Council which if not managed effectively will have significant adverse effects on the Council’s ability to operate.</p> <p>Action: Audit and Standards Committee to continue to monitor and challenge key risk controls identified by the Corporate Team and actions across the Council in line with adopted policy including discussing pertinent issues direct with Corporate Team to ensure that the principles of effective risk management are fully embedded into the Council’s day to day business activities.</p>	Ongoing during 2018 / 2019	This function affects all elements of the Council and as such lead officers comprise all members of Corporate Team. The framework is administered by Monitoring Officer’s team.

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
Director Of Tenant and Corporate Services Review	<p>ICT Strategy / Infrastructure</p> <p>Socitm Advisory Ltd was commissioned by the Director Of Tenant and Corporate Services to assist in reviewing Stroud District Council's ICT Service, specifically in relation to:</p> <ul style="list-style-type: none"> ➤ Whether the Council's current ICT provision is suitable to meet current and future needs of the council; ➤ Advise whether the ICT service has the right management and technical skills, staff numbers and budget to meet these needs; ➤ Explore potential partnership working opportunities; and ➤ Investigate the seeming disconnect between the ICT service and the business. <p>The review confirmed that SDC required significant ICT change and that this change would need to be in two steps i.e. over 2/3 years to complete foundation work and remedy major issues, and implement.</p> <p>Detailed recommendations were made which related to (1) Leadership and Governance, (2) Vision and Strategy, (3) Options assessment (e.g. how ICT service will be delivered) and (4) Infrastructure; Staffing; Ongoing Funding; Service Management; Business Change Capability; Business Focus; Communications; Security and Business Continuity.</p>	Action Plan implemented over a 2 / 3 Year Period	Director: Tenant and Corporate Services, Head of Business Services Planning and Head of IT.

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
	<p>Action: The Leader has confirmed full support from both Members and Officers requesting that a formal Task and Finish Group is set up, whose role would include determining the role of Strategy and Resources (S and R) Committee and Audit and Standards Committee in monitoring the progress made with the implementation of the recommendations. This group would be set up through May 2018 S and R Committee.</p>		

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
Director's Composite Assurance Statement	<p>ICT Back Up and Disaster Recovery Arrangements</p> <p>ICT back up and disaster recovery arrangements are where the council needs to be more reassured that a critical service can be restored.</p> <p>A programme of work has been identified by the Socitm Advisory Ltd review requiring managers, services and ICT to define the prioritisation and realistic targets of service delivery in a Business Continuity Management / Disaster Recovery emergency.</p> <p>Action: This substantial programme of work will be led by Corporate Team as part of the wider governance changes required, which have been identified in recent internal audit reviews as well as the SOCITM external review.</p>	September 2019	<p>Lead Officers: Corporate Team (to initially define recovery times for their critical services)</p> <p>Action Owner: Head of ICT (based on the above, ICT to review design options and costs and report back to Corporate Team, prior to agreeing final design options and subsequent implementation).</p>

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
Brought forward from 2016/2017	<p>Multi Service Contract</p> <p>The multi services contract provides for the provision of waste and recycling, street cleaning, grounds maintenance, fleet management and maintenance services.</p> <p>There has been a significant increase in costs of the new waste and recycling service which has resulted in additional resources allocated in 2018/2019 Medium Term Financial Plan.</p> <p>Actions: A full service management review was undertaken in early 2017/2018 which included detailed resource analysis. In addition, Internal Audit provided support and made a number of recommendations to the assist the development of a control framework to effectively manage and monitor the contract.</p> <p>Internal Audit will undertake a follow up review during 2018/2019 to establish progress to date with the agreed recommendations and report these outcomes to the Audit and Standards Committee.</p>	9th October 2018 Audit and Standards Committee	Director of Customer Services (Management Actions) Chief Internal Auditor (Follow Up Review)

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
Brought forward from 2016/2017	<p>Procurement Action Plan</p> <p>The Council fully appreciates that an appropriate corporate framework for procurement and contract management is key to effectively managing risks of legal challenge and not securing best value goods, works and services. In 2017/18 the final elements of the corporate action plan to address weaknesses in the corporate framework identified in 2014/15 were completed i.e. a comprehensive programme of corporate procurement training was delivered to improve staff procurement competency levels.</p> <p>As part of the corporate oversight of procurement, the Principal Procurement Officer with the support of the Legal team is continuing to advise and oversee the application of the framework. As a consequence issues have been brought to the attention of relevant heads of service and directors to improve their teams' forward planning of procurement activities.</p> <p>Action: To continue to develop officer procurement competency and forward planning, procurement and associated governance issues (e.g. risk management) are included within the staff induction day; further regular updates and reports to committee and Corporate Team are provided on procurement activities including consolidation projects.</p>	Ongoing	Principal Procurement Officer and Monitoring Officer

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
Revised CIPFA Audit Committees: Practical Guidance	<p>CIPFA Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition)</p> <p>Audit Committees are a key component of corporate governance. They provide a high-level focus on assurance and the Council's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.</p> <p>This revised edition updates the core functions of the audit committee in relation to governance, risk management, internal control and audit. This includes new legislation affecting audit committees in combined authorities and updates to regulations and statutory guidance.</p> <p>The updates to the Public Sector Internal Audit Standards and Delivering Good Governance in Local Government: Framework and associated guidance are also considered for their impact on the work of the audit committee.</p>	31st March 2019	Chief Internal Auditor

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
	<p>There are significant changes to the core functions of the committee in relation to external audit, reflecting the new arrangements for auditor appointment and new guidance on ethical standards for auditors issued by the Financial Reporting Council. Both developments require greater attention to be given to this important area.</p> <p>The audit committee role in relation to counter-fraud has also been updated to reflect the Code of Practice on Managing the Risk of Fraud and Corruption.</p> <p>The guidance continues to include a strong focus on the factors that support improvement. These include the knowledge and skills that audit committee members require and a focus on where the audit committee adds value.</p> <p>Action: The Chief Internal Auditor will review the guidance (when published) and will provide support to the Audit and Standards Committee to enable the evaluation of the Council's Committee against the revised guidance, making recommendations for improvement where necessary.</p>		

Certification

I can confirm that the Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2016.

Signed:

A handwritten signature in black ink that reads "DG Stanley". The signature is written in a cursive style with a large loop at the end of the last name.

David Stanley

S151 Officer

Date:

18 June 2018

To the best of our knowledge, the governance arrangements, as defined above and within the Council's Code of Corporate Governance, have been effectively operating during the year with the exception of those areas identified on pages 19-28 above. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Signed:



Doina Cornell
Leader of the Council

David Hagg
Chief Executive

Date: **18 June 2018**

18 June 2018

Code of Corporate Governance

2017-2018

February 2018

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Introduction

The Council's Code of Corporate Governance is based upon the CIPFA / SOLACE publication entitled "Delivering Good Governance in Local Government: Framework 2016 Edition."

What do we mean by Governance?

'The International Framework: Good Governance in the Public Sector' defines 'governance' as comprising the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The Framework also states that to deliver good governance in the public sector both governing bodies and individuals working for them must aim to achieve the Council's objectives while acting in the public interest at all times.

Core Principles

The Council's Code of Corporate Governance is based on seven core principles:-

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes;
- E. Developing the Council's capacity, including the capability of its leadership and the individuals within it;
- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Code specifically identifies the actions and behaviours taken by the Council in relation to each of these core principles and associated sub principles. The Code, along with its supporting infrastructure is set out below at Appendix A and is summarised in diagrammatic form in Appendix B.

The Audit and Standards Committee is currently responsible for approving this Code and ensuring it is annually reviewed and updated accordingly.

Appendix A - Actions and behaviours taken by the Council that demonstrate good governance.

Principle	Sub Principles	Council Actions and Behaviours
(A) Behaving with integrity, demonstrating strong Commitment to ethical values, and respecting the rule of law	Behaving with integrity	<ul style="list-style-type: none"> Ensure that Members and Officers behave with integrity and lead a culture where acting in the public interest is visible and consistently demonstrated thereby protecting the reputation of the Council; Ensure that Members take the lead in establishing specific standard operating principles or values for the Council and its staff and that they are communicated and understood. These will build on the Seven Principles of Public Life (The Nolan Principles); Lead by example and use the above standard operating principles or values as a framework for decision making and other actions; and Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which will be reviewed on a regular basis to ensure they are operating effectively.
	Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> Seek to establish, monitor and maintain the Council's ethical standards and performance; Underpin personal behaviour with ethical values and ensure they permeate all aspects of the Council's culture and operation; Develop and maintain robust policies and procedures which place emphasis on agreed ethical values; and Ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the Council.
	Respecting the Rule of Law	<ul style="list-style-type: none"> Ensure Members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations; Create the conditions to ensure that the statutory officers, other key post holders, and Members are able to fulfil their responsibilities in accordance with legislative and regulatory provisions; Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders; Deal with breaches of legal and regulatory provisions effectively; and Ensure corruption and misuse of power is dealt with effectively.
(B) Ensuring openness and comprehensive stakeholder engagement	Openness	<ul style="list-style-type: none"> Ensure an open culture through demonstrating, documenting and communicating the Council's commitment to openness; Make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption will be for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential will be provided; Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and will be explicit about the criteria, rationale and considerations used. In due course, the Council will ensure that the impact and consequences of those decisions are clear; and Use formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action.
	Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> Effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably; Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively; and Ensure that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.
	Engaging stakeholders effectively, including individual citizens and service users	<ul style="list-style-type: none"> Establish a clear policy on the type of issues that the Council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes; Ensure that communication methods are effective and that Members and Officers are clear about their roles with regard to community engagement; Encourage, collect and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs; Implement effective feedback mechanisms in order to demonstrate how their views have been taken into account; Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity; and Take account of the interests of future generations of tax payers and service users.

Principle	Sub Principles	Council Actions and Behaviours
(C) Defining outcomes in terms of sustainable economic, social and environmental benefits	Defining outcomes	<ul style="list-style-type: none"> Have a clear vision, which is an agreed formal statement of the Council’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the Council’s overall strategy, planning and other decisions; Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer; Deliver defined outcomes on a sustainable basis within the resources that will be available; Identify and manage risks to the achievement of outcomes; and Manage service users’ expectations effectively with regard to determining priorities and making the best use of the resources available.
	Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> Consider and balance the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision; Take a longer term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council’s intended outcomes and short-term factors such as the political cycle or financial constraints; Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs; and Ensure fair access to services.
(D) Determining the interventions necessary to optimise the achievement of the intended outcomes	Determining interventions	<ul style="list-style-type: none"> Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided; and Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.
	Planning interventions	<ul style="list-style-type: none"> Establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets; Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered; Consider and monitor risks facing each partner when working collaboratively including shared risks; Ensure arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances; Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured; Ensure capacity exists to generate the information required to review service quality regularly; Prepare budgets in accordance with organisational objectives, strategies and the medium term financial plan; and Inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.
	Optimising achievement of intended outcomes	<ul style="list-style-type: none"> Ensure the medium term financial plan integrates and balances service priorities, affordability and other resource constraints; Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term; Ensure the medium term financial plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage; and Ensure the achievement of ‘social value’ through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is “the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes”.

Principle	Sub Principles	Council Actions and Behaviours
(E) Developing the Council's capacity, including the capability of its leadership and the individuals within it	Developing the Council's capacity	<ul style="list-style-type: none"> ▪ Review operations, performance use of assets on a regular basis to ensure their continuing effectiveness; ▪ Improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the Council's resources are allocated so that outcomes are achieved effectively and efficiently; ▪ Recognise the benefits of partnerships and collaborative working where added value can be achieved; and ▪ Develop and maintain an effective workforce plan to enhance the strategic allocation of resources.
	Developing the capability of the Council's leadership and other individuals	<ul style="list-style-type: none"> ▪ Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained; ▪ Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body; ▪ Ensure the Leader and the Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the Chief Executive leads the Council in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority; ▪ Develop the capabilities of Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> ➢ ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged; ➢ ensuring Members and Officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis; and ➢ ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external. ▪ Ensure that there are structures in place to encourage public participation; ▪ Take steps to consider the leadership's own effectiveness and ensure leaders are open to constructive feedback from peer review and inspections; ▪ Hold staff to account through regular performance reviews which take account of training or development needs; and ▪ Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.
(F) Managing risks and performance through robust internal control and strong public financial management	Managing Risk	<ul style="list-style-type: none"> ▪ Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making; ▪ Implement robust and integrated risk management arrangements and ensure that they are working effectively; and ▪ Ensure that responsibilities for managing individual risks are clearly allocated.
	Managing Performance	<ul style="list-style-type: none"> ▪ Monitor service delivery effectively including planning, specification, execution and independent post implementation review; ▪ Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the Council's financial, social and environmental position and outlook; ▪ Ensure an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the Council's performance and that of any organisation for which it is responsible; ▪ Provide Members and senior management with regular reports on service delivery plans and on progress towards outcome achievement; and ▪ Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).
	Robust internal control	<ul style="list-style-type: none"> ▪ Align the risk management strategy and policies on internal control with achieving objectives; ▪ Evaluate and monitor the Council's risk management and internal control arrangements on a regular basis; ▪ Ensure effective counter fraud and anti-corruption arrangements are in place; ▪ Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor; ▪ Ensure an Audit and Standards Committee which is independent of the executive and accountable to the Council: <ul style="list-style-type: none"> ➢ provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and ➢ that its recommendations are listened to and acted upon.

Principle	Sub Principles	Council Actions and Behaviours
(F) Managing risks and performance through robust internal control and strong public financial management	Managing Data	<ul style="list-style-type: none"> ▪ Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data; ▪ Ensure effective arrangements are in place and operating effectively when sharing data with other bodies; and ▪ Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring.
	Strong public financial management	<ul style="list-style-type: none"> ▪ Ensure financial management supports both long term achievement of outcomes and short-term financial and operational performance; and ▪ Ensure well developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.
(G) Implementing good practices in transparency, reporting and audit to deliver effective accountability	Implementing good practice in transparency	<ul style="list-style-type: none"> ▪ Write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate; and ▪ Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.
	Implementing good practices in reporting	<ul style="list-style-type: none"> ▪ Report at least annually on performance, value for money and the stewardship of its resources to stakeholders in a timely and understandable way; ▪ Ensure Members and senior management own the results; ▪ Ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publish the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (Annual Governance Statement); ▪ Ensure that the Framework is applied to jointly managed or shared service organisations as appropriate; and ▪ Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.
	Assurance and effective accountability	<ul style="list-style-type: none"> ▪ Ensure that recommendations for corrective action made by external audit are acted upon; ▪ Ensure an effective internal audit service with direct access to Members is in place which provides assurance with regard to governance arrangements and that recommendations are acted upon; ▪ Welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations; ▪ Gain assurance on risks associated with delivering services through third parties and evidence this in the annual governance statement; and ▪ Ensure that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.

Appendix B – Stroud District Council’s Corporate Governance Framework

‘The International Framework: Good Governance in the Public Sector’ defines ‘governance’ as comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The framework also states that to deliver good governance in the public sector both governing bodies and individuals working for them must try to achieve the Council’s objectives while acting in the public interest at all times.							
Core Principles	(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	(B) Ensuring openness and comprehensive stakeholder engagement	(C) Defining outcomes in terms of sustainable economic, social, and environmental benefits	(D) Determining the interventions necessary to optimise the achievement of the intended outcomes	(E) Developing the Council’s capacity, including the capability of its leadership and the individuals within it	(F) Managing risks and performance through robust internal control and strong public financial management	(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Evidence of Good Governance	The Constitution	Corporate Delivery Plan 2017-2021	Committee Reports	Corporate Consultation Strategy	The Constitution	The Constitution	Constitution / Audit and Standards Committee
	Schemes of Delegation / Decision Making Protocols	Decision Making Protocols	Corporate Delivery Plan 2017-2021	Budget Consultation	Member Development Framework	Audit and Standards Committee	Committee Framework
	Audit and Standards Committee	Website	Committee Framework	Stakeholder Engagement	Member Induction Programme	Committee Framework	Decision Making Protocols
	Committee Framework	Public Meetings	Decision Making Protocols	Option Appraisals	Skills for Stroud –Work Experience Charter	Financial Regulations / Contact and Procurement Procedure Rules	External audit of accounts and value for money opinion
	Contract Standing Orders / Financial Regulations	Public Consultations	Procurement Strategy / Procedures/guidance	Corporate Delivery Plan 2017-2021	Corporate Competency Framework	External audit of accounts and value for money opinion / Statement of Accounts / Medium Term Financial Plan	Annual Statement of Accounts
	Statutory Officers Roles: Chief Executive, Chief Financial Officer / Monitoring Officer / Legal Services	Communications Strategy	Public Sector Social Value Act 2012	Medium Term Financial Plan	Peer Reviews / External Inspection	Risk Management Policy / Strategy / Toolkit	Annual Governance Statement / Assurance Framework
	Members and Employees Codes of Conduct Members / Officers Register of Interests / Register of Gifts and Hospitality	Corporate performance, financial and risk reporting framework	Service Strategic Plans	Decision Making Protocols	Benchmarking	Information Governance / ICT Security Policy / Data Protection Policy and associated Privacy Notice	Internal Audit Service Chief Internal Auditors Annual Opinion / Report
	Planning Protocol	Open Data and Transparency Code	Service Level / Outcome Agreements	Risk Management Policy / Strategy / Strategic Risk Register	Internally led reviews / independent challenge	Corporate and Operational Risk Registers	Review Panels (Planning and Housing)
	Protocol for Member Officer Relations	Customer feedback / Complaints Policy	Service Business Plans	Alternative Service Delivery Models	Alternative Service Delivery Models	Risk Based Internal Auditing Service / Plan	Strategic performance, financial and risk reporting framework
	Anti-fraud and Corruption Policy and Strategy	FOI Publication Scheme	Risk Management Policy / Strategy / Strategic Risk Register	Corporate performance, financial and risk reporting framework	Shared Services Programme	Chief Internal Auditors Annual Opinion / Report	Open Data and Transparency Code
	Anti-Bribery and Anti Money Laundering Policies	Annual Statement of Accounts and Annual Governance Statement published	Corporate performance, financial and risk reporting framework	Service Business Plans	Staff development programme including Action Learning Sets, Management Development Programme, Apprenticeships.	Corporate performance, financial and risk reporting framework / Member performance management	Website
	Whistleblowing Policy	Decision making committees and council meetings held in public and webcast to maximise accessibility.	Environmental Policy Environment Strategy 2007-2027	Project Management	Safety, Health and Wellbeing promotion	Anti-fraud and Corruption Policy / Strategy, Anti Bribery Policy / Anti Money Laundering Policy	Freedom of Information (FOI) reports published
	Risk Management Policy / Strategy		Option Appraisals	Review Panels (Planning and Housing)	Council wide training on new legislation (e.g. data protection)	Emergency / Business Continuity Management	Complaints Annual Report

**Code of Corporate
Governance**
2017-2018

February 2018



ANNUAL GOVERNANCE STATEMENT 2017/18 – Council Wide Assurance Map

Customer Services Assurance Statement – Summary

Leader of the Council	Doina Cornell
Chief Executive	David Hagg
Director: Customer Services	Joanne Jordan

Key

Fully compliant	
Partially compliant	
Not compliant	

CIPFA Seven Core Governance Principles	Community Services including Public Spaces/ Public Spaces	Revs and Bens	Customer Service Centre	Housing Advice and Homelessness	The Pulse	Museum	Subscription Rooms
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A. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law.							
B. My service area operates in a way that ensures openness and comprehensive stakeholder engagement.							
C. My service area defines outcomes in terms of sustainable economic, social and environmental benefits.							
D. My service area determines the interventions necessary to optimise the achievement of intended outcomes.							
E. My service area continually develops its capacity including the capability of its leadership and the individuals within it.							
F. My service area manages risk and performance through robust internal control, strong public financial management, and managing data appropriately.							
G. My service area has implemented good practice in transparency, reporting, and audit to deliver effective accountability.							

ANNUAL GOVERNANCE STATEMENT 2017/18 – Council Wide Assurance Map

Tenant and Corporate Services Assurance Statement – Summary

Leader of the Council	Doina Cornell
Chief Executive	David Hagg
Director: Tenant and Corporate Services	Allison Richards

Key

Fully compliant	
Partially compliant	
Not compliant	

CIPFA Seven Core Governance Principles	HR	Elections	Property Services	Legal Services	Contract Services	Housing Services	Business Service Planning	IT/ICT Infrastructure and Security
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A. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law.								
B. My service area operates in a way that ensures openness and comprehensive stakeholder engagement.								
C. My service area defines outcomes in terms of sustainable economic, social and environmental benefits.								
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E. My service area continually develops its capacity including the capability of its leadership and the individuals within it.								
F. My service area manages risk and performance through robust internal control, strong public financial management, and managing data appropriately.								
G. My service area has implemented good practice in transparency, reporting, and audit to deliver effective accountability.								

ANNUAL GOVERNANCE STATEMENT 2017/18 – Council Wide Assurance Map

Development Services Assurance Statement – Summary

Leader of the Council	Doina Cornell
Chief Executive	David Hagg
Director: Development Services	Barry Wyatt

Key

Fully compliant	
Partially compliant	
Not compliant	

CIPFA Seven Core Governance Principles	Health and Wellbeing	Building Control	Planning	Planning Strategy
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A. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law.				
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ANNUAL GOVERNANCE STATEMENT 2017/18 – Council Wide Assurance Map

Finance / Section 151 Officer Service Assurance Statement – Summary

Leader of the Council	Doina Cornell
Chief Executive	David Hagg
Finance / Section 151 Officer	David Stanley

Key

Fully compliant	
Partial compliant	
Not compliant	

CIPFA Seven Core Governance Principles	Finance / Section 151
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A. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law.	
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G. My service area has implemented good practice in transparency, reporting, and audit to deliver effective accountability.	

ANNUAL GOVERNANCE STATEMENT 2017/18 – Council Wide Assurance Map

Canal Project Services Assurance Statement – Summary

Leader of the Council	Doina Cornell
Chief Executive	David Hagg
Canal Project Manager	Dave Marshall

Key

Fully compliant	
Partial compliant	
Not compliant	

<p>CIPFA Seven Core Governance Principles</p>	<p>Canal Project</p>
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A. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law.	
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Adherence to governance principles are monitored by Directors / Managers