

25 April 2019

AUDIT AND STANDARDS COMMITTEE

A meeting of the Audit and Standards Committee will be held on **TUESDAY 7 MAY 2019** in the Council Chamber, Ebley Mill, Ebley Wharf, Stroud at **7.00 pm.**



Kathy O'Leary
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 29 January 2019.
- 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 WEDNESDAY 1 MAY 2019
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 **INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2018/19**
To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2018/19.

- 6 **RISK BASED INTERNAL AUDIT PLAN 2019/20**
To approve the Annual Risk Based Internal Audit Plan 2019/20.
- 7 **COMMITTEE ON STANDARDS IN PUBLIC LIFE RECOMMENDATIONS**
To consider the above report and make recommendations to Council.
- 8 **AUDIT AND STANDARDS COMMITTEE ANNUAL REPORT 2018/19**
To consider the above report and make recommendations to Council.
- 9 **STANDING ITEMS**
(a) To consider the work programme for 2019/20.
(b) To consider any Risk Management issues.
- 10 **MEMBERS' QUESTIONS**
See Agenda Item 4 for deadline for submission.

Members of Audit and Standards Committee

Councillor Nigel Studdert-Kennedy (Chair)
Councillor Skeena Rathor (Vice-Chair)
Councillor Dorcas Binns
Councillor Rachel Curley
Councillor Stephen Davies

Councillor Keith Pearson
Councillor Simon Pickering
Councillor Mark Reeves
Councillor Tom Williams

AUDIT AND STANDARDS COMMITTEE

29 January 2019

7.00 pm – 8.35 pm

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Council Chamber, Ebley Mill, Stroud

Minutes

Membership

Councillor Nigel Studdert-Kennedy (Chair)	P	Councillor Simon Pickering	P
Councillor Skeena Rathor (Vice-Chair)	A	Councillor Mark Reeves	P
Councillor Rachel Curley	P	Councillor Tom Williams	P
Councillor Stephen Davies	A	1 vacancy	
Councillor Keith Pearson	P		

A = Absent P = Present

Officers in attendance

Head of Finance and Section 151 Officer	Head of Community Services
Group Manager - Audit Risk Assurance	Head of IT
Shared Service	Principal Accountant
Interim Head of Legal Services and	Democratic Services Officer
Monitoring Officer	
Chief Executive Officer	Community Services Manager

Other Member present

Councillor Nigel Cooper

Also present

Ian Howse and Clare Skivens from Deloitte the Council's external auditors

Councillor Studdert-Kennedy announced a change in the running order of the Agenda bringing Agenda Item 5 forward, Members agreed to the change.

AC.032

APOLOGIES

Apologies for absence have been received from Councillors Rathor and Davies.

AC.033

DECLARATIONS OF INTEREST

There were none.

AC.034

MINUTES

RESOLVED

That the Minutes of the meeting held on 20 November 2018, are approved as a correct record, with no amendments.

AC.035 **PUBLIC QUESTION TIME**

There were none.

AC.036 **EXTERNAL AUDIT PLANNING REPORT**

Ian Howse from Deloitte gave a verbal report and confirmed that the audit was independent and that there were no conflicts of interest.

Questions were taken from Councillor Reeves on standards and Councillor Pickering on expenses.

RESOLVED **To note the report.**

AC.037 **STANDING ITEMS**

(a) Work Programme – the following items were added to the work programme for the next meeting:

- The Annual Report
- The Internal Activity Progress Report
- Work Program and Risk Management
- Update on the Ethical Report

The Head of Finance commented that the meeting on the 16 July will probably need to be pushed back for at least a week to allow the External Audit work to be completed.

He further commented that Internal Audit will assist on the work for the Annual Governance Statement and will come to the meeting in July.

The Monitoring Officer commented that the cycle of meetings was agreed at Council and that the date for the next meeting should remain as 16 July. The Head of Finance agreed to contact Deloitte to determine whether postponing the meeting until later in the following week was preferable.

(b) Risk Management – Councillor Curley reported that the Corporate Risk Register was up to date.

(c) Task and Finish Group (Ethical Audit) – Councillor Studdert-Kennedy complimented the officer working on the audit on the work completed and stated that there was more work to be done in this area. Councillor Studdert-Kennedy proposed that the findings of the audit be either seconded or rejected. Councillor Pearson seconded the motion.

RESOLVED **To accept the report's findings when complete.**

AC.038 **UPDATE ON THE ACTIONS TAKEN IN RELATION TO THE RECOMMENDATIONS MADE IN THE LEGACY (ICT) SYSTEMS AND THE MULTI SERVICES CONTRACT FOLLOW UP REPORT**

The Head of IT presented an update referring to the report circulated prior to the meeting. He stated that all three strands of the strategy were on track.

Questions were taken from Councillors Curley, Pearson and Reeves. In response to those questions, the Head of IT stated that the timeline depended on Committee approval, the costs were less than the allocated budget but that this could be affected by BREXIT. The IT strategy is being developed independently and this specifically addresses some of the GDPR risks and it will take into account external factors.

The Committee discussed the replacement of hardware and the effect on customer service.

RESOLVED **To note the above reports.**

AC.039 **INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2018/19**

The Head of Audit Risk Assurance updated the Committee, referring to a report circulated prior to the meeting.

Councillor Studdert-Kennedy asked whether the report conformed to the Freedom of Information Act. The Head of Audit Risk Stated that the publication of the report concluded all activity in this area. Councillor Studdert-Kennedy stated that there may be more discussion on this item in the future but it could be closed for the present time.

RESOLVED **1. To accept the progress against the Internal Audit Plan 2018/19; and close the Agenda item.**
2. 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.040 **ANNUAL SUMMARY OF CERTIFICATION OF GRANT CLAIMS AND RETURNS 2017/18**

The Principal Accountant updated the Committee referring to a report that had been circulated prior to the meeting.

RESOLVED **To note the report.**

AC.041 **ANNUAL GOVERNANCE STATEMENT 2017/18 IMPROVEMENT PLAN – PROGRESS REPORT**

The Principal Accountant updated the Committee referring to a report that had been circulated prior to the meeting.

RESOLVED **That it has reviewed and considered the actions taken to address the governance improvement areas identified.**

AC.042 **3RD QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2018/19**

The Principal Accountant updated the Committee referring to a report that had been circulated prior to the meeting.

RESOLVED **To approve the Treasury Management Activity as third quarter report for 2018/19.**

AC.043

TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2019/20

The Principal Accountant outlined the above report.

RECOMMENDED TO COUNCIL

1. To adopt the prudential indicators and limits for 2019/20 to 2021/22;
2. To approve the treasury management strategy 2019/20, and the treasury prudential indicators;
3. To approve the investment strategy 2019/20, and the detailed criteria for specified and non-specified investments; and
4. To approve the MRP Statement 2019/20.

AC.044

MEMBERS' QUESTIONS

There were none.

The meeting closed at 8.35 pm.

Chair

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

7 MAY 2019

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Report Title	INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2018/19
Purpose of Report	To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2018/19.
Decision(s)	The Committee RESOLVES to: <ul style="list-style-type: none"> • Accept the progress against the Internal Audit Plan 2018/19 • Accept the assurance opinions provided in relation to the effectiveness of the Council's control environment.
Consultation and Feedback	Internal Audit findings are discussed with Service Heads/Managers. Management responses to recommendations are included in each assignment report.
Financial Implications and Risk Assessment	There are no financial implications arising directly from this report. Andrew Cummings – Head of Finance & S151 Officer Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk Risk Assessment: 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.
Legal Implications	The legal framework concerning the requirements regarding internal audit are set out in the opening section of the progress report. Patrick Arran, Interim Head of Legal Services and Monitoring Officer Tel: 01453 754369 Email: patrick.arran@stroud.gov.uk

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	In accordance with the Public Sector Internal Audit Standards 2017 (PSIAS) and reflected within the Audit and Standards Committee work programme, Internal Audit reports on progress against the approved Internal Audit Plan 2018/19. These are scheduled to be presented to Audit and Standards Committee at the July 2019 meeting.
Background Papers/ Appendices	Appendix A – Internal Audit activity progress report 2018/19. Background papers: <ul style="list-style-type: none"> ➤ Internal Audit Plan 2018/19; ➤ PSIAS; and the ➤ CIPFA Local Government Application Note for the UK PSIAS.

1.0 Background

- 1.1 Members approved the Internal Audit Plan 2018/19 at 10th April 2018 Audit and Standards Committee meeting. In accordance with the PSIAS, this report (through **Appendix A**) details the outcomes of Internal Audit work carried out in accordance with the approved Plan.
- 1.2 The Internal Audit activity progress report 2018/19 at **Appendix A** summarises:
- The progress against the Internal Audit Plan 2018/19, including the assurance opinions on the effectiveness of risk management and control processes;
 - The outcomes of the Internal Audit activity during the period January to April 2019; and
 - Special investigations/counter fraud activity.
- 1.3 The report is the fourth progress report in relation to the Internal Audit Plan 2018/19.

Internal Audit Activity Progress Report

2018-2019



(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 or guidance”. The Internal Audit Service is provided by Audit Risk Assurance 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 guidance accompanying the Regulations recognises the Public Sector Internal Audit Standards 2017 (PSIAS) as representing “proper internal audit practices”. The standards define the way in which the Internal Audit Service should be established and undertake its functions.

(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 advising the organisation that these 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 standards is that the Chief Internal Auditor should provide progress reports on internal audit activity to those charged with governance.

This report summarises:

- The progress against the 2018/19 Internal Audit Plan, including the assurance opinions on the effectiveness of risk management and control processes;
- The outcomes of the Internal Audit activity during the period January to April 2019; and
- Special investigations/counter fraud activity.

(4) Progress against the 2018/19 Internal Audit Plan, including the assurance opinions on risk and control

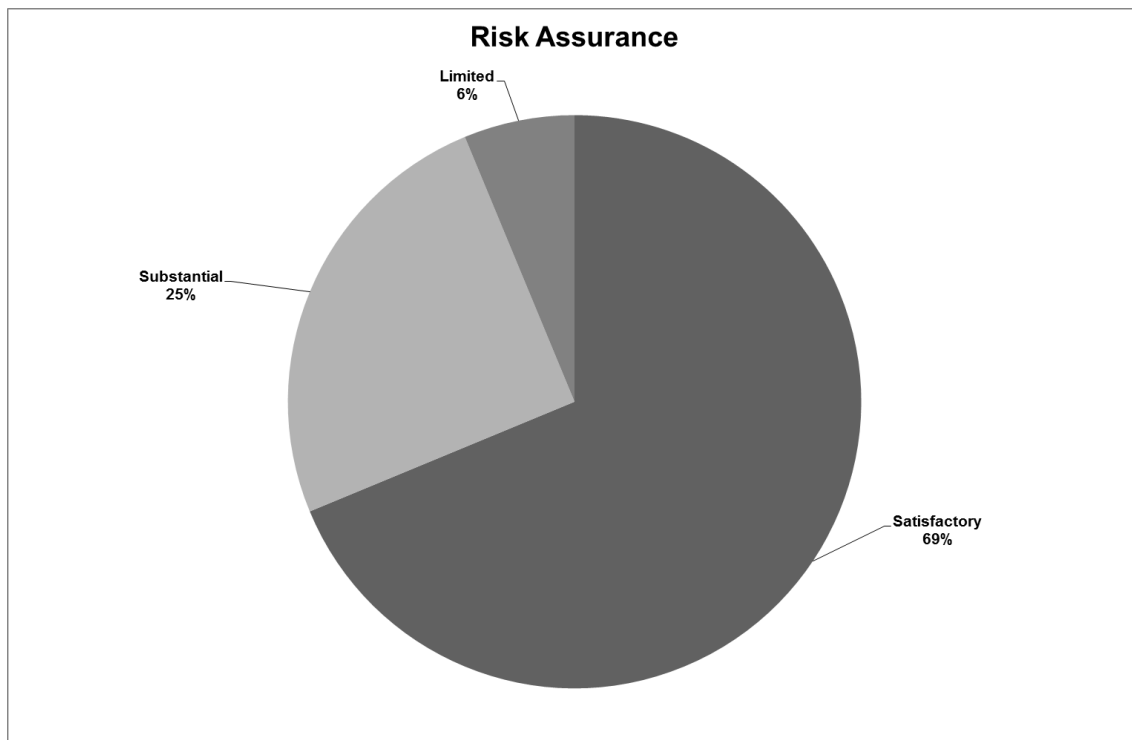
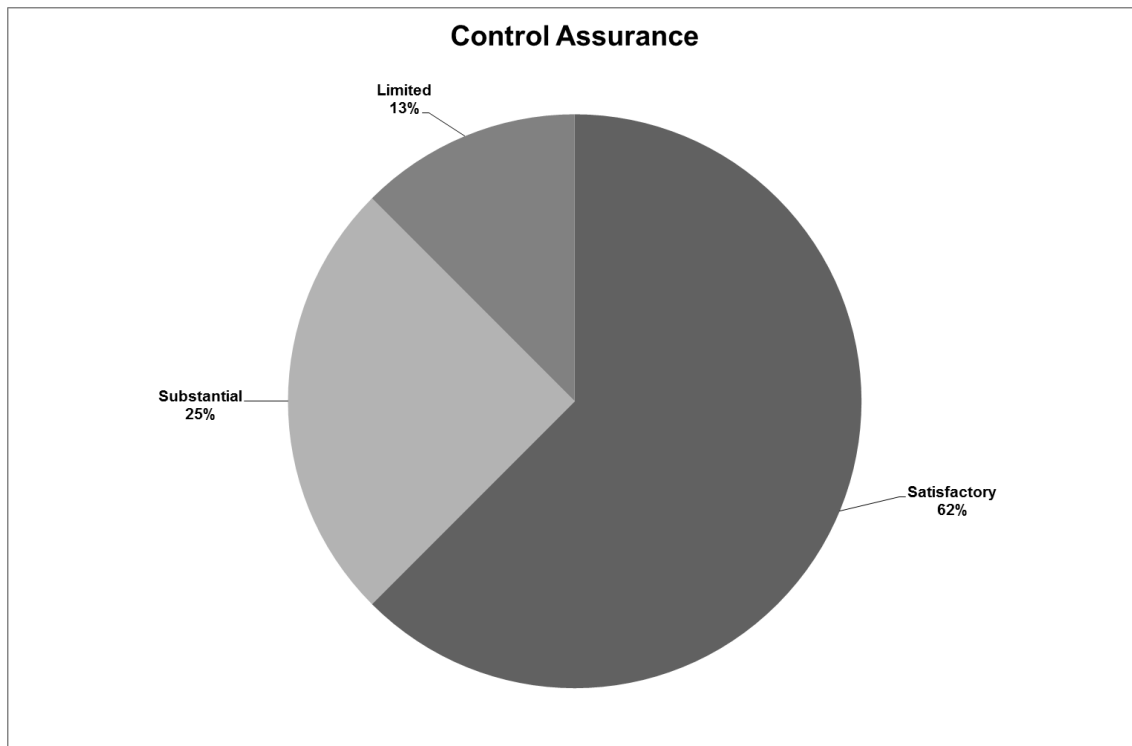
The schedule provided at **Attachment 1** provides the summary of 2018/19 audits which have not previously been reported to the Audit and Standards Committee.

The schedule provided at **Attachment 2** contains a list of all of the 2018/19 Internal Audit Plan activity undertaken during the financial year to date, 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 in the below table.

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 service areas, finance, reputation, legal, the environment, client/customer/partners, and staff. All key risks are accurately reported and monitored in line with the Council's Risk Management Policy.</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 service areas, 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 Council's Risk Management Policy.</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 accurate and regular reporting and monitoring of the key risks in line with the Council's Risk Management Policy, the service area has not demonstrated a satisfactory awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, 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

(4a) Summary of Internal Audit Assurance Opinions on Risk and Control

The pie charts below show the summary of the risk and control assurance opinions provided within each category of opinion i.e. substantial, satisfactory and limited in relation to the audit activity undertaken during the period April 2018 - April 2019.



(4b) Limited Control Assurance Opinions

Where audit activities record 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.

(4c) Audit Activity where a Limited Assurance Opinion has been provided on Control

During the period January to April 2019, no limited assurance opinions on control have been provided on completed audits from the 2018/19 Internal Audit Plan.

(4d) Satisfactory Control Assurance Opinions

Where audit activities record that a satisfactory assurance opinion on control has been provided, where recommendations have been made to reflect some improvements in control, the Committee can take assurance that improvement actions have been agreed with management to address these.

(4e) Internal Audit Recommendations

During January to April 2019 Internal Audit made, in total, **10** recommendations to improve the control environment, **0** of these being high priority recommendations (**100%** of these being accepted by management) and **10** being medium priority recommendations (**100%** accepted by management).

The Committee 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.

(4f) Risk Assurance Opinions

During the period January to April 2019, please note that no limited assurance opinions on risk have been provided on completed audits from the 2018/19 Internal Audit Plan.

Completed Internal Audit Activity during the period January to April 2019

Summary of Satisfactory Assurance Opinions on Control

Service Area: Customer Services

Audit Activity: Homelessness

Background

The Homelessness Reduction Act 2017 came into effect on 3rd April 2018. It placed new legal duties on local housing authorities and amended the existing Housing Act 1996 homelessness legislation.

The Homelessness Reduction Act 2017 now requires housing authorities to provide homelessness services to all those affected, not just those who have 'priority need'. These include:

- An enhanced prevention duty extending the period a household is threatened with homelessness from 28 days to 56 days, meaning that housing authorities are required to work with people to prevent homelessness at an earlier stage; and
- A new duty for those who are already homeless so that housing authorities will support households for 56 days to relieve their homelessness by helping them to secure accommodation.

Other new provisions cover enhanced advisory services and duties to agree and keep under review a 'personalised housing plan' with each eligible applicant.

Stroud District Council's (the Council's) Housing Advice Team supports the homeless and those facing homelessness in Stroud. Analysis by the Housing Advice Manager has ascertained that in 2017/18, the Housing Advice Team received 93 homeless applications and following government assessment guidelines 39 (42%) were classified as officially homeless and supported. In addition, 685 households who were threatened with homelessness in 2017/18 received support to prevent them from becoming homeless.

Scope

The objective of this review was to determine whether:

- The assessment of homeless applications to determine their eligibility, homelessness position, priority group and intentionality status is in line with Homelessness Reduction Act 2017;

- Risks associated with the assessment of homeless applications had been identified and recorded within the Council's performance and risk management system, Excelsis;
- Eligible applicants received a 'personalised housing plan'; and
- There is a robust process for lessons learned from the appeals procedure.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

- Internal Audit is pleased to verify (through documentation and process review, including discussion with key officers) that the Housing Advice Team, in line with Homelessness Reduction Act 2017:
 - Provide advice and information about homelessness and the prevention of homelessness, free of charge available to any person in their district; and
 - Understand how to assess: eligibility for homelessness support; whether a homeless applicant is actually homeless; if a homeless applicant has a priority need including whether they are vulnerable; and if a homeless applicant has made themselves intentionally homeless.
- Adverse decisions are when an officer assesses an applicant against the criteria of the Homelessness Reduction Act 2017 and disagrees with the applicant's opinion that they have a priority need, are vulnerable and/or are not intentionally homeless. Currently an officer's adverse decision does not go through a formal review process.
- The Housing Advice Team has acknowledged four inherent risks relating to homelessness and has captured this using the corporate system for recording, Excelsis. Excelsis homelessness risks documentation could be improved by ensuring that risks are reviewed and updated in a timely manner and through consideration of the risk of inappropriate/adverse homelessness decisions.
- Government legislation has an expectation that eligible homeless applicants receive a personalised housing plan. Audit sample testing of 2018/19 eligible homeless applicants identified that this does not currently happen for all applicants.
- The Housing Advice Team has a robust appeals process which could be further enhanced with a 'lessons learned' process.

Conclusion

Internal Audit is pleased to confirm that there is a framework for assessing and managing homelessness applicants, in line with the Homelessness Reduction Act 2017.

The audit found that the current framework could be improved by:

- Ensuring that all relevant documentation is uploaded to Locata (the Council's homelessness system);
- An independent review of adverse decisions;
- Regular and timely review and update (as required) of the relevant risks documented on Excelsis;
- Ensuring that all eligible applicants receive a personalised housing plan; and
- Empowering process improvements through an appeals lessons learned process.

Internal Audit has made five medium priority recommendations in line with the above themes, to support the Housing Advice Team to further strengthen the current framework and working practices.

Management Actions

Management have responded positively to the five medium recommendations made.

Service Area: Finance

Audit Activity: Communications (Publication of Financial Information)

Background

Over the life of the current Medium Term Financial Plan (MTFP) the Council face challenges to reduce its net budget whilst delivering its corporate aims.

It is key that finance is placed at the heart of decision-making and all decision-makers must understand their responsibility to take financial considerations into account. It is therefore vital that decision-makers have access to relevant, reliable and timely information, and that there is a robust framework in place for the release of internal and external financial information.

An Internal Audit investigation in 2017/18 of the Subscription Rooms Financial Reporting Error identified and agreed a number of actions, in respect of the generation, control and release of financial information.

The implementation of the agreed actions has been reviewed and tested as part of this internal audit, linking these to the wider control over published financial information.

Scope

The objective of this audit review was to determine whether there is an effective control framework in place for the production of reliable financial information, prior to release to either internal or external parties. The review included implementation follow-up of the agreed actions from the Subscription Rooms Financial Reporting Error investigation.

Risk Assurance – Substantial

Control Assurance – Satisfactory

Key Findings

Internal Audit is able to confirm that enhanced controls now operate reducing the risk in generating, presenting and releasing financial information for publication. Control examples are:

- Internal check and reconciliation processes operate to ensure the integrity of financial data extracted from the main accounting systems is retained.
- A protocol operates covering the comments made in the financial implications section of Committee reports.
- Internal check operates for financial information included in Committee reports, press releases or issued to Members.
- All financial information to be published (press releases and statements), is approved by both the Section 151 Officer, or their representative, and the Corporate Team. The Communications Manager oversees adherence to this control.
- Resource and workload management aids the control of intensive work pressure periods.
- Direct awareness of the financial implications of initiative and projects through finance team members attending / supporting Corporate and Project Teams.

Internal Audit evidenced a general move away from the Finance Team and the Section 151 Officer being reactive to requests for financial information, much of which may be published. Through being an integral part of the processes that are driving new initiatives, projects and change the Finance Team have the opportunity to be proactive in the provision of financial advice and guidance and the generation of information. Examples being, the Section 151 Officer attends Corporate Team meetings and Finance Team members are part of project teams.

Conclusion

In many instances the financial information published by the Council informs and supports decision-making, and informs the public. Reliance on the accuracy and completeness of such financial information is essential. A more prominent role for the Head of Finance and the Finance Team in addition to the actions taken in response to the Internal Audit report following the Subscription Rooms Financial Reporting Error should now help to ensure that control lapses which have occurred before do not reoccur.

The Finance Team, and in particular the Section 151 Officer, plays a crucial enabling role within the Council and it is evident the Head of Finance is working proactively to ensure that officers and Members are able to call upon finance support throughout their projects and general work. It is the responsibility of the Head of Finance and the senior members of the Finance Team, through the systems and controls they operate, to secure and ensure robust and reliable financial information is produced. Managing the balance between being a responsive service, delivering to statutory deadlines and maintaining internal control is a key requirement. Internal controls are now present, however going forward it is of vital importance that the continued application of, and compliance with these controls remain assured irrespective of the Council's work demands and pressures.

Management Actions

No recommendations were made by Internal Audit.

Service Area: Tenant and Corporate Services

Audit Activity: Risk Management (Contracts)

Background

Stroud District Council retains and manages its own housing stock of 5,071 council rented dwellings, with a balance sheet value of £271 million as at 31/03/2018.

Tenant Services handle contracts that relate to the management and maintenance of the housing stock, as well as other services for Stroud residents such as radon testing.

The management of risk is a key part of contract management and the risks that may arise in a contract are many and varied. In light of this it is important for Tenant Services to have effective arrangements in place to identify, evaluate and prioritise risks to support decision making and ensure contracts are managed in an effective way.

Scope

The objective of this review was to determine whether Tenant Services have embedded risk management within the management of their contracts and that the arrangements are in line with the Council's Risk Management Policy Statement and Strategy.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

- The Council has a corporate contract register that is available to officers to document all council contracts valued at £50,000 or higher.
- The Head of Contract Services has set up a Tenant Services contract register to support the management of his service area contracts. For each awarded contract on this register there is a nominated lead officer responsible for the risk management of their contract (i.e. the contract risk owner).
- Internal Audit through examination of both the Council's and Tenant Services' contract registers established that there are 28 current Tenant Services contracts.
- Internal Audit sampled three current Tenant Services contracts that had high contract values and found that each had an individual risk register. The Head of Contract Services confirmed to Internal Audit that these risk registers are reviewed at the monthly manager meetings held with each lead officer.
- Audit review of the sampled risk registers established that:
 - The registers used a standardised template supporting consistency of information and each register was up-to-date;

- All risks have been evaluated and a risk score documented that is in line with the Council's risk scoring requirements. However not all medium and high scored risks have a corresponding action plan;
 - Consideration to contract risk themes identified by the Local Government Association and the Chartered Institute of Public Finance and Accountancy would be advantageous; and
 - The registers document that the risks have been reviewed in the previous three weeks to audit testing.
- Tenant Services have identified and documented nine risks relating to contracts on the Council's performance and risk management system, Excelsis. Internal Audit reviewed the nine risks and found that five have been reviewed by their planned review date.
 - Internal Audit found that, on the whole, risks documented on Excelsis and the individual contract risk registers support the requirements of the Risk Management Policy Statement and Strategy, however enhancements could be made to provide the senior management team and Members with greater oversight of high scoring/significant contract risks.

Conclusion

Internal Audit is pleased to confirm that from the review of the three sampled contracts and consideration of the processes in place, Tenant Services have an embedded risk management approach within the management of their contracts and that the arrangements are mainly in line with the Council's Risk Management Policy Statement and Strategy. However the risk management approach could be improved through:

- A review of the Tenant Services contract register to ensure it is complete and up-to-date;
- Consideration of additional risks based on good practice guidance from the Local Government Association and the Chartered Institute of Public Finance and Accountancy;
- Evidenced regular risk register reviews with the contractors;
- The timely review of risks documented on Excelsis; and
- The implementation of a control framework to ensure that contracts approaching their expiry date are re-procured in a timely manner.

Management Actions

Management have responded positively to the five medium recommendations made.

Summary of Substantial Assurance Opinions on Control

Service Area: Finance

Audit Activity: Debt Collection and Recovery

Background

Income can be a vulnerable asset and effective income/recovery systems are necessary to ensure that all income/debt due is collected.

The Council's main debtor billing systems are segmented into; i) Civica for Council Tax, Business Rates and Housing Benefit overpayment balances not recovered from on-going entitlement; ii) Northgate for Housing and Garage Rent; and iii) Agresso for sundry debtors.

In addition, there are debtor billing, collection and recovery procedures in place for car park fees and leaseholders charges.

Scope

This audit review considered whether there are robust arrangements in place for the management of debt owed to the Council, based on the principles of early contact, close monitoring, consistent action and adherence to agreed internal/external collection/recovery procedures.

Risk Assurance – Substantial

Control Assurance – Substantial

Key Findings

- The departmental procedures to run month end outstanding debtor reports are suitably embedded and adequate for the financial systems so that the procedure is effective. The previous recommendation for month end reports has been implemented.
- In addition, the monthly reporting procedure of outstanding debtor balances to service departments was verified as operating correctly, to minimise collection of debt.

- Based upon the results of sample testing 35 outstanding accounts at November 2018 month end; i) debtor arrears are subject to early contact; ii) managed using agreed payment plans; and iii) use is made of a set of rigorous debt recovery procedures.
- A consistent approach is adopted across the various income streams for debt recovery procedures such as timely reminder letters, final notices and payment arrangements.
- The use of debt recovery suppression controls is correctly applied and operating correctly.

Conclusion

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

Management Actions

No recommendations were made by Internal Audit.

Service Area: Finance

Audit Activity: Budget Savings

Background

In January 2018, the Council updated its Medium Term Financial Plan (MTFP). The MTFP sets out the Council's core budget position to 2021/22. An important part of the Council's strategy will be the continued delivery of efficiencies, savings and increased income generation. This will help minimise the Council's need to support the general fund budget through the use of reserves.

For 2018/19 the Council's General Fund Saving Plan as stated in its Budget Strategy categorises savings as 'service savings achieved' and 'savings targets'. Both categories will require regular review and reporting to monitor and ensure the level of achieved savings (the 2018/19 budget levels) are maintained, and that target savings will be delivered within the year.

Scope

The objective of this audit review was to examine the progress of the 2018/19 General Fund Savings Plan through the budget monitoring process, to verify the 2018/19 savings 'achieved' and 'targeted' are being delivered, monitored and reported.

The review excluded savings associated with the Workforce Plan project, as this is the subject of a separate specific internal audit review.

Risk Assurance – Substantial**Control Assurance – Substantial****Key Findings**

The 'service savings achieved' element of the Council's savings plan lists a number of areas, identified as part of budget setting, where savings or additional income generation can be achieved. Part of the budget setting control process is the confirmation by budget holders that the savings or income levels will be delivered. The sums agreed are deducted from or added to the budget and the budget holder is responsible for managing their budgets within the levels set.

Success in delivering these saving plan sums within the current year will then be demonstrated through the budget monitoring process, which should evidence spending and income against the approved budget levels.

Internal Audit has reviewed the first formal Budget Monitoring Report (reported to Strategy and Resources Committee on 4th October 2018) that shows a forecast of the outturn position against the revenue budget at 31st August 2018. Internal Audit has confirmed that, for the 'service savings achieved' section of the savings plan (excluding Workforce Plan project items); there are no significant projected variances in 13 of 14 of the saving / income generation areas. The one exception is the Littlecombe Business Units where the 'achieved' saving was stated as £62k, but the delays in completing and letting the units will result in the saving not being realised in 2018/19. There is a commentary to this effect within the budget monitoring report and further detail was provided to Members at the Committee meeting.

In the savings plan there is a second section 'saving targets', these are savings or areas where additional income will be generated, to be achieved during the current financial year. For 2018/19 the non Workforce Plan project items identified as target savings are the additional income generated from Business Rate Pooling and from spend consolidated.

In respect of Business Rate Pooling Internal Audit has obtained confirmation, from both the then Accountancy Manager (the across county lead on this initiative) and the Head of Finance independently, that the target saving of £100k for the year will be realised.

The consolidated spend saving of £50k relates to the savings to be generated from the award of a single supplier contract for the provision of agency staff and the combined benefits accruing from a two staged approach to generating print cost savings - initial print savings resulting from a drive to reduce print usage and associated costs and a planned second phase to contract with a small number of print suppliers. Internal Audit has examined both areas and confirmed that the movement in costs from 2017/18 to the current year (predicted outturn) indicate the target savings will be delivered within the year.

The pressures to make savings and to generate additional income continue, as reflected in the Budget Strategy 2019/20 to 2022/23 report to Strategy and Resources Committee (draft MTFP) of 4th October 2018. Planning future savings will introduce degrees of uncertainty. The Littlecombe Business Units (2018/19) and the introduction of parking charges in other towns (2019/20) being examples of planned income streams, approved by Council, being subsequently delayed and withdrawn respectively. It may assist Members to indicate byway of a traffic light system or similar, the current degree of certainty over items contained within MTFP saving plan. This becomes more pertinent as increasingly savings are targets to be delivered through complex change programmes within the year and beyond.

Conclusion

In line with the agreed audit scope, this conclusion is relevant to the Council's non Workforce Plan project savings 2018/19 only.

For 2018/19 the majority of planned budget savings to be derived from service activities are achieved prior to the start of the financial year. Therefore, realising these savings is achieved by service managers managing within their set budgets. The budget monitoring process to the end of August 2018 indicates that budget management, in the majority of the areas where savings or increased income generation were set, will be delivered. Where 2018/19 target savings or income streams have been set, evidence obtained by Internal Audit indicates the target levels will be delivered.

In determining the audit opinion for this review, consideration has been given to the limited scope of the audit, against the wider and long term budget saving challenges faced by the Council. The Council is risk aware in terms of the future year budget pressures, but the strategy to achieve these will need to become more complex and this is acknowledged by the Head of Finance.

Management Actions

No recommendations were made by Internal Audit.

Service Area: Tenant and Corporate Services**Audit Activity: IR35s – Off Payroll Working through an Intermediary****Background**

IR35 is tax legislation that is designed to combat tax avoidance by workers supplying their services to clients via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used. Such workers are referred to as 'disguised employees' by Her Majesty's Revenue and Customs (HMRC).

The Council is responsible for determining IR35 status when procuring services and if the rules do apply must ensure that tax and Class 1 National Insurance (NI) Contributions are deducted at source. If any such persons are paid through agencies it still remains the responsibility of the Council, as the client, to determine IR35 status and ensure that the agency is aware that tax and NI must be deducted at source.

This review will seek to determine whether the Council has effective arrangements in place to ensure that it conforms to these regulatory requirements.

Scope

To review the systems, policies and procedures in place to ensure that new and existing off payroll workers are identified and assessed against IR35 requirements.

Risk Assurance – Substantial**Control Assurance – Substantial****Key Findings**

The Council has suitable guidance available on the Hub (the Council intranet) to direct service area managers of the required process to recruit an agency worker or consultant. Human Resources (HR) have oversight of these processes to ensure the necessary considerations to the IR35 legislation are applied.

Previously the Council engaged directly with employment agencies to obtain agency workers, however as at 24th September 2018 the Council has a contracted Neutral Vendor who facilitates the engagement of agency workers. The Council currently has agency workers across both methods, with the aim of moving all agency workers onto the Neutral Vendor framework. Moving forward, the Resourcing Advisor

confirmed that all agency recruitment will go through the Neutral Vendor framework.

Through both the Neutral Vendor framework and directly engaging with employment agencies, the Council is required to state if a role is within scope of the IR35 legislation. This is assessed by the completion of the HMRC checking tool. Where a role is deemed to be within the legislation, the Council are required to inform the employment agency of this. It is then the responsibility of the employment intermediary/agency to make the necessary deduction for tax and NI. The Council holds no risk of penalty for incorrect deductions made by the employment agencies under HMRC 'agency rules'.

The Council has a separate process for acquiring consultants, which requires approval from senior management and HR before being processed. HR are able to advise service area managers of the IR35 requirements including helping define if the consultancy role is within the IR35 legislation. The consultancy guidance notes available to all managers via the Hub clearly state that where a role is within the IR35 legislation, consultants must be paid via payroll to deduct tax and NI at source.

Internal Audit sample tested nine workers across a range of 2018/19 engagements (employment agency, Neutral Vendor and the consultancy process). The processes were found to be operating as intended in all cases, including evidence of the completed HMRC checks where required and audit trail of the necessary body of being informed of its requirements under the IR35 legislation. Appropriate assurance was gained of the correct payment method of the workers for the audit sample and that the risk associated with IR35 was being suitably managed.

Conclusion

The Council has an effective process to ensure that the correct payment method, in line with IR35 is used when engaging a worker either through an employment agency, the Neutral Vendor framework or the consultancy process.

Due to the centralised nature of engaging agency staff and consultants, HR is able to ensure the necessary processes are completed, including determining the workers employment status, informing the necessary bodies of this status and confirming the correct payment method is being used.

Management Actions

No recommendations were made by Internal Audit.

Summary of Consulting Activity, Grant Certification and/or Support Delivered where no Opinions are provided

No audit assurance opinions on risk and control are provided in this section as this section relates to other audit activity such as statutory Chief Internal Auditor grant certification sign off and consultancy work i.e. where internal audit advise management on the risk and control environment in relation to new and emerging risks, projects, systems and processes to help 'design out' risk at the developmental stage.

Service Area: Tenant and Corporate Services

Audit Activity: De-pooling of Rents (Consultancy)

Approximately 40% of the Council's general needs tenants have their rent and some service charges combined, whilst sheltered housing tenants have a universal service charge.

Service charge de-pooling is a process whereby a landlord stops sharing the costs of these services amongst tenants and introduces a separate service charge payable only by those tenants who receive additional services, providing a clear link between what someone pays for shared services and the service they receive.

The Council has formed a Service Charge Operational Project Group to review service charges and oversee the implementation of the service charge de-pooling. Internal Audit has provided the project lead with professional advice, with the aim of designing out risk and ensuring that there are effective mitigating controls to support the delivery of the project's aims and objectives.

Service Area: Council Wide

Audit Activity: Workforce Plan Transitional Arrangements (Consultancy)

Background

Local Government continues to operate in a climate of financial uncertainty and volatility. For the Council in particular, due to a reduction in settlement from central government the Council will incur a significant reduction in its General Fund finances by 2022-23. The General Fund Medium Term Financial Plan (presented to full Council in January 2019) highlighted that it forecasts that there will be a shortfall year on year totalling approximately £1.7m by 2022-23. The deficit net of planned savings is to be covered by the Council's reserves to ensure it maintains a balanced budget.

The Council's Corporate Change Programme is part of a wider programme to help the Council achieve the changes that are needed to shape the Council for the future. Focus on initiatives that support the use of technology, enabling staff to work more flexibly, promoting customer self service, office redesign, organisational culture, with the overall aim of delivering greater efficiencies in order to address the funding gap and enable a cohesive and aligned approach to the achievement of the Council's Corporate Delivery Plan.

The workforce plan is an efficiency initiative and has focused upon a 20% reduction in the workforce over a four year period. A phased programme of service reviews has been scheduled, with the objective of achieving the best future direction of the service under review, taking into consideration its priorities, risks and options to achieve financial savings, whilst maintaining value for money, and excellent service delivery.

Scope

Due to the significance of the change programme, Internal Audit will provide professional advice and support to the project to ensure that the control environment is not comprised.

Key Findings

The following service areas, which formed part of phase two of the workforce plan, were subject to a review by the Council's project team and completed during 2018-19:

- Museum in the Park;
- Creditors (transfer of service from Finance to Revenue and Benefits only);
- Human Resources;
- Community Services; and
- Regeneration.

Service area management advised Internal Audit that following a review by the workforce plan project team there followed a reduction in the number of personnel, which resulted in organisational structure amendments. In addition no material changes have been made to the above service areas processes and controls and / or there was a withdrawal or significant reduction in the service provision.

A review by Internal Audit of the Creditors team supplier payment process and controls, following a request from the Revenue and Benefits Manager, highlighted that the process was not efficient and that the controls, particularly around supplier

bank account details, were not operating effectively. Internal Audit suggested a number of improvements to the Revenue and Benefits Manager and Head of Finance for their consideration e.g. focus checks on new suppliers, high value supplier payments, changes to supplier bank account details, update and enhance service area guidance, etc.

Conclusion

Internal Audit support and advice was not sought by service area management whose services were subject to phase two of the workforce plan as the existing processes and controls remained and / or the service provision was withdrawn or significantly reduced.

However Internal Audit did, following a request from the Revenue and Benefits Manager (post transfer of service), provide controls advice and support in order to strengthen the supplier payments control environment operated by the Creditors team.

Summary of Special Investigations/Counter Fraud Activities

Current Status

During 2018/19 to date 24 potential irregularities have been referred to Internal Audit, 14 of which have previously been reported to the Audit and Standards Committee. All of the 10 new cases relate to revenue and benefit claims, seven of which are joint working investigations with the Department for Work and Pensions (DWP). It is anticipated that at least two of these cases are likely to result in sanctions:

- 1 x undeclared work case with a housing benefit overpayment of £2,250.04 and Council Tax Reduction Scheme (CTRS £890.09); and
- 1 x undeclared work case with a housing benefit overpayment of £2,405 and Council Tax Reduction Scheme (CTRS) £945.30.

In respect of the majority of cases referred in 2018/19, ARA has liaised with Gloucestershire's Counter Fraud Unit (CFU) to investigate potential irregularities. Of the cases referred in 2018/19, 13 have now closed with varying outcomes; the details of ten have previously been reported to the Audit and Standards Committee. Of the three cases not previously reported there was insufficient evidence and the cases were closed, not proven.

In addition ARA/CFU continued to work on two cases brought forward from 2017/18. One of these cases has now closed and has previously been reported to the Audit and Standards Committee. The remaining case is a CTRS overpayment of £5,081.20. There is a prosecution pending that falls outside of the parallel working provisions with the DWP, however, the CFU and the Council's Legal Services are attempting to co-ordinate the prosecution with the Crown Prosecution Service (CPS) in respect of the housing benefit and council tax benefit case to bring the cases to court on the same day and therefore enable the offences to be heard and considered in one hearing.

ARA previously reported a commissioned piece of work, through the CFU, on Right to Buy (RTB) which identified an additional six cases requiring further review. Four of these have now been closed and have been previously reported to Audit and Standards Committee. Of the two cases remaining, one has been closed with no issue in respect of the RTB, although the case has been referred back to the Revenue and Benefits Service for Single Person Discount SPD / CTRS issues. The final case is still being investigated.

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.

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The 2018/19 data collections were successfully uploaded to the Cabinet Office during October 2018 and data matching reports are now available for review. Examples of data sets include 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.

In addition, there is an annual data matching exercise undertaken relating to matching the electoral register data to the 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.

Progress Report including Assurance Opinions

Department	Activity Name	Priority	Activity Status	Risk Opinion	Control Opinion	Reported to Audit and Standards Committee	Comments
Council Wide	Workforce - Programme Management	High	Deferred				2019/20 Audit Plan will include a review
Council Wide	Workforce Plan - Transitional Arrangements	High	Final Report Issued	Not Applicable	Not Applicable	07/05/2019	Consultancy
Council Wide	Capital Programme Limited Assurance Follow Up	High	Deferred				Deferred to 19/20 plan to ensure consideration
Council Wide	Procurement	High	Final Report Issued	Satisfactory	Satisfactory	09/10/2018	Brought Forward from 17/18 plan
Council Wide	Legacy Software	High	Final Report Issued	Satisfactory	Limited	09/10/2018	Brought Forward from 17/18 plan
Development Services	Food Hygiene Inspections	High	Final Report Issued	Satisfactory	Satisfactory	29/01/2019	
Customer Services	Business Continuity	High	Audit in Progress				
Customer Services	Business Rates Evaluation List	High	Audit in Progress				
Customer Services	Multi Services Contract Follow Up	High	Final Report Issued	Limited	Limited	09/10/2018	
Customer Services	Subscription Rooms - Risk Management	High	Draft Report Issued				
Customer Services	Homelessness	High	Final Report Issued	Satisfactory	Satisfactory	07/05/2019	Brought Forward from 17/18 plan
Customer Services	The Pulse Dursley Limited Assurance Follow Up	High	Final Report Issued	Satisfactory	Satisfactory	29/01/2019	
Finance	Banks Automated Clearing System (BACS)	High	Final Report Issued	Satisfactory	Satisfactory	26/07/2018	
Finance	Budget Savings	High	Final Report Issued	Substantial	Substantial	07/05/2019	
Finance	Communications (Publication of Financial Information)	High	Final Report Issued	Substantial	Satisfactory	07/05/2019	
Finance	Debt Collection and Recovery	High	Final Report Issued	Substantial	Substantial	07/05/2019	
Finance	Insurance	High	Cancelled				Refer to insurance tender consultancy review
Finance	Local Government Pension Scheme (LGPS) Limited Assurance Follow Up	High	Final Report Issued	Satisfactory	Satisfactory	29/01/2019	
Tenant & Corporate Services	Competency Framework	High	Planned				Audit progression/deferral pending Action Plan
Tenant & Corporate Services	Contract Management (Mechanical and Electrical Payment Mechanisms)	High	Final Report Issued	Satisfactory	Substantial	09/10/2018	
Tenant & Corporate Services	Depooling of Rents	High	Consultancy	Not Applicable	Not Applicable	07/05/2019	
Tenant & Corporate Services	General Data Protection Regulations (GDPR)	High	Planned				
Tenant & Corporate Services	HRA Delivery Plan - Budget Savings	High	Deferred				Deferred to 19/20 plan due to recent legislation
Tenant & Corporate Services	IR35s - Off Payroll Working Through An Intermediary	High	Final Report Issued	Substantial	Substantial	07/05/2019	
Tenant & Corporate Services	Property Maintenance	Medium	Audit in Progress				
Tenant & Corporate Services	Risk Management (Contracts)	High	Final Report Issued	Satisfactory	Satisfactory	07/05/2019	
Tenant & Corporate Services	Settlements	High	Final Report Issued	Satisfactory	Satisfactory	09/10/2018	
Finance	Treasury Management	High	Final Report Issued	Satisfactory	Satisfactory	20/11/2018	
Council Wide	Car Parking Review	High	Final Report Issued	Not Applicable	Not Applicable	29/01/2019	New activity
Tenant & Corporate Services	ICT Action Plan	High	Audit in Progress				Position statement in 18/19 annual report

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

7 MAY 2019

6

Report Title	RISK BASED INTERNAL AUDIT PLAN 2019/2020
Purpose of Report	To present to Members, for their consideration and approval the Annual Risk Based Internal Audit Plan 2019/20.
Decisions(s)	The Committee RESOLVES to approve the Annual Risk Based Internal Audit Plan 2019/20 as detailed in Appendix A.
Consultation and Feedback	The Corporate Team, Heads of Service and Service Managers have been consulted on the proposed Plan for 2019/20. The timing of audit work will be planned in conjunction with the appropriate managers to minimise abortive work and time.
Financial Implications and Risk Assessment	<p>There are no financial implications from the report.</p> <p>The planned audit activities are included within the budget approved by Council in January 2019.</p> <p>As with all audit plans, the Chief Internal Auditor will continue to reassess internal audit resources required against the council's priorities and risks and will amend the Plan throughout the year as required, with any additional activity required above the core provision agreed with the S151 Officer, reporting any key changes to the Audit and Standards Committee.</p> <p>Andrew Cummings, Head of Finance and S151 Officer Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk</p> <p>Risk Assessment:</p> <p>The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit, through the delivery of the Risk Based Annual Audit Plan, plays a vital part in independently and objectively advising the organisation that these arrangements are in place and operating effectively.</p>

Legal Implications	There are no legal implications arising from this report. Patrick Arran, Interim Head of Legal Services and Monitoring Officer Tel: 01453 754369 Email: patrick.arran@stroud.gov.uk
Report Author	Theresa Mortimer, Head of Audit Risk Assurance (Chief Internal Auditor) Tel: 01453 754319 Email: theresa.mortimer@stroud.gov.uk
Options	The Public Sector Internal Audit Standards (PSIAS) 2017 require the Chief Internal Auditor to produce an Annual Risk Based Internal Audit Plan to determine the priorities of the internal audit activity. The lack of such a Plan would lead to non-compliance with these Standards.
Performance Management Follow Up	In accordance with the PSIAS and reflected within the Audit and Standards Committee work programme, Internal Audit reports on progress against the approved Internal Audit Plan 2019/20. These are scheduled to be presented to the Audit and Standards Committee at the October 2019, January 2020 and April 2020 meetings.
Background Papers/ Appendices	Appendix A - Annual Risk Based Internal Audit Plan 2019/20

Background

1. The work of Internal Audit is carried out in accordance with, and is assessed against, the Public Sector Internal Audit Standards (PSIAS) 2017. These Standards require the Chief Internal Auditor to produce an Annual Risk Based Internal Audit Plan to determine the priorities of the internal audit activity. The proposed activity should be consistent with the organisation's priorities and objectives and taking into account the organisation's risk management framework, including risk appetite levels set by management and internal audit's own judgement of risks.
2. To ensure that an effective Plan was developed, a consultation process took place with the Audit and Standards Committee, Corporate Team, Heads of Service and Service Managers to establish priorities. The proposed activity from all sources was collated and matched against the internal audit resources available and prioritised accordingly.
3. The Audit Plan is stated in terms of estimated days input to the Council of **463** audit days, which is comparable to 2018/19. By continuing to apply risk based internal audit planning principles; this level of input, with the ability to commission internal audit resources from current audit framework agreements as required, is considered acceptable to provide the assurance the Council needs. The Chief Internal Auditor will however, continue to reassess internal

audit resources required against the council's priorities and risks and will amend the Plan throughout the year as required, with any additional activity required above the core provision agreed with the S151 Officer, reporting any key changes to the Audit and Standards Committee.

4. The PSIAS also require the Annual Risk Based Internal Audit Plan to be reviewed and approved by the appropriate body which in the case of Stroud District Council is the Audit and Standards Committee.

Internal Audit Plan

2019/2020



Background

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 authorities 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”.

The guidance accompanying the Regulations recognises both the Public Sector Internal Audit Standards (PSIAS) 2017 and the CIPFA Local Government Application Note for the UK PSIAS as representing “public sector internal audit standards”. The standards define the way in which the Internal Audit Service should be established and undertakes its functions.

The standards also requires that an opinion is given on the overall adequacy and effectiveness of the Council’s control environment comprising risk management, control and governance, which is informed by the work undertaken by the Service.

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

What is Internal Auditing?

The role of the internal auditor is to provide *independent, objective assurance* to management that key risks are being managed effectively. To do this, the internal auditor will evaluate the quality of risk management processes, systems of internal control and corporate governance frameworks, across all parts of an organisation, and to provide an opinion on the effectiveness of these arrangements. As well as providing assurance, an internal auditor’s knowledge of the management of risk enables them to act as a consultant and provide support for improvement in an organisation’s procedures. For example, at the development stage of a major new system where the internal auditor can help management to ensure that risks are clearly identified and appropriate controls put in place to manage them.

Why is assurance important?

By reporting to senior management that important risks have been evaluated, and highlighting where improvements are necessary, the internal auditor helps senior management to demonstrate that they are managing the organisation effectively on behalf of their stakeholders. Hence, internal auditors, along with senior management and the external auditors are a critical part of the governance arrangements of our organisation, our work significantly contributing to the statutory Annual Governance Statement (AGS).

Development of the 2019/2020 Internal Audit Plan

To enable the above, the Chief Internal Auditor is required to produce an Annual Risk Based Internal Audit Plan to determine the priorities of the internal audit activity. The proposed activity should be consistent with the organisation’s priorities and objectives and taking into account the organisation’s risk management framework, including risk appetite levels set by management and internal audit’s own judgement of risks.

How did we develop the plan - Risk Based Internal Audit Planning (RBIAP)

To ensure our internal audit resources continue to be focussed accordingly, particularly during periods of organisational change, it is essential that we understand our clients' needs, which means building relationships with our key stakeholders, including other assurance/challenge providers, in order to gain crucial insight and ongoing 'intelligence' into the strategic and operational change agendas within our organisation.

This insight is not only identified at the initial development stages of the plan but dialogue continues throughout the financial year(s) which increases the ability for the Internal Audit Service to adapt more closely to meet the assurance needs of the Council, particularly during periods of significant change.

Our plan therefore needs to be dynamic and should be flexible to meet these needs.

How did we achieve the above?

To ensure that an effective plan is developed, a consultation process took place with the Audit and Standards Committee, Corporate Team, Heads of Service and Service Managers to establish priorities. The proposed activity from all sources was collated and matched against the internal audit resources available and prioritised accordingly.

A flexible audit plan - Risk and Control Assurance Programme

The Audit Plan is stated in terms of estimated days input to the Council of **463** audit days, which is comparable to last year. By continuing to apply RBIAP principles; this level of input, with the ability to commission internal audit resources from current audit framework agreements as required, is considered acceptable to provide the assurance the Council needs. We will however, continue to reassess our resources required against the Council's priorities and risks and will amend the plan throughout the year as required, reporting any key changes to the Audit and Standards Committee.

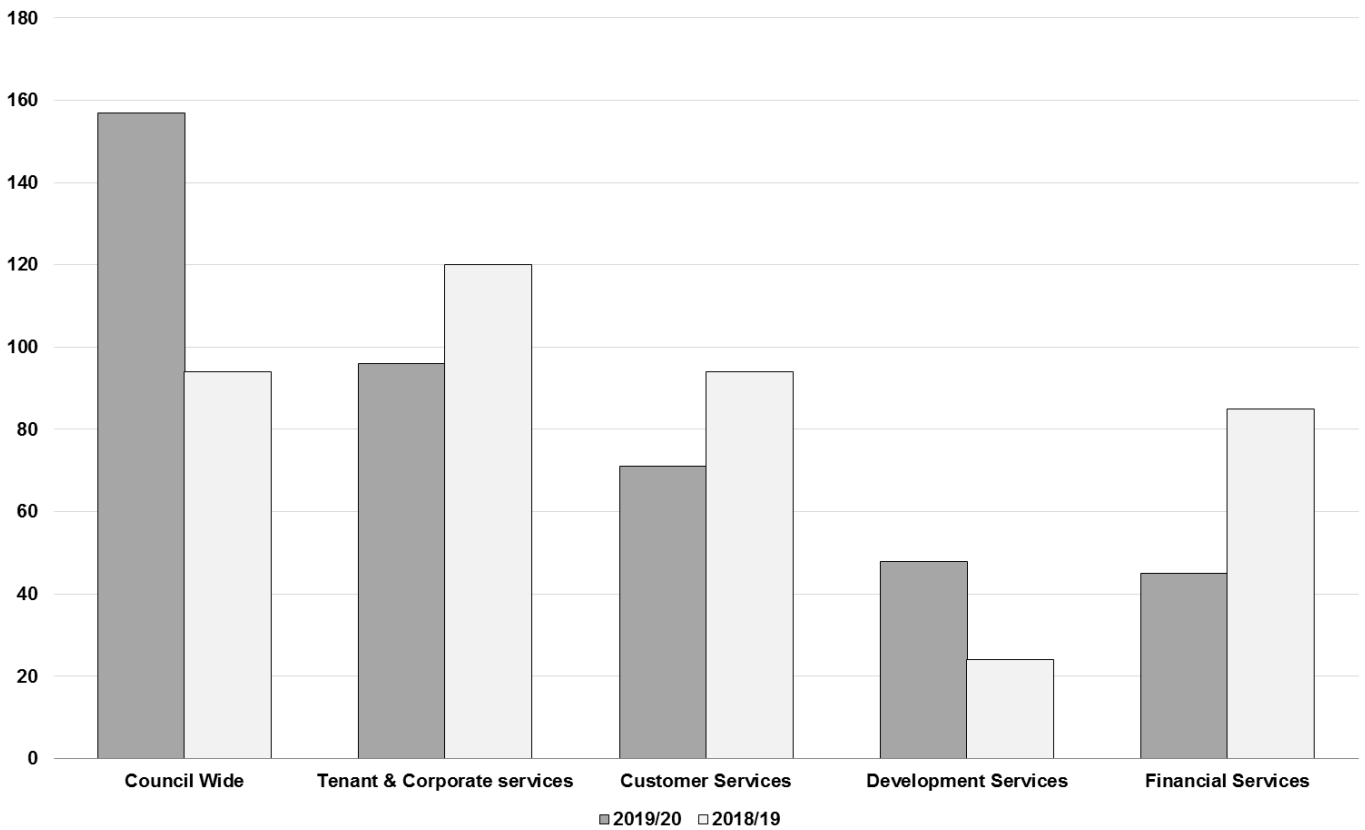
The Chief Internal Auditor will however, continue to reassess internal audit resources required against the Council's priorities and risks and will amend the Plan throughout the year as required, with any additional activity required above the core provision agreed with the S151 Officer, reporting any key changes to the Audit and Standards Committee.

Overview of Internal Audit's Risk and Control Assurance Programme

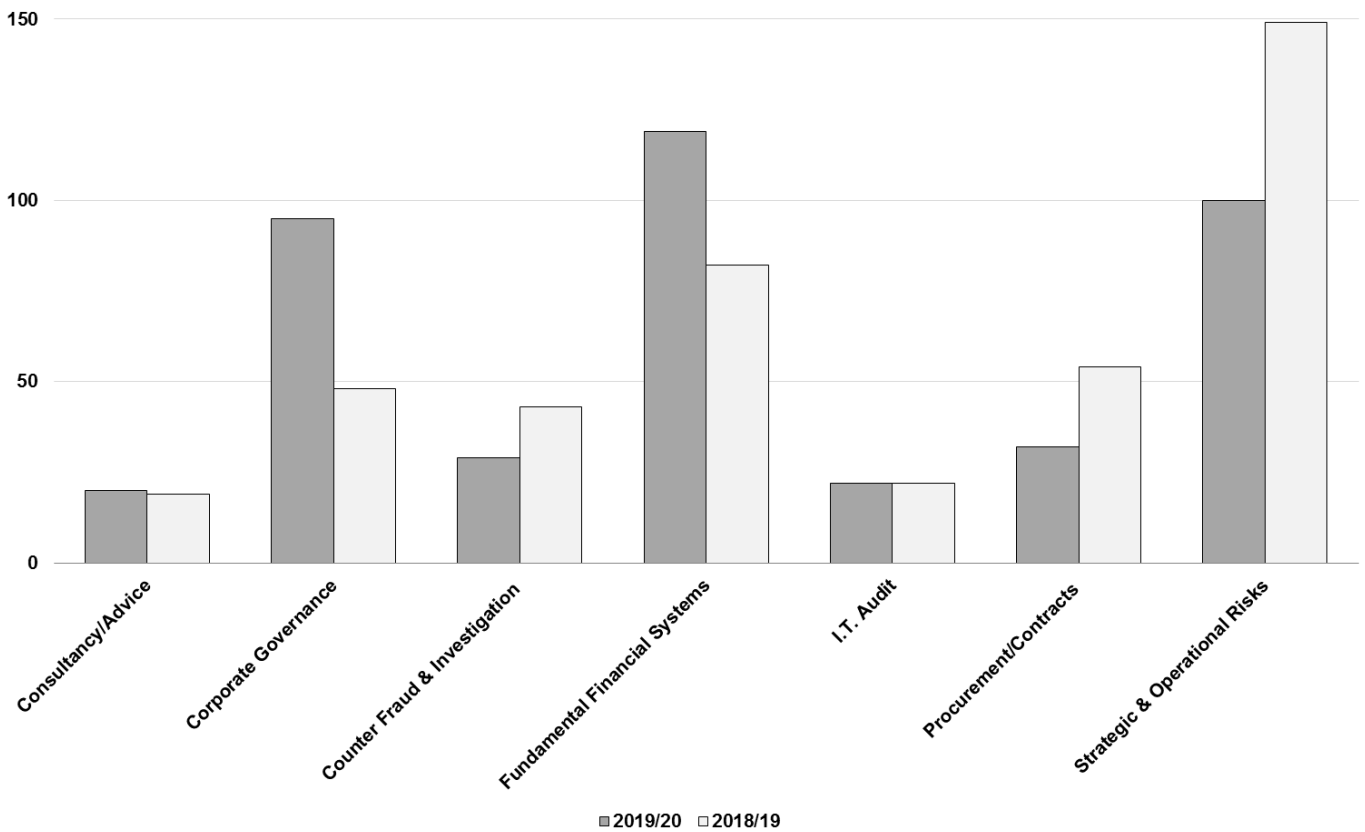
In order to provide a high level overview of the proposed Risk and Control Assurance Programme the charts below highlight the allocation of audit resources (excluding time allocated for management activities e.g. Committee report compilation; Committee attendance and other) per:

- Functional service area; and
- Category of review.

Number of audit days per functional service area



Number of audit days per category of review



The key points to note within the proposals are:

- There is a proportional split, based on risk, between each of the functional service and Council wide areas to enable the provision of the Chief Internal Auditor's annual audit opinion - due to the current transformational change programme being delivered by the Council, more focus has been directed to governance (including a review of the effectiveness of the governance arrangements for driving forward any key improvement actions / plans emanating from the Local Government Association Peer Review), fundamental financial systems and Council wide compliance with key corporate requirements;
- Continued focus on ICT risks and counter fraud activity, which includes the use of Data Analytics to help support more efficient and effective internal audit practices;
- Continued emphasis on providing assurance that the Council's key strategic and operational risks are being effectively managed;
- Undertaking follow up audits where a limited assurance opinion on the control environment was provided in 2018/19 (e.g. capital programme follow up review); and
- Taking into consideration other assurance providers.

The detail supporting this overview is attached at Attachment 1 which shows:

- Audit activity per service area;
- Name of the audit activity;
- Reason for the audit i.e. as a result of RBIAP and link to the Council's Strategic Risk Register, statutory requirements etc;
- Outline scope of the review (please note that a detailed terms of reference is agreed with the client prior to the commencement of every audit to ensure audit activity is continually focused on the key risks and is undertaken within agreed time periods, to ensure our service adds value to the Council); and
- The priority of the audit i.e. priorities 1 and 2. Priority 1 reflects statutory requirements i.e. grant certification, a limited assurance follow-up review, activities that may have been subject to a previous investigation / irregularity, or as deemed necessary by the Chief Internal Auditor to enable an opinion on the control environment to be provided. Priority 2 activities are the remaining identified activities. The aim being that all priority 1 activities would be delivered within the year with the priority 2 audits being reassessed in the eventuality of any new emerging risk areas highlighted where assurances may be required, or where additional fraud investigations/irregularities materialise.

Council Wide

Audit	Reason for Audit	Outline Scope	Priority
Annual Governance Statement (2018/19)	Identified as part of Risk Based Internal Audit Planning (RBIAP) Strategic Risk Register (SRR) Cross Cutting Risk (CCR) all	<p>Local authorities are required to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.</p> <p>This review will seek to determine the robustness of the governance, internal control and risk management arrangements as detailed within the statements of compliance.</p>	<p>Priority 1</p>
Local Government Association (LGA) Peer Review	Identified as part of RBIAP SRR CCR 1, 10, 17, 19	<p>Peer Challenge is a core element of the LGA sector-led improvement offer to local authorities. The basis of the offer is that local authorities have a corporate peer challenge every 4-5 years. The Council has committed to participating in a peer review during the latter part of 2018/19. The peer challenge offers an opportunity to validate the direction of travel and approach being taken by the Council, and test, stretch and further evolve thinking for the future.</p> <p>This audit will seek to determine the effectiveness of the governance arrangements for driving forward any key improvement actions / plans emanating from the peer review.</p>	<p>Priority 1</p>

Audit	Reason for Audit	Outline Scope	Priority
Corporate Risk and Performance Reporting	Identified as part of RBIAP SRR all	<p>The Council’s Excelsis system is used to record and report progress against the Council’s Corporate Delivery Plan, Annual Service plans, Cross cutting plans, Performance Indicators and Risks.</p> <p>Internal Audit will review the operating effectiveness of the current corporate risk and performance management arrangements.</p>	Priority 1
Freedom of Information	Identified as part of RBIAP SRR CCR 4	<p>The Freedom of Information Act 2000 provides members of the public access to information that is held by local authorities. It does this in two ways:</p> <ul style="list-style-type: none"> ➤ The Council is obliged to publish certain information about its activities; and ➤ Members of the public are entitled to request information from the Council. <p>This audit will review the effectiveness of the control environment for handling requests to ensure that the Council is able to fulfil its legal obligations.</p>	Priority 2

Audit	Reason for Audit	Outline Scope	Priority
LGA and Workforce Plan transitional arrangements	Identified as part of RBIAP SRR CCR 1, 4, 10,17, 18, 19 Consultancy	<p>The Council has committed to participating in a peer review during the latter part of 2018/19. The peer challenge offers an opportunity to validate the direction of travel and approach being taken by the Council, and test, stretch and further evolve thinking for the future. In addition, a series of service reviews are being delivered as part of the Workforce Plan.</p> <p>Internal Audit will provide professional advice and support to the change programme to ensure that as part of the transformation programme the control environment is not compromised.</p>	Priority 2

Customer Services

Audit	Reason for Audit	Outline Scope	Priority
Creditors	Identified as part of RBIAP SRR CCR 1, FIN 27 (operational)	<p>The Council's creditor (accounts payable) function is maintained by the Revenue section. The objective of the accounts payable function is to pay valid supplier invoices in respect of goods or services received within agreed payment terms. In 2017/18 creditors were responsible for circa £31.7m of payments (inclusive of VAT), it is therefore important to have robust and effective controls.</p> <p>This audit will review the effectiveness of the arrangements for setting up new vendors, vendor changes and invoice control.</p>	<p>Priority 1</p>
Multi Services Contract	Identified as part of RBIAP SRR CCR 9	<p>The multi services contract provides for the provision of waste and recycling, street and building cleaning, grounds maintenance, fleet management and maintenance services and represents a significant service provision to the Council both in terms of financial and reputational exposure.</p> <p>During 2017/18 Internal Audit undertook a consultancy review to advise upon the effectiveness of the Council's contract management and monitoring arrangements. The findings emanating from the review resulted in a number of recommendations being made in order to strengthen the governance, financial, performance, and risk management arrangements.</p> <p>This review will seek to determine the effectiveness of the contract management arrangements.</p>	<p>Priority 1</p>

Audit	Reason for Audit	Outline Scope	Priority
Complaints Handling	<p>Identified as part of RBIAP</p> <p>SRR CCR 4</p>	<p>The Council defines a complaint as ‘an expression of dissatisfaction with the Council, its service or its staff’.</p> <p>It is important that complaints are taken seriously, promptly, and if justified, to put the matter right as soon as possible.</p> <p>This audit will review the effectiveness of the Council’s handling of complaints.</p>	Priority 2
Council Tax Support Scheme	<p>Identified as part of RBIAP</p> <p>SRR CCR 1, R & B 1 (operational)</p>	<p>The Welfare Reform Act 2012 abolished Council Tax benefit. Under the Local Government Finance Act 1992 local authorities are required to develop a local Council Tax Support scheme which protects pensioners.</p> <p>The Council has recently consulted on the scheme for 2019/20 as the current Council Tax Support Scheme was due to end on 31st March 2019.</p> <p>This review will seek to determine whether there are effective arrangements in place for administering the agreed 2019/20 scheme.</p>	Priority 2

Audit	Reason for Audit	Outline Scope	Priority
Small Business Rate Relief	Identified as part of RBIAP SRR CCR 1, R & B 1 (operational)	Some business properties are eligible for discounts on their National Non Domestic rates (business rates) and this is called 'business rates relief'. Small business rate relief is applicable if the business: <ul style="list-style-type: none"> ➤ Property's rateable value is less than £15,000; and ➤ Only uses one property (however relief could still be applied if more than one property is used where certain criteria is met). This review will seek to determine whether there are effective arrangements in place for administering the scheme.	Priority 2

Development Services

Audit	Reason for Audit	Outline Scope	Priority
Planning Applications	Identified as part of RBIAP SRR CCR 1	<p>The Council is the area’s local planning authority, responsible for determining whether development in the local environment (constructing or altering buildings, or use of land) is suitable and in accordance with local and national policy. National government is keen to ensure continuing improvement in the planning system, and measures the Council’s performance on the speed and quality of decisions on applications for major development.</p> <p>This audit will consider the effectiveness of the arrangements in accepting, validating, publicising and determining planning applications.</p>	<p>Priority 1</p>

Audit	Reason for Audit	Outline Scope	Priority
Gloucestershire Building Control Partnership	Identified as part of RBIAP SRR CCR 1, DEV17 (operational)	<p>Stroud District Council and Gloucester City Council have collaborated to provide a shared local government building control service known as the Gloucestershire Building Control Partnership. The Partnership was established on 1st July 2015 through a Section 101 Agreement, with staff becoming employed by Stroud District Council acting as the host Authority. The Building Control function comprises of two elements:</p> <ul style="list-style-type: none"> ➤ Plan vetting and inspection of applications, which is a statutory Council function in direct competition with the private sector; and ➤ Enforcement of Building Control legislation and regulations. <p>This review will seek to determine whether there are effective governance, risk management and monitoring arrangements in place for the Partnership and that these are operating effectively.</p>	Priority 2

Audit	Reason for Audit	Outline Scope	Priority
Private Sector Housing - Empty Homes	Identified as part of RBIAP SRR CCR 1	<p>The Council's Private Sector Housing Renewal Team works towards warm, safe, healthy homes for all the district's homeowners and private tenants. The team covers all housing which is not owned by the Council, including leasehold properties, privately rented accommodation, housing association properties and those which are owner occupied. Most of Stroud District's residents (89%) live in properties which are privately owned or privately rented (source – Private Sector Housing Renewal Policy).</p> <p>Properties which are left vacant for extended periods of time can cause problems for the local environment, the surrounding community and attract anti-social behaviour, as well as being a wasted resource which could be used to provide much needed homes.</p> <p>This review will seek to determine whether there are effective arrangements in place to encourage owners to bring their properties back into use and ultimately to deter them from leaving their homes empty.</p>	Priority 2

Financial Services

Audit	Reason for Audit	Outline Scope	Priority
Capital Programme	Identified as part of RBIAP Limited Assurance Follow Up SRR CCR 13, 16	<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.</p> <p>During 2017/18 Internal Audit undertook a review of this area. The findings resulted in a limited assurance opinion being given in respect of the risk identification maturity and control environment, leading to a series of recommendations aimed at strengthening the governance framework and ensuring alignment with best practice.</p> <p>In light of the above, it was agreed that Internal Audit would undertake a follow-up review during 2019/20.</p>	<p>Priority 1</p>
Medium Term Financial Plan	Identified as part of RBIAP SRR CCR 1, 3, 4	<p>The Council’s Medium Term Financial Plan (MTFP) sets out the Council’s financial position for the next four years covering the period from 2019/20 – 2022/23. The MTFP is integral to the Council’s financial planning since it forecasts how it will remain financially resilient as an organisation.</p> <p>This review will seek to determine the robustness of the governance framework, assumptions, and compilation process used for the development of the Council’s Medium Term Financial Plan.</p>	<p>Priority 1</p>

Audit	Reason for Audit	Outline Scope	Priority
VAT outputs	Identified as part of RBIAP SRR CCR 1, FIN 3 (operational)	<p>Value added tax (VAT) is a tax on transactions affecting most entries in the Council's accounting system. It is the Council's responsibility to make correct VAT returns to HMRC detailing input and output tax. It is therefore essential that there are appropriate controls over the VAT that shall be charged on any supply of goods or services made in the United Kingdom, where it is a taxable supply, in the course of Council business.</p> <p>This review will seek to determine whether there are adequate internal control arrangements in place to ensure that output VAT is correctly applied.</p>	Priority 2

Tenant and Corporate Services

Audit	Reason for Audit	Outline Scope	Priority
Housing Revenue Account Delivery Plan	Identified as part of RBIAP SRR CCR 5, FIN 9 (operational)	<p>The Council’s housing service delivers a variety of services to tenants and plays a key role in supporting the strategic aims of the Council, including: housing, economic development and health and well being.</p> <p>The Council has developed a business plan which sets out the Council’s considered direction, service priorities, financial model and approach to the management of business risks and opportunities which includes an action plan.</p> <p>This review will seek to determine whether the agreed actions are being actively progressed in line with the stated target delivery dates.</p>	<p>Priority 1</p>
ICT	Identified as part of RBIAP Assurance required by Audit and Standards Committee SRR CCR 4	The ICT audits will be identified following the ICT audit needs assessment. The assessment will be compiled by the internal Audit Service ICT audit specialists and will consider input from both Council officers and External Audit.	<p>Priority 1</p>

Audit	Reason for Audit	Outline Scope	Priority
Leavers Process	Identified as part of RBIAP SRR CCR 4	<p>The Council recognises that employment may be ended for a variety of reasons. If handled effectively it can reduce any negative impact caused by such actions whether the ending of employment is initiated by the employee or the Council.</p> <p>It is important that a consistent and proactive approach is applied to managing the process of ending employment contracts for staff leaving the Council and ensuring compliance with current legislation.</p> <p>This review will seek to determine the effectiveness of the Council's arrangements for managing the process for when employees leave the Council.</p>	Priority 1
Housing Stock - void management	Identified as part of RBIAP SRR CCR 1, TNS 20 (operational)	<p>The Council has circa 5,000 domestic properties. Void management is the term used to define how the Council deals with a vacant property to ensure that rent loss is minimised and the most effective use is made of the Council's housing stock in order to meet housing need.</p> <p>This review will seek to determine whether there are effective arrangements in place to ensure good management of the Council's void properties, to limit void periods in order to maximise rental income, and provide a quality service to meet housing need.</p>	Priority 2

Audit	Reason for Audit	Outline Scope	Priority
Littlecombe Scheme	Identified as part of RBIAP SRR CCR 1	<p>The Littlecombe development is a mixed-use regeneration scheme providing 600 new homes, community facilities and other commercial opportunities. The Council took ownership of the site from the South West Regional Development Agency in 2011. The Council has a partnership agreement with a national property development company and is entitled to 85% of the net development profit at completion of the scheme.</p> <p>This review will seek to determine whether there are effective governance and financial management arrangements in place and that these are in compliance with the development agreement.</p>	Priority 2
Local Government Transparency Code	Identified as part of RBIAP SRR CCR 4	<p>The Department for Communities and Local Government published the Local Government Transparency Code in 2015. Local authorities are required to publish various data online in a number of required formats e.g. expenditure exceeding £500, grants to voluntary, community and social enterprise organisations, senior salaries and fraud.</p> <p>The responsibility for posting accurate, complete and up to date data is spread across the Council. Often people submitting freedom of information requests are directed to this information to enable them to extract the information they require directly so it is important that this information is correct.</p> <p>This audit will review the arrangements established by the Council to meet the requirements of the Code.</p>	Priority 2

Counter Fraud

Audit	Reason for Audit	Outline Scope	Priority
Fraud Investigation / Detection	To support the Annual Governance Statement (AGS) Protect the Public Purse	Allocation to continue the development and implementation of the Council's Anti-Fraud and Corruption arrangements based on latest best practice. This also includes an allocation for increasing the profile and awareness of anti-fraud, conducting proactive counter-fraud reviews and undertaking investigations as required.	<p style="background-color: red; color: white; text-align: center;">Priority 1</p>
National Fraud Initiative (NFI)	Statutory Requirement To support the Annual Governance Statement	To continue to co-ordinate activity as part of the Cabinet Office's NFI (a national data matching exercise that compares data/records i.e. payroll, licences, housing waiting list, single person discounts, creditors etc.) for a wide range of public services, including ensuring that matches are investigated promptly and thoroughly and reporting of results.	<p style="background-color: red; color: white; text-align: center;">Priority 1</p>
Fraud Risk Management	To support the Annual Governance Statement Informs the Risk Based Internal Audit Plan	The CIPFA Counter Fraud Centre has issued guidance on actions to be taken to 'Manage the Risk of Fraud and Corruption' within an organisation. This allocation is to continue to self assess against the criteria set out in the guidance and develop a fraud risk register in order to direct/prioritise our counter fraud and internal audit resources/activity accordingly.	<p style="background-color: red; color: white; text-align: center;">Priority 1</p>

Management Activity to Support the Audit Opinion

Audit	Reason for Audit	Outline Scope	Priority
Audit and Standards Committee / Member / Officer and Chief Financial Officer Reporting	Public Sector Internal Audit Standards (PSIAS) Statutory Requirement	This allocation covers Member reporting procedures, mainly to the Audit and Standards Committee, plan formulation and monitoring and regular reporting to and meeting with, the Chair and Vice Chair of the Audit and Standards Committee and the Chief Financial Officer.	Priority 1
Provision of Internal Control / General Advice	To support an effective control environment	This allocation allows auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the Council.	Priority 1
Quality Assurance and Improvement Programme (QAIP) includes the annual review of the effectiveness of Internal Audit and the external assessment	Public Sector Internal Audit Standards (PSIAS) Statutory Requirement To support the AGS	The Accounts and Audit Regulations 2015 states that Internal Audit should conform to 'proper practices' and it is advised that proper practice for internal audit is currently set out in the Public Sector Internal Audit Standards (PSIAS) 2017. This allocation is to undertake an annual self assessment and when required, commission and deliver an external quality assessment, against the new standards. The next external assessment is due in 2020.	Priority 1

Audit	Reason for Audit	Outline Scope	Priority
External Working Groups	Activity to support the audit opinion	Attendance / work in relation to the Local Authorities Chief Auditor Network (National Group), Midland Counties and Districts Chief Internal Auditors Group and the Fraud and ICT Groups to enable networking and to share good practice.	Priority 1
External Audit Liaison	Management activity to support the audit opinion	The External Auditor and the Chief Internal Auditor regularly meet to discuss plans and audit findings, to ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services.	Priority 1
Carry Forwards	Audit Activity outstanding	This allocation provides for the completion of various 2018/2019 audits which require finalising.	Priority 1
Recommendation Monitoring	Activity to support the audit opinion	Whilst it is management’s responsibility to manage the risks associated with their outcomes/objectives, this allocation enables Internal Audit to monitor management’s progress with the implementation of high priority recommendations.	Priority 1
Internal Working Groups	Activity to support the audit opinion	Internal Audit is frequently asked to nominate representatives for working groups to advise on risk and control.	Priority 2

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

7 MAY 2019

7

Report Title	COMMITTEE ON STANDARDS IN PUBLIC LIFE RECOMMENDATIONS
Purpose of Report	To inform the Committee of the outcome of a Review by the Committee on Standards in Public Life into Local Government Ethical Standards.
Decision(s)	The Committee RESOLVES to: (1) Note the review into Local Government Ethical Standards (2) Recommend to Council that it adopts the best practice recommendations
Consultation and Feedback	None, this Committee is the appropriate consultee for ethical standards
Financial Implications and Risk Assessment	There are no financial implications from this report. Andrew Cummings – Head of Finance & S151 Officer Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk
Legal Implications	Any legal implications are set out in the report.
Report Author	Patrick Arran – Interim Head of Legal Services and Monitoring Officer Tel: 01453 754369 Email: patrick.arran@stroud.gov.uk
Options	The options are that the Committee can accept the list of best practice promoted by the Committee on Standards in Public Life in full, in part or not at all.
Performance Management Follow Up	If adopted, the Monitoring Officer would be responsible for ensuring application and compliance.

1. INTRODUCTION / BACKGROUND

- 1.1 On the 30th January 2019, the Committee on Standards in Public Life (CSPL) published its 20th report called “*Local Government Ethical Standards*”. The purpose of the study and subsequent report was to provide assurance that the current framework following the implementation of the Localism Act 2011 was achieving its aim of ensuring that the standards expected by the public were being maintained and promoted. The full report is available online at the following link:

<https://www.gov.uk/government/publications/local-government-ethical-standards-report>

- 1.2 Members will recall that the Localism Act abolished the Standards Board for England with the intention that ethical standards would be maintained by Councils at a local level.
- 1.3 Overall, CSPL appears to be satisfied that the current arrangements are working and whilst it accepted that the benefits of devolved arrangements should remain, this required strengthening to deal with the minority of councillors who do not adhere to the Nolan Principles and engage in disruptive or abusive behaviour. The Committee also discovered some perceived risks in relation to the rules around conflicts of interest and gifts and hospitality which they are considered to be inadequate.
- 1.4 The CSPL have made a number of recommendations - which are set out in Appendix 1 for information only - and which they believe strike the balance between allowing ethical standards to be dealt with locally whilst providing a system which can hold to account those who commit the most serious or persistent breaches. The key recommendations include:
- A rebuttable presumption that Councillors public behaviour is in their Official Capacity
 - The criminal offences relating to Disclosable Pecuniary Interests should be abolished
 - A new power for local authorities to suspend councillors without allowances for up to six months
 - A right of appeal for suspended councillors to the Local Government Ombudsman
 - Revised rules on declaring interests, gifts and hospitality
 - Local authorities will retain ownership of their own Codes of Conduct
 - Strengthened role for the Independent Person
 - Greater transparency about the number and nature of Code complaints.
- 1.5 The report is to the Government and it is acknowledged that a number of the recommendations will need legislative change, as it stands any legislative intervention will inevitably be delayed by Brexit. Officers will provide further updates to the Committee as appropriate.

2. ISSUES FOR CONSIDERATION

- 2.1 In addition to the recommendations mentioned above, CSPL also provided best practice recommendations which are directed at local authorities. It is their view, and indeed expectation, that any local authority can and should implement them voluntarily. CSPL intends to review the implementation of its suggested best practice in 2020.
- 2.2 The report author is therefore placing the best practice recommendations before the Committee for it to consider. The best practice recommendations, together with commentary from the Monitoring Officer, are set out below. It is the firm recommendation of the Monitoring Officer that the Committee considers recommending to the best practice to Council for adoption. It is not suggested

that there are any particular issues within this Council, it is merely to adopt best practice as identified by the CSPL.

- 2.3 The Monitoring Officer is of the view that the Committee should make recommendations to Council to adopt the proposed best practice. This will also enable Stroud District Council to overtly demonstrate that it has considered and adopted all or some of the best practice recommendations should a review be carried out by CSPL. It must be noted however, that this is not compulsory and they are recommendations, not stipulations.

2.4 Best Practice Recommendations

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

Comment - The majority of the cases reviewed by CSPL related to bullying or harassment, or other disruptive behaviour. The Council's Code of Conduct does have a prohibition on bullying and harassment at Para 3.1(d) so the recommendation is partially met. It would not be onerous to include a definition of bullying and harassment within the Code and the SDC Bullying and Harassment HR Policy definitions could be utilised for consistency across the organisation. It would also add some clarity for members to this section of the Code.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.

Comment – There is no legal compulsion for members to comply with formal standards investigations and the sanctions for breaches of the Code are not sufficient to enforce non compliance. However, CSPL believe that it is an important aspect of ethical conduct by members in itself. If this were included in the Code of Conduct, there would be no uncertainty about what is expected and, depending on the circumstances; a failure to comply may then be a further breach of the Code, i.e. Paragraph 3.1 (c), bringing the office of Councillor into disrepute.

The Code does not include a provision which prohibits trivial or malicious allegations. There would be no difficulty in including such a clause and persistently making trivial or vexatious allegations could, in itself, be a breach of the Code.

The obvious point is that one would have to adopt an objective view of what was trivial or malicious because the person making the complaint may not view it in such terms. This should, in the Monitoring Officers view, be dealt with at the preliminary stages of a complaint in consultation with the Independent Person. Interpersonal complaints between members should routinely be referred to

mediation with Group Leaders involvement in the first instance as a matter of course.

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

Comment – This recommendation results from experiences where Councils have not set out a Code of Conduct in the traditional sense, but have merely stated that they expect compliance with the Nolan Principles.

This is not the case at Stroud. It is the Monitoring Officers view that the Council already complies with this requirement. Members may wish to consider whether a benchmarking exercise with neighbouring Councils would add value. Additionally, it would be a sensible step to encourage all Parish Councils to adopt the Council's Code, preferably without amendment.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

Comment – The Council does make the Code of Conduct available online as part of the Constitution, but the CSPL requirement goes further and suggests that they should not be "*inaccessible on a local authority's website or as an annex to the authority's constitution*". Consideration could be given to a separate ethics / Code section on the website in which the Code could be set out separately.

Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

Comment – The Council does publish any Gifts and Hospitality on the website under individual councillor names. Consideration will need to be given as to whether this should be subject to more formal arrangements even if it produces a nil return. In addition, members will need to be reminded to update their declarations of interest forms as some appear to be out of date.

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

Comment - The standards bodies in Scotland, Wales and Northern Ireland all make use of a 'public interest' test when filtering complaints. These tests set clear expectations to those making complaints and ensure consistency of approach.

It is suggested that a public interest test is adopted in Stroud as this would add an element of certainty, consistency and manage expectations of both the public and members. This could be added to the Procedure for Assessing Allegations of Breaches of the Members Code of Conduct and used as part of a preliminary consideration by the Monitoring Officer, in consultation with the Independent Person upon receipt of a complaint.

Best practice 7: Local authorities should have access to at least two Independent Persons.

Comment – The Council has access to three Independent Persons so it is already compliant with this standard.

Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

Comment – The Councils current process does not require consultation with an independent person either until a decision has been made to investigate or as a form of ‘appeal’ against a decision not to investigate. It is recommended that the process is changed to accommodate this best practice recommendation. It will also allow a ‘one and done’ consideration of the complaint at the initial assessment phase with the Monitoring Officer being delegated authority to dismiss a complaint having consulted with the Independent Person.

Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

Comment – The publication of findings is not routine within the Council’s Procedure for Assessing Allegations etc. Rather, it is a possible sanction in itself. There would be no difficulty in publishing the required information as a matter of course on the rare occasions that findings of misconduct are made following a formal investigation.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

Comment – As mentioned previously, the Council does have guidance in Section 7 of the Constitution in the Members Code of Conduct and Investigation Procedure.

However, the guidance could be confusing to the lay reader and, in the view of the Monitoring Officer, needs to be re-written and re-focussed to take into account the best practice recommendations.

For example, there is no reason why attempts at informal resolution should not be a first consideration where there is a breach of the Code of Conduct, but which is not considered serious enough to investigate. Involving the Independent Person in the initial consideration of the complaint will provide adequate safeguards to the process.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.

Comment – The CSPL are of the view, with which the Monitoring Officer concurs, that Parish Councils should take corporate responsibility when allegations of a councillor bullying an employee – normally this is only the Clerk – are received. This is not a controversial proposal and is any event part of the employer’s duty of care to the employee. Clearly, if the Chair is alleged to be the person carrying out the conduct, other members of the Council should report.

Best practice 12: Monitoring Officers’ roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

Comment – This is something that is already in place. However, the role cannot extend beyond providing advice in relation to ethical matters and would not include advising on governance issues. Parish Councils will need to take advice from their Associations on these matters.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

Comment – The Authority has two Deputy Monitoring Officers who would act in the unlikely event of a conflict for the Monitoring Officer. If either of them were unable to act for any reason, it would be normal practice for a Monitoring Officer from another authority to be asked to assist, this would be on a reciprocal basis and should be cost neutral.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

Comment – This is something that is already in existence but could be re-stated where appropriate.

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues

Comment – There is nothing controversial in this recommendation and meetings can take place by exception.

3. CONCLUSIONS AND RECOMMENDATIONS

The Committee is requested to consider the best practice recommendations and the comments of the Monitoring Officer. If the Committee is minded to accept the best practice recommendations, the Monitoring Officer would take a report to Council to obtain authority to implement the recommendations and to make any necessary changes to the Constitution.

- 3.1 In the meantime, the Monitoring Officer would advise Parish Councils of the outcomes from the CSPL report and the proposals.

Appendix 1 - Recommendations from the Committee on Standards in Public Life

1. The Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.
2. The government should ensure that candidates standing for or accepting public offices are not required publicly to disclose their home address. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to clarify that a councillor does not need to register their home address on an authority's register of interests.
3. Councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly-accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.
4. Section 27(2) of the Localism Act 2011 should be amended to state that a local authority's code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority.
5. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to include: unpaid directorships; trusteeships; management roles in a charity or a body of a public nature; and membership of any organisations that seek to influence opinion or public policy.
6. Local authorities should be required to establish a register of gifts and hospitality, with councillors required to record any gifts and hospitality received over a value of £50, or totalling £100 over a year from a single source. This requirement should be included in an updated model code of conduct.
7. Section 31 of the Localism Act 2011 should be repealed, and replaced with a requirement that councils include in their code of conduct that a councillor must not participate in a discussion or vote in a matter to be considered at a meeting if they have any interest, whether registered or not, "if a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your consideration or decision-making in relation to that matter".
8. The Localism Act 2011 should be amended to require that Independent Persons are appointed for a fixed term of two years, renewable once.
9. The Local Government Transparency Code should be updated to provide that the view of the Independent Person in relation to a decision on which they are consulted should be formally recorded in any decision notice or minutes.
10. A local authority should only be able to suspend a councillor where the authority's Independent Person agrees both with the finding of a breach and that suspending the councillor would be a proportionate sanction.

11. Local authorities should provide legal indemnity to Independent Persons if their views or advice are disclosed. The government should require this through secondary legislation if needed.
12. Local authorities should be given the discretionary power to establish a decision-making standards committee with voting independent members and voting members from dependent parishes, to decide on allegations and impose sanctions.
13. Councillors should be given the right to appeal to the Local Government Ombudsman if their local authority imposes a period of suspension for breaching the code of conduct.
14. The Local Government Ombudsman should be given the power to investigate and decide upon an allegation of a code of conduct breach by a councillor, and the appropriate sanction, on appeal by a councillor who has had a suspension imposed. The Ombudsman's decision should be binding on the local authority.
15. The Local Government Transparency Code should be updated to require councils to publish annually: the number of code of conduct complaints they receive; what the complaints broadly relate to (e.g. bullying; conflict of interest); the outcome of those complaints, including if they are rejected as trivial or vexatious; and any sanctions applied.
16. Local authorities should be given the power to suspend councillors, without allowances, for up to six months.
17. The government should clarify if councils may lawfully bar councillors from council premises or withdraw facilities as sanctions. These powers should be put beyond doubt in legislation if necessary.
18. The criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished.
19. Parish council clerks should hold an appropriate qualification, such as those provided by the Society of Local Council Clerks.
20. Section 27(3) of the Localism Act 2011 should be amended to state that parish councils must adopt the code of conduct of their principal authority, with the necessary amendments, or the new model code.
21. Section 28(11) of the Localism Act 2011 should be amended to state that any sanction imposed on a parish councillor following the finding of a breach is to be determined by the relevant principal authority.
22. The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 should be amended to provide that disciplinary protections for statutory officers extend to all disciplinary action, not just dismissal.

23. The Local Government Transparency Code should be updated to provide that local authorities must ensure that their whistleblowing policy specifies a named contact for the external auditor alongside their contact details, which should be available on the authority's website.
24. Councillors should be listed as 'prescribed persons' for the purposes of the Public Interest Disclosure Act 1998.
25. Councillors should be required to attend formal induction training by their political groups. National parties should add such a requirement to their model group rules.
26. Local Government Association corporate peer reviews should also include consideration of a local authority's processes for maintaining ethical standards.

AUDIT AND STANDARDS COMMITTEE

7 MAY 2019

8

Report Title	AUDIT AND STANDARDS COMMITTEE ANNUAL REPORT 2018/19
Purpose of Report	<p>The Annual Report summarises the activities of the Audit and Standards Committee during 2018/19 and sets out its plans for the next twelve months.</p> <p>This report provides Council with an independent assurance that the Council has in place adequate and effective governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements that can be relied upon and which contribute to the high corporate governance standards that this Council expects and maintains.</p>
Decision(s)	<p>That the Audit and Standards Committee:</p> <ul style="list-style-type: none"> a) RESOLVE to agree the Audit and Standards Committee Annual Report 2018/19; and b) RECOMMEND to Council the Annual report is approved.
Consultation and Feedback	All Members of the Audit and Standards Committee have been consulted on the report content.
Financial Implications and Risk Assessment	<p>There are no financial implications from this report.</p> <p>Andrew Cummings – Head of Finance & S151 Officer Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk</p> <p>Risk Assessment:</p> <p>Audit committees are a key component of an authority's governance framework.</p> <p>The Audit and Standards Committee's Annual Report is part of the overall internal control arrangements and risk management process. By examining and evaluating objectively the adequacy of the control environment through the reports it receives the Committee can, in turn, provide assurances to Council on its governance, risk</p>

	management and internal control frameworks; internal and external audit functions and financial reporting arrangements that inform the Annual Governance Statement.
Legal Implications	There are no specific legal implications arising from this report. Patrick Arran, Interim Head of Legal Services and Monitoring Officer Tel: 01453 754369 Email: patrick.arran@stroud.gov.uk
Report Author	Theresa Mortimer, Head of Audit Risk Assurance Tel: 01453 754319 Email: theresa.mortimer@stroud.gov.uk
Chair of Committee	Councillor Nigel Studdert-Kennedy Chair of Audit and Standards Committee Tel: 01453 821491 Email: cllr.nigel.studdert-kennedy@stroud.gov.uk
Options	Consideration has been given to not producing an Annual Report however this has been discounted because recommended practice from both the public and private sectors indicates that an audit committee should report directly to the governing body of the organisation. In the case of a local authority, the full Council.
Performance Management Follow Up	In accordance with recommended practice the Audit and Standards Committee will continue to present an Annual Report to Council.
Background Papers/ Appendices	Appendix A – Audit and Standards Committee Annual Report 2018/2019. Relevant public reports presented to the Audit and Standards Committee during 2018/2019 and minutes of those meetings can be found at https://www.stroud.gov.uk/council/meetings/audit-standards-committee .

1.0 Background

- 1.1 Stroud District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this overall responsibility, the Council is responsible for putting in place the proper arrangements for the governance of its affairs.
- 1.2 A sound corporate governance framework involves accountability to service users, stakeholders and the wider community, within which the Council takes

decisions and leads and controls its functions to achieve stated objectives and priorities. It thereby provides an opportunity to demonstrate the positive elements of the Council's business and to promote public confidence.

- 1.3 Audit Committees are widely recognised as a core component of effective governance. Their key role is independently overseeing and assessing the internal control environment, comprising governance, risk management and control and advising the Council on the adequacy and effectiveness of these arrangements.
- 1.4 In response to the above, the Audit and Standards Committee was established in September 2009 in line with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This guidance recommends that audit committees should prepare an annual report to the full Council, which sets out the Committee's work on how they have discharged their responsibilities.
- 1.5 The Annual Report attached at **Appendix A** details the work and achievements of the Audit and Standards Committee during 2018/19 and sets out its plans for the next twelve months.

Statement from the Chairman of the Audit and Standards Committee

Effective corporate governance is a fundamental feature of any successful public sector organisation. The trend for strengthening governance arrangements has resulted in the joint Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authorities Chief Executives (SOLACE) good practice publication / guidance '*Delivering Good Governance in Local Government – 2016 Edition*'.

Being well managed and well governed are important attributes in helping the council to improve performance and to reduce the risk of failing to achieve our objectives and providing good services to our community.

Audit Committees are widely recognised as a core component of effective governance. Their key role is to independently oversee and assess the internal control environment, comprising governance, risk management and control and advise the council on the adequacy and effectiveness of these arrangements.

In response to the above, the council established an Audit and Standards Committee in September 2009 in line with CIPFA's guidance '*Audit Committees – Practical Guidance for Local Authorities and Police - 2013 Edition*'. The Committee is currently reviewing its effectiveness against the revised CIPFA guidance 2018. The Committee's priorities are to maintain and if and where necessary, improve our governance procedures. We are a major source of providing assurance on the council's arrangements for managing risk, maintaining an effective control environment and reporting on internal and external audit functions and financial and non-financial performance. As Chairman, I also consider training and refresher training a key priority for members in order for us to undertake our roles effectively.

The Committee undertakes a substantial range of activities and works closely with the Chief Financial Officer (Section 151 Officer) and both internal and external auditors, in achieving our aims and objectives. We have developed and implemented a work plan for the year to enable key tasks to be considered, undertaken and delivered. To summarise, through our work plan we have:

- provided independent assurance on the adequacy of the governance, risk management framework and associated control environment;
- provided independent scrutiny of the council's financial and non financial performance to the extent that it affects the council's exposure to risk and weakens the control environment; and
- overseen the statutory financial reporting process.

The Committee has continued to make a positive contribution to the council's overall governance and control arrangements, including risk management and is satisfied that the council has maintained an adequate and effective internal control framework through the period covered by this report.

This year the Committee included in its work a review of working relationships between Members and Officers. Whilst the regard for high standards of conduct was commonly understood, improvement was found to be needed in some areas. The Member /Officer

Protocol will be subject to some additional work by the Committee in the coming year to address the issues raised.

The Committee has paid particular attention to Procurement Procedures including the Multi Service Contract and Car Parking Review. Those present at the meeting of Council on 18th October 2018 will recall the concern raised by the Audit and Standards Committee.

It is pleasing to note that at the January 2019 meeting of the Committee all these matters had been properly addressed and progress made. The Risk Register and Procurement Procedures will continue to be monitored by the committee. The Risk Register and its upkeep is now in the Committee's programme as a standing agenda item.

I wish to record my thanks the members of the Committee for their work during the year. Due to the untimely passing of Councillor Wride the Committee sadly lost a valued and stalwart member. I also wish to record my thanks to Internal Audit (Audit Risk Assurance) and to Officers of the Council, for their help and support.

It is clear that future years will increase the work of the Audit and Standards Committee because Local Authorities must look to increase their income streams and investments to maintain the levels of service.

Councillor Nigel Studdert-Kennedy
Chairman of the Audit and Standards Committee
February 2019.

Background

Stroud District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this overall responsibility, the council is responsible for putting in place the proper arrangements for the governance of its affairs.

A sound corporate governance framework involves accountability to service users, stakeholders and the wider community, within which the council takes decisions and leads and controls its functions to achieve stated objectives and priorities. It thereby provides an opportunity to demonstrate the positive elements of the council's business and to promote public confidence. Audit Committees are widely recognised as a core component of effective governance.

The Audit and Standards Committee is responsible for overseeing the council's corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement. The Committee's specific powers and duties are set out in the council's Constitution.

The Chartered Institute of Public Finance and Accountancy (CIPFA) issued guidance to local authorities to help ensure that Audit Committees are operating effectively¹. The guidance recommends that audit committees should report annually on how they have discharged their responsibilities. The key benefits to the council of operating an effective Audit and Standards Committee are:

- Maintaining public confidence in the objectivity and fairness of financial and other reporting;
- Reinforcing the importance and independence of internal and external audit and any other similar review process;
- Providing a focus on financial reporting both during the year and at year end, leading to increased confidence in the objectivity and fairness of the financial governance arrangements operating within the council;
- Assisting the co-ordination of sources of assurance and, in so doing, making management more accountable;
- Providing additional assurance through a process of independent and objective review, via the Internal Audit function;
- Raising awareness within the council of the need for governance, including ethical governance, internal control and the implementation of audit recommendations; and
- Providing assurance on the adequacy of the council's risk management arrangements, including the risk of fraud and irregularity.

¹ CIPFA – Practical Guidance for Local Authorities and Police, 2013

Membership and Meetings

The Committee has enjoyed the benefit of a relatively settled membership over the last two years. This has helped to build and retain the expertise within the Committee, which has led to the Committee being able to demonstrate that they are operating within a best practice framework.

There are nine Members of the Audit and Standards Committee namely:

- Councillor Nigel Studdert-Kennedy (Chair)
- Councillor Skeena Rathor (Vice-Chair)
- Councillor Rachel Curley
- Councillor Stephen Davies
- Councillor Keith Pearson
- Councillor Simon Pickering
- Councillor Mark Reeves
- Councillor Tom Williams
- Councillor Penny Wride (until November 2018)

During the 2018/2019 Civic Year, the Audit and Standards Committee has met on five occasions, in accordance with its Programme of Work:

- 10th April 2018
- 26th July 2018
- 9th October 2018
- 20th November 2018
- 29th January 2019

The Committee is also supported by council officers, principally the Chief Financial Officer (S151 Officer), Monitoring Officer, Head of Audit Risk Assurance (Chief Internal Auditor) and the council's External Auditors (Deloitte).

Work Programme

During this period, the Committee has assessed the adequacy and effectiveness of the council's risk management arrangements, control environment and associated counter fraud arrangements through regular reports from officers, the internal auditors (Audit Risk Assurance) and the external auditors (Deloitte).

The Committee has sought assurance that action has been taken, or is otherwise planned by management to address any risk related issues that have been identified by the auditors during this period. The Committee has also sought to ensure that effective relationships continue to be maintained between the internal and external auditors and between the auditors and management. The specific work undertaken by the Committee during 2018/2019 is set out below.

Internal Audit Activity

With effect from May 2016, the Internal Audit service is provided by Audit Risk Assurance under a shared service agreement. The Committee has continued to monitor the work of Internal Audit and has:

- been provided with an evaluation of the effectiveness of Internal Audit and has noted that the service complies with the Public Sector Internal Audit Standards (PSIAS). The standards require periodic self-assessments and an assessment by an external person every five years. The Chartered Institute of Internal Auditors (CIIA) (the professional body who sets internal audit standards for public bodies) assessment of Audit Risk Assurance concluded that the work of Internal Audit was in compliance with the required professional standards. The Committee therefore takes assurance that the internal audit practices meet the required standards and continued reliance can be placed on the internal audit arrangements operating within the council;
- contributed towards, received and approved the Internal Audit Plan for 2018/19 The plan ensures that internal audit resources are prioritised towards those systems, processes and areas which are considered to be deemed high risk, or which contribute most to the achievement of the council's corporate objectives;
- monitored the delivery of the annual Internal Audit Plan through regular update reports presented by the Head of Audit Risk Assurance;
- received, considered and monitored the results of internal audits performed and high risk activity identified, in respect of specific areas i.e. the Procurement Action Plan, Multi Services Contract, Capital Programme, Local Government Pension Scheme, Car Parking Review and ICT Business Processes and monitored the progress made by management, during the period, to address identified control weaknesses;
- considered the council's overall counter fraud arrangements and response in the light of national guidance Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy 2016 – 2019 which is supported by CIPFA Counter Fraud Centre;
- received updates on the outcomes of special investigations / counter fraud activities undertaken by Internal Audit / Gloucestershire Counter Fraud Unit, along with progress made in the investigation of queries arising as a result of the National Fraud Initiative (NFI) data matching exercise; and
- considered the Internal Audit Annual Report of the Head of Audit Risk Assurance, which provided a satisfactory opinion, 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, on the effectiveness of the council's internal control environment, to enable the achievement of the Council's outcomes and objectives.

The summarised Internal Audit activity upon which that opinion was based, provide the Committee with reasonable assurance that there is a generally sound system of internal control in place at the council.

Activity relating to Treasury Management

During the year, the Audit and Standards Committee:

- received and approved the quarterly Treasury Management activity reports which monitor treasury activity against the 2018-2019 strategy and recommended to full council for approval amendments to the 2018-2019 strategy as part of the Treasury Management mid-year update. Also considered and recommended to full council the annual report setting out the Treasury Management Strategy, the Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2019/2020. This report also set the council's prudential indicators for 2019/20. Treasury Management is a key area for the Committee to monitor and they continue to consider and recommend to full council for approval amendments to the investment strategy in response to constantly changing market conditions. The 2019/20 Investment Strategy recommended by Committee included a number of new investment options as the Council looks to increase its risk appetite.

External Audit Issues

The External Audit service is now provided by Deloitte, who have taken over the work from KPMG. The Committee has monitored the work of the council's external auditors and has:

- considered and approved the External Audit Plan 2018/19 which sets out external audit's work to be undertaken on the accounting statements and to provide a value for money opinion. It reported on risks they have identified which would receive attention during the audit, the results of interim work, which did not reveal any material weaknesses, and the dates for the completion of the audit.
- considered the External Audit Report 2017/18 i.e. 'Report to those charged with Governance' in accordance with the requirements of International Standard on Auditing 260 (ISA) which summarises the key findings arising from their audit work in relation to the council's financial statements and work to support the council's arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money (VFM) conclusion). The audit concluded with an unqualified opinion on the financial statements and VFM conclusion;
- considered and approved the Statement of Accounts for 2017/18 of the council and received KPMG's audit opinion. The Acting S151 Officer together with the Chairman of the Committee signed a letter of representation on behalf of the Committee and Council to KPMG, to enable the 'unqualified' opinion to be issued;
- considered and accepted the Annual Audit Letter 2017/18. This letter summarises the outcome from audit work at the council during this period;
- received and considered the Annual Report on grant claims and returns 2017/18. This report summarises the results of the work undertaken on the council's 2017/18 grant claims and returns; and
- received and considered regular external audit progress reports.

Risk Management Activity

During the year the Committee has:

- received regular risk management update reports (including the review of the corporate risk register) and being presented with the actions taken by the council to identify and address corporate risks. The Committee recognised that the corporate risk register required further review and enhancement, which has been addressed; and
- Included risk management as a standing agenda item for all Audit and Standards Committee meetings.

Corporate Governance

In relation to corporate governance the Committee:

- considered and approved the council's 2017/2018 Annual Governance Statement and Local Code of Corporate Governance 2017/2018 which reflects the principles of good governance as per CIPFA / SOLACE Delivering Good Governance in Local Government 2016 edition. The Committee also reviewed the progress made by management to address the significant issues identified in the 2017/2018 Annual Governance Statement Improvement Plan; and
- with the responsibility in relation to review of standards of conduct applicable to all Councillors, a Task and Finish Group was appointed to review the Council's ethical framework. Meetings of this Committee produced the terms of reference for the review, namely (a) the content of the Member Code of Conduct (in particular the general requirements); and (b) the existing investigations and determinations procedure. Recommendations on changes (if any) to the framework to ensure standards are promoted and upheld by the Council will be reported back to this Committee.

Other

In addition, the Committee:

- continued to monitor and accept the achievements against the Procurement Action Plan and considered the actions required to further improve the council's performance and contract management arrangements.

Training

The following training was made available to Members of the Audit and Standards Committee in 2018/19 to support the Committee in discharging its responsibilities:

- Things Councillors Need to Know – 24th May 2018 open to all members
- Standards Workshop on 27th September 2018
- Homelessness and Notice of Proceedings for Possession (NOPP) Review Panel Refresher Training on 9th October 2018

- Housing Revenue Account (HRA) Finance – open to all members on 11th September 2018
- HRA Finance – open to all members 14th November 2018
- Budgets – 21st November 2018
- Capital Strategy and Treasury Management Information Evening on 4th December 2018
- Risk Based Internal Audit Planning Workshop – 11th December 2018
- Procurement Priorities on 7th April 2019 – all members invited

Future Work

During 2019/2020, the Audit and Standards Committee continue with the existing aim of being an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.

The Committee will undertake a review of its effectiveness in line with the new CIPFA guidance '*Audit Committees – Practical Guidance for Local Authorities and Police - 2018 Edition*'. Any improvement actions identified will be addressed during 2019/2020.

In particular, they will continue to support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations, continue to monitor the implementation of the Procurement Action Plan and the effectiveness of the procurement arrangements operating across the council, the issues identified in relation to the capital Programme, the multi service contract management arrangements, the ICT strategy and associated business arrangements and any actions arising from the Annual Governance Statement action plan 2018/2019, to ensure the council continues to adopt the latest good practice.

In addition, with risk management being a key contributor to good governance the Committee will continue to seek assurance from management that risk management continues to operate effectively within the council and they will look to Internal Audit to provide the independent assurance that risk continues to be embedded into the council's key business activities.

Conclusion

The Audit and Standards Committee has had a successful year in providing the council with assurances on the strength of its governance and stewardship arrangements and in challenging those arrangements.

The Committee's work programme is a dynamic programme and will continue to be reviewed to ensure the Committee maximises its contribution to the governance and control framework at the same time managing agendas to ensure that all meetings are focused on the key issues.

Details of all reports as noted within this report can be found at <https://www.stroud.gov.uk/council-and-democracy/meetings/audit-standards-committee>

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

7 MAY 2019

9a

WORK PROGRAMME

Proposed Meeting Date	Report Description	Responsible Officer / Member
16 July 2019 OR 25 July 2019 TBC	Standing Items a. To consider the work programme for 2019/20. b. To consider any Risk Management issues. c. To receive a verbal update on the Task and Finish Group (Ethical Audit).	Members
	Approval of the Statement of Accounts	S151 Officer
	External Audit Report on Accounts	Deloitte
	Treasury Management Activity 2018/19	S151 Officer
	Annual Governance Statement	S151 Officer
	Local Code of Corporate Governance	S151 Officer
	Annual Report on Internal Audit Activity 2018/19	Chief Internal Auditor
8 October 2019	Standing Items a. To consider the work programme for 2019/20. b. To consider any Risk Management issues. c. To receive a verbal update on the Task and Finish Group (Ethical Audit).	Members
	Internal Audit Activity Progress Report 2019/20	Chief Internal Auditor
19 November 2019	Treasury Management	
	Standing Items a. To consider the work programme for 2019/20. b. To consider any Risk Management issues. c. To receive a verbal update on the Task and Finish Group (Ethical Audit).	
	Internal Audit Activity Progress Report 2019/20	Chief Internal Auditor

28 January 2020	<p>Standing Items</p> <p>a. To consider the work programme for 2019/20.</p> <p>b. To consider any Risk Management issues.</p> <p>c. To receive a verbal update on the Task and Finish Group (Ethical Audit).</p>	Members
	Internal Audit Activity Progress Report 2019/20	Chief Internal Auditor
28 April 2020	<p>Standing Items</p> <p>a. To consider the work programme for 2019/20.</p> <p>b. To consider any Risk Management issues.</p> <p>c. To receive a verbal update on the Task and Finish Group (Ethical Audit).</p>	Members
	Internal Audit Activity Progress Report 2019/20	Chief Internal Auditor