



17 July 2019

AUDIT AND STANDARDS COMMITTEE

A meeting of the Audit and Standards Committee will be held on **THURSDAY 25 JULY 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 7 May 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 MONDAY 22 JULY 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 STATEMENT OF ACCOUNTS 2018/19**
To approve the Statement of Accounts 2018/19 and receive Deloitte's audit opinion, including the changes to the accounts since the unaudited accounts were signed off by the Section 151 Officer on 31 May 2019.
Appendix A to follow.

- 6** **EXTERNAL AUDIT REPORT ON ACCOUNTS**
Report to follow.
- 7** **PROVISION OF AN INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT (EQA).**
To provide the Committee with a recommended way forward in relation to the provision of the independent assessment of Internal Audit.
- 8** **ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2018/19**
To provide the Committee with an annual report on Internal Audit Activity.
- 9** **ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY AND ACTUAL PRUDENTIAL INDICATORS 2018/2019**
To advise on the treasury management activities in 2018/2019, in accordance with the Council's Treasury Policy Statement. To report on actual 2018/2019 Prudential Indicators in accordance with the requirements of the Prudential Code.
- 10** **DRAFT ANNUAL GOVERNANCE STATEMENT (AGS) 2018/19**
To summarise Stroud District Council's corporate governance arrangements in place during 2018/2019.
- 11** **STANDING ITEMS**
(a) To consider the work programme for 2019/20.
(b) To consider any Risk Management issues.
- 12** **MEMBERS' QUESTIONS**
See Agenda Item 4 for deadline for submission.

Members of Audit and Standards Committee

Councillor Nigel Studdert-Kennedy (Chair)
Councillor Tom Williams (Vice-Chair)
Councillor Dorcas Binns
Councillor Rachel Curley
Councillor Stephen Davies

Councillor Trevor Hall
Councillor Karen McKeown
Councillor Keith Pearson
Councillor Mark Reeves

AUDIT AND STANDARDS COMMITTEE

7 May 2019

7.00pm – 8.40pm

Council Chamber, Ebley Mill, Stroud

Minutes

Membership

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

A = Absent P = Present

Officers in attendance

Group Manager – Audit, Risk & Assurance Shared Service (ARA)	Interim Head of Legal Services and Monitoring Officer
Head of Finance and Section 151 Officer	Democratic Services Officer

Other Member(s) present

Councillor Doina Cornell

AC.045

APOLOGIES

An apology for absence had been received from Councillor Reeves.

AC.046

DECLARATIONS OF INTEREST

There were none.

AC.047

MINUTES

RESOLVED

That the Minutes of the meeting held on 29 January 2019, are approved as a correct record, with no amendments.

AC.048

PUBLIC QUESTION TIME

There were none.

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AC.049**INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2018/19**

The Group Manager – Audit, Risk & Assurance Shared Service (ARA) outlined the above report, bringing Committee's attention to pages 32, which reflected positive delivery against the 2018/19 audit plan to date and pages 30-31, which contained a fraud update confirming the high number of referrals that had been received within 2018/2019 and the outcomes so far this year.

Councillor Davies raised a question regarding whether additional costs had been brought about by the Homelessness Reduction Act 2017. The Group Manager – Audit, Risk & Assurance Shared Service (ARA) advised that the scope of work focused on the deliverables required by that Act, but did not due to the scope of the work consider the cost of those changes. The Head of Finance and Section 151 Officer confirmed that the Homelessness Reduction Act 2017 has extra requirements and therefore additional costs were incurred.

Councillor Curley welcomed the findings of page 15 in relation to homelessness services and had questions regarding the conclusion on page 29. This related to phase two of the workforce plan which included the following 5 service areas: Museum in the Park, Creditors, Human Resources, Community Services, and Regeneration, which includes Tourism. The Group Manager – Audit, Risk & Assurance Shared Service (ARA) advised she would confirm further details in an email to Committee Members regarding each of the 5 service areas and which statement was applicable.

Councillor Davies questioned why GDPR had been recorded as planned in the progress report under Tenant and Corporate Services, and was advised that the GDPR review is currently underway and that there had been a slight delay due to transition of Officers. The target is to report the GDPR audit outcomes to the July Committee.

Members debated the topic.

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

- RESOLVED**
- 1. To accept the progress against the Internal Audit Plan 2018/19; and**
 - 2. To accept the assurance opinions provided in relation to the effectiveness of the Council's control environment.**

AC.050**RISK BASED INTERNAL AUDIT PLAN 2019/20**

The Group Manager – Audit, Risk & Assurance Shared Service (ARA) outlined the above report. The plan is based on 463 days of assurance work and is dynamic. It will be reviewed on a continual basis by the Chief Internal Auditor and any changes to this document would be reported to Committee.

Councillor Davies asked if a date had been agreed for the release of the findings of the Peer Review and whether it would be reviewed at the Audit and Standards Committee. The Head of Finance and Section 151 Officer confirmed that it was on the agenda for the Council's AGM.

Members debated the topic.

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

RESOLVED **To approve the Annual Risk Based Internal Audit Plan 2019/20 as detailed in Appendix A.**

AC.051 COMMITTEE ON STANDARDS IN PUBLIC LIFE RECOMMENDATIONS

The Interim Head of Legal Services and Monitoring Officer outlined the above report which had been brought to Committee to inform Members of the recent report by the Committee on Standards in Public Life that looked at the current standards regime in England post the Localism Act.

Members queried the definition of bullying and harassment and questioned whether it had been updated recently to include newer types of bullying such as cyber bullying. The Interim Head of Legal Services and Monitoring Officer did not have the definition to hand but would bring a further detailed report to Committee.

Councillor Rathor asked questions regarding Independent Persons and the process in which they are appointed. The Interim Head of Legal Services and Monitoring Officer advised that current legislation requires the Council to appoint Independent Persons to assist with standards investigations, they would have followed a recruitment process.

Members debated the topic at length.

RESOLVED **To note the review into Local Government Ethical Standards and await a further report from the Interim Head of Legal Services and Monitoring Officer.**

AC.052 AUDIT AND STANDARDS COMMITTEE ANNUAL REPORT 2018/19

The Group Manager – Audit, Risk & Assurance Shared Service (ARA) outlined the above report.

Councillor Curley advised that there was 1 omission from the report in the sentence before the conclusion on page 78, the word “management” needed to be added after the word “risk”. Members unanimously agreed the amendment.

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

RESOLVED **1. To agree the Audit and Standards Committee Annual Report 2018/19.**

AND

RECOMMENDED TO COUNCIL **2. The Annual report is approved.**

AC.053 STANDING ITEMS

(a) Work Programme

The Head of Finance and Section 151 Officer reminded Members that the Audit and Standards Committee on the 16 July 2019 was being moved to the 25 July 2019.

The Head of Finance and Section 151 Officer advised that the Audit Committee would be asked to review their own effectiveness, their level of performance and their skills and capabilities in the role. The Officer stated that other nearby Councils had done this

in various ways, e.g. online surveys or workshops. A workshop was proposed to be run within the next 6 weeks, which would help Councillors to identify any areas that would require additional support, training or expertise. The Head of Finance and Section 151 Officer confirmed that details would be circulated after the AGM. Councillor Studdert-Kennedy further advised that there is an external examination of internal audit procedures carried out every 5 years and that the next one was due in 2020.

Councillor Pickering proposed that the Audit and Standards Committee and the audit process both external and internal should look at the policies that the Council adopts, in particular the decision to make Stroud District Carbon Neutral by 2030. The Group Manager – Audit, Risk & Assurance Shared Service (ARA) confirmed that the item was currently on the audit suggestions for consideration as part of the 2020/21 Internal Audit Plan.

Councillor Tom Williams questioned the Task and Finish Group (Ethical Audit) remaining on the work programme. Councillor Studdert-Kennedy confirmed that the Task and Finish Group (Ethical Audit) could be removed as a standing item until a discussion had been held with the current Interim Head of Legal Services and Monitoring Officer.

(b) Risk Management

Councillor Curley confirmed that her comments had been made earlier in relation to the Internal Audit findings and there was nothing further to report.

AC.054

MEMBERS' QUESTIONS

There were none.

The meeting closed at 8.40 pm.

Chair

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

25 JULY 2019

5

Report Title	STATEMENT OF ACCOUNTS 2018/19
Purpose of Report	To approve the Statement of Accounts 2018/19 and receive Deloitte’s audit opinion, including the changes to the accounts since the unaudited accounts were signed off by the Section 151 Officer on 31 May 2019.
Decision(s)	The Audit & Standards Committee RESOLVES to approve the audited Statement of Accounts for the year ending 31 March 2019.
Consultation and Feedback	Not applicable.
Financial Implications and Risk Assessment	There are no financial implications arising directly from this report. Andrew Cummings, Interim Director of Resources & S151 Officer Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk
Legal Implications	Any legal implications are set out in the body of the report. Craig Hallett, Solicitor & Deputy Monitoring Officer Tel: 01453 754364 Email: craig.hallett@stroud.gov.uk
Report Author	Graham Bailey, Principal Accountant Tel: 01453 754133 Email: graham.bailey@stroud.gov.uk
Options	None.
Performance Management Follow Up	Actions arising from KPMG’s ISA 260 report.
Background Papers/ Appendices	Appendix A – Statement of Accounts 2018/19 - (To follow)

Discussion

1. In accordance with requirements under the Accounts and Audit Regulations 2015, the Interim Director of Resources & Section 151 Officer is required to sign and date the Statement of Accounts by 31 May 2019 and certify that it presents a true and fair view of the financial position of the Council at the end of March 2019 and its income and expenditure.

2. The Statement of Accounts for 2018/19 was signed as approved by the Director of Resources & Section 151 Officer on 31 May 2018, in accordance with these requirements. The unaudited Statement of Accounts 2018/19 was made available on the Council's website from 31 May 2019 in compliance with the Accounts and Audit Regulations 2015.
3. A number of changes have been made to the unaudited Statement of Accounts 2018/19. Some changes are to the narrative content, general presentation for the benefit of readers and to the internal consistency and correctness of the figures in notes to the accounts.
4. Through the Committee resolving to approve the audited Statement of Accounts, the Section 151 Officer together with the Chairman of the Committee will need to sign a letter of representation on behalf of the Committee and Council to Deloitte, to enable the audit opinion to be issued. The signing of this letter is consistent with established protocols, the requirements of Deloitte and the general delegations to the S151 Officer. This letter is a formal written record of the representations being made on behalf of the Council via the committee; it deals with the processes and procedures the Council adopts to ensure that it is in compliance with statutory requirements, laws and regulations and also confirms there is a sufficiently robust management system to prevent and detect fraud and irregularities.
5. In addition, Regulation 9 requires that the Statement of Accounts should be signed and dated by the Chair presiding at the Audit and Standards Committee meeting at which approval is given. That regulation also requires the Statement of Accounts to be published with the Independent auditor's report to the members of Stroud District Council. This report is in the Statement of Accounts Appendix A.
6. The Council's external auditors Deloitte also present separately to this meeting their 'External Audit ISA260 Report 2018/19', which summarises their finding arising from their audit of the Statement of Accounts.
7. The Statement of Accounts is comprised of four main statements as required by International Financial Reporting Standards which are:-

- **Movement in Reserves Statement**

This is split between usable and unusable reserves and shows the detail of movement in reserves, from the surplus / (deficit) on provision of services in the Comprehensive Income and Expenditure Statement (CIES), to the position on the Balance Sheet at 31 March 2019.

- **Comprehensive Income and Expenditure Statement**

The CIES consolidates all the financial gains and losses experienced during the year. The CIES has two sections:

- a) Surplus or Deficit on the Provision of Services – which shows the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income.

- b) Other Comprehensive Income and Expenditure – which shows any other changes to net worth, and examples include movements in the fair value of assets or actuarial gains or losses on pension assets and liabilities.

- **Balance Sheet**

The Balance Sheet summarises the Council's financial position at 31 March 2019. The top half shows accrued assets and liabilities. The bottom half is comprised of reserves, split between usable and unusable reserves, which represent the net worth of the Council.

- **Cash Flow Statement**

This shows the year on year change in cash and cash equivalents, which are cash on call, and investments with a maturity of three months or less.

A new note introduced in 2016/17 called **Expenditure and Funding Analysis** is included prominently before the main statements of the Statement of Accounts. This links the figures in the Comprehensive Income and Expenditure Statement to outturn figures reported to each of the Council's committees.

8. A full revised version of the accounts is enclosed at Appendix A, and has also been deposited in the Members' Lounge for inspection. Once the accounts are approved a copy will be made available on the Council's internet site together with the Annual Governance Report <http://www.stroud.gov.uk/council/public-notice/public-audit-of-accounts-for-the-year-ended-31-March-2019>.

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

25 JULY 2019

7

Report Title	PROVISION OF AN INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT (EQA).
Purpose of Report	To provide the Committee with a recommended way forward in relation to the provision of the independent assessment of Internal Audit.
Decision(s)	It is recommended that Audit and Standards Committee RESOLVE to note that the Chartered Institute of Internal Auditors (CIIA) is engaged to carry out an independent assessment of the Internal Audit function.
Consultation and Feedback	Audit Risk Assurance (ARA) Shared Services Board comprising the three Chief Financial Officers (S151) and the Head of ARA.
Financial Implications and Risk Assessment	The cost of the review will be met from within the existing 2019/20 ARA Shared Service budget. Andrew Cummings, Interim Director of Resources and Section 151 Officer, Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk Risk Assessment: Non compliance with the Public Sector Internal Audit Standards and the inability of internal audit to evidence that the internal audit service “Conforms to the International Standards for the Professional Practice of Internal Auditing.”
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 ARA (Chief Internal Auditor) Tel: 01453 754111 Email: Theresa.mortimer@stroud.gov.uk
Options	There are no alternative options that are relevant to this matter.
Performance Management Follow Up	The CIIA to report the key findings and recommendations to the Audit and Standards Committee.

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 (England) Regulations 2015. The latter states that authorities must “*maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control, comprising risk management, control and governance, in accordance with the proper practices in relation to internal control*”.

Audit Risk Assurance (ARA) under a s101 shared service agreement, fulfils the internal audit function for Stroud District Council, Gloucester City Council and Gloucestershire County Council (host authority) and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to the partner organisations’ Audit Committees and Board of Directors for Ubico Ltd, a Local Authority owned Environmental Services Company (external client).

The guidance accompanying the Regulations recognises that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) as representing “proper internal audit practices”. The standards define the way in which the Internal Audit service should be established and undertakes its functions.

Attribute Standard 1300 - Quality Assurance and Improvement Programme (QAIP)

The Chief Internal Auditor must develop and maintain a QAIP that covers all aspects of the internal audit activity. A QAIP is designed to enable an evaluation of internal audit activity’s conformance with the *Standards* and an evaluation of whether internal auditors apply the *Code of Ethics*. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The Chief Internal Auditor should encourage Audit Committee oversight in the QAIP.

External Assessments

In addition to annual internal self assessments, to conform to the standards, external assessments must be conducted at least once every five years, by a qualified, independent assessor or assessment team from outside the organisation. The Chief Internal Auditor must discuss the following with the Audit Committee(s):

- The form of external assessment; and
- The qualifications and independence of the external assessor or assessment team,

including any potential conflict of interest.

External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards. The external assessment may also include operational or strategic comments.

A qualified assessor or assessment team must demonstrate competence in two areas:

- the professional practice of internal auditing; and
- the external assessment process.

Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The Chief Internal Auditor should use her professional judgement when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

In addition, an independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation(s) to which the internal audit activity belongs.

The previous EQA was undertaken during May 2015 by the Chartered Institute of Internal Auditors, which verified that the internal audit function conformed to the International Standards for the Professional Practice of Internal Auditing. Therefore in line with the Standards, the next EQA is due to take place during May 2020.

Provider Options Appraisal

In order to conform to the external assessment standard, the Chief Internal Auditor requested quotations and service assessment specifications from the following competent organisations, which were identified following consultation with other Chief Internal Auditors, feedback from EQA providers' clients and her own professional judgement:

- Chartered Institute of Internal Auditors (CIIA);
- Chartered Institute of Public Finance and Accountancy (CIPFA); and
- A peer review was also considered with neighbouring authorities, however was not developed further due to this form of review not deemed to be truly independent.

Proposal

Following a full assessment of competence, quality and value for money, it is proposed that a self assessment with independent validation is undertaken by the CIIA for the following key reasons:

- The CIIA is the only professional body dedicated exclusively to training, supporting and representing internal auditors in the UK and Ireland. They represent the profession of internal auditing and they deliver services to internal auditors.
- They are the authors of the International Professional Practices Framework (IPPF) of which the Public Sector Internal Audit Standards (PSIAS) adopts the mandatory elements.
- The Institute has over 10,000 members in all sectors of the economy including private companies, government departments, utilities, voluntary sector organisations, local authorities and public service organisations.
- Members of the CIIA are part of a global network of over 180,000 members in 170 countries and are part of the Global IIA which has 180,000 members in 190 countries. All members across the globe work to the same International Standards and Code of Ethics.
- Broad range of both large public and private sector clients which include Department of Foreign Affairs and Trade, Home Office, National Audit Office, Southern Internal Audit Partnership (Hampshire Councils), Kent and Lancashire County Councils, West Norfolk Borough Council, Barnardo's, University of Kent, National Grid, Civil Aviation Authority, Rural Payments Agency, BT Group and Santander – UK. This enables benchmarking and sharing good practice across all sectors and introducing good practice principles to ARA where relevant.
- They are independent of any other organisation and because they set the standards, they thoroughly understand them.
- They have no interest beyond promoting and developing the profession, so they never try to sell additional services that we do not require or offer alternative suggestions for the delivery of internal audits.
- Fully qualified and experienced EQA review panel, including industry experts (Please see Attachment 1 below which provides details on the Review Team).
- It is considered that an EQA from the Institute will provide a review of substance and added value to those charged with Governance within our council, partner organisations and external clients.

The reviewers are experienced heads of internal audit, have passed the CIIA's assessment process and are members of the CIIA, thereby ensuring they abide by their Code of Professional Conduct.

John Chesshire CFIIA

John is a Chartered Fellow of the Chartered Institute of Internal Auditors. He has recently been a member of the Institute's Professional Development Committee and is chairman for the southwest region. He is also a member of Information Systems Audit and Control Association (ISACA) and the Institute of Risk Management (IRM). John has over 20 years' experience in internal audit, risk management and governance roles and is the Independent Chair of a local authority Audit Committee.

John has undertaken internal audit roles in a number of organisations and currently works as Head of Assurance, covering internal audit and risk management, in the public sector.

He also leads external quality assessments of internal audit functions in private, public and third sector organisations, reviewing both the effectiveness of internal audit and its adherence to the international standards for the professional practice of internal auditing.

John has a valuable perspective on the quality of internal audit and assurance because of his extensive experience as a freelance internal audit consultant, delivering a variety of training and internal audit engagements for a range of clients.

As well as his demanding day job, he continues to undertake a number of roles for the CIIA as a trainer, facilitator, tutor, author and examiner. This breadth of knowledge gives him a unique range of practical and theoretical insight into good practice internal auditing.

Liz Sandwith CFIIA

Liz has nearly 30 years' experience in internal audit and risk management. Liz's most recent role was at Bupa where she held a number of roles in her 5 years there from Head of Assurance, Risk and Compliance to Head of Internal Audit - Operations.

Liz is responsible for advising and representing the Institute on all matters relating to the professional practice of internal audit; on ensuring quality standards; and on technical issues. She is also technical advisor to the Institute's EQA service.

Liz's background is firmly embedded in internal audit and risk management. She has worked for a number of private and public sector organisations, helping to develop risk management and control awareness and has delivered training to internal auditors in the UK and internationally.

Liz is a non-executive director and chair of an Audit Committee for a Leeds based Housing Association and is also an independent board member and a member of the Remuneration Committee.

Prior to joining Bupa, she spent thirteen years as Head of Internal Audit at Channel 5. She has also worked with the Information Commissioner's Office and the Electoral Commission, as well as advising a number of local authorities on internal audit and risk management issues.

Liz served as President of the Institute of Internal Auditors between 2000 and 2001.

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

25 JULY 2019

8

Report Title	ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2018/19
Purpose of Report	To provide the Committee with an annual report on Internal Audit Activity.
Decisions(s)	<p>The Committee is asked to RESOLVE to:</p> <ul style="list-style-type: none"> • Assess, from the findings set out in this Internal Audit Annual Report, whether it can take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively; • Note that the performance of Internal Audit meets the required standards; and • Note the Council wide counter fraud activity during 2018/19 which includes the fraud reporting requirements as mandated by the Local Government Transparency Code 2015 (paragraph ref 7b).
Consultation and Feedback	Internal Audit findings are discussed with Service Heads/Managers and Directors (where relevant). Management responses to recommendations are included in each assignment report.
Financial Implications and Risk Assessment	<p>There are no financial implications arising from the report.</p> <p>Andrew Cummings, Interim Director of Resources and S151 Officer Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk</p> <p>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.</p>
Legal Implications	<p>The legal framework concerning the requirements regarding internal audit are set out in the opening section of the progress report.</p> <p>Patrick Arran, Interim Head of Legal Services and Monitoring Officer Tel: 01453 754369 Email: patrick.arran@stroud.gov.uk</p>

Report Author	Theresa Mortimer, Head of Audit Risk Assurance (Chief Internal Auditor) Tel: 01453 754111 Email: theresa.mortimer@stroud.gov.uk
Options	There are no alternative options that are relevant to this matter.
Performance Management Follow Up	The Council's Internal Audit Plan for 2019/20 was approved by the Audit and Standards Committee on 7 th May 2019. Achievement against the Plan will be regularly reported to the Audit and Standards Committee via the Internal Audit Plan Monitoring Reports for 2019/20, scheduled within the Audit and Standards Committee work programme 2019/20.
Background Papers/ Appendices	<p>Appendix 1: Annual Report on Internal Audit Activity 2018/19</p> <p>Appendix 2: Summary Activity Progress Report 2018/19</p> <p>Background papers:</p> <ul style="list-style-type: none"> ➤ Accounts and Audit Regulations 2015; ➤ CIPFA Local Government Application Note for the UK PSIAS; ➤ Public Sector Internal Audit Standards (PSIAS) 2017; and ➤ Audit and Standards Committee's Terms of Reference.

1.0 Background

1.1 The Accounts and Audit Regulations 2015 state that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance'. During 2018/19, Internal Audit work was carried out in accordance with the Public Sector Internal Audit Standards (PSIAS) 2017 and the CIPFA Local Government Application Note for the UK PSIAS.

1.2 The PSIAS define internal audit as 'an independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

1.3 To achieve full effectiveness, the scope of the internal audit function should provide an unrestricted range of coverage of the organisation's operations and the internal audit function should have sufficient authority to access such records, assets and personnel as are necessary for the proper fulfilment of responsibilities. These access rights are specified in the Internal Audit Charter and Code of Ethics, which have been approved by Members.

1.4 The PSIAS requires the Chief Internal Auditor to 'provide a written report to those charged with governance timed to support the Annual Governance Statement'. The content of the report is prescribed by the PSIAS which specifically requires Internal Audit to:

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

1.5 A separate report containing the Annual Governance Statement is included on the agenda for the Audit and Standards Committee on 25th July 2019.

Annual report on Internal Audit Activity 2018-2019



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(1) Introduction

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

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

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

(2) Responsibilities

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

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

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

(3) Purpose of this Report

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

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

When considering this report, the Committee may also wish to have regard to the quarterly interim Internal Audit progress reports presented to the Committee during 2018/19.

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

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

Chief Internal Auditor's Opinion

I am satisfied that, based on the internal audit activity undertaken during 2018/19 and management's actions taken in response to that activity, enhanced by the work of other external review agencies, sufficient evidence is available to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of Stroud District Council's overall internal control environment.

In my opinion, for the 12 months ended 31 March 2019, Stroud District Council has, with the exception of the key governance matters identified in relation to the Local Government Association (LGA) Corporate Peer Challenge Review, a **satisfactory** overall control environment, to enable the achievement of the Council's outcomes and objectives.

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

(4a) Scope of the Internal Audit Opinion

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

- The results of all internal audit activity undertaken during the year ended 31st March 2019 and whether our high and medium priority recommendations have been accepted by management and, if not, the consequent risk;
- The effects of any material changes in the organisation's risk profile, objectives or activities;
- Matters arising from internal audit quarterly progress reports or other assurance providers to the Audit and Standards Committee;
- Whether or not any limitations have been placed on the scope of internal audit activity; and
- Whether there have been any resource constraints imposed on internal audit which may have impacted on our ability to meet the full internal audit needs of the organisation.

(4b) Limitations to the scope of our activity

There have been no limitations to the scope of our activity or resource constraints imposed on internal audit which have impacted on our ability to meet the full internal audit needs of the Council. Whilst the core Internal Audit service is provided by ARA during 2018/19, the Chief Internal Auditor has:

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

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

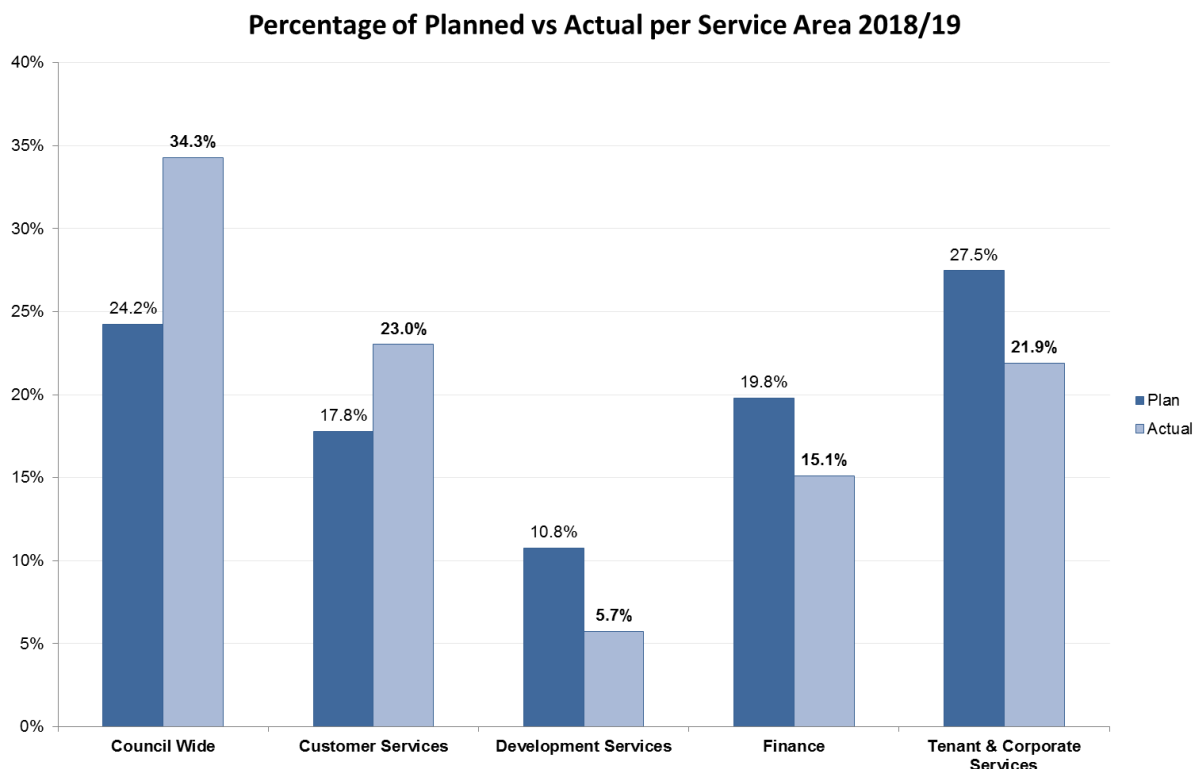
The underlying principle to the 2018/19 plan is risk and as such, audit resources were directed to areas which represented 'in year risk'.

Variations to the plan are required if the plan is to adequately reflect the ongoing changing risk profile of the Council.

Since the original risk based plan was approved in April 2018 by the Audit and Standards Committee, brought forward internal audits from 2017/18 have been delivered and reported (Procurement, Legacy Software and Homelessness), an additional activity has proved necessary, and some of the original planned audits have been deferred into the 2019/20 Internal Audit Plan (based on appropriate client request and to ensure the audit adds value). Plan changes are detailed in **Appendix 2** (the Summary Activity Progress Report 2018/19).

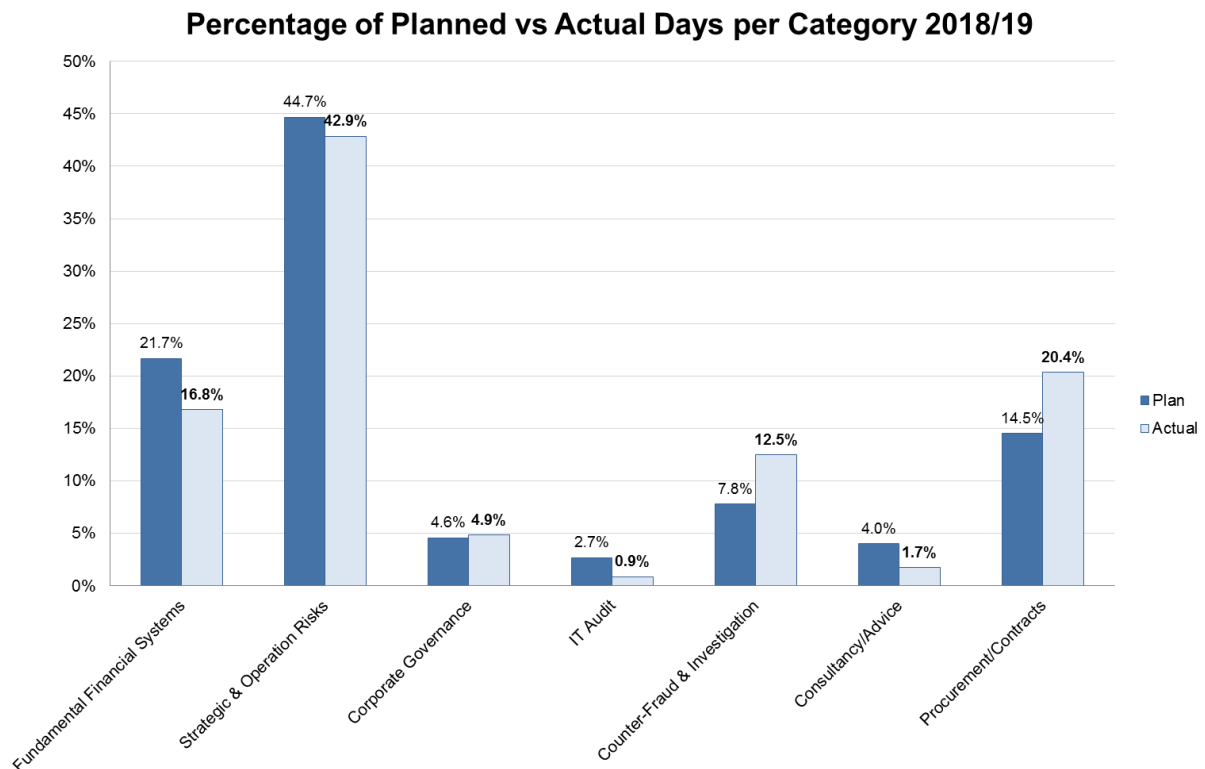
The net effect is that although the work undertaken was slightly different to that originally planned we are able to report that we achieved **94%** of the overall revised plan 2018/19, against a target of 85%.

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



Example rationale for the variance between 2018/19 planned and actual days per service area include (but are not exclusive to):

- New activity requests e.g. Car Parking review;
- Updated risk assessments resulted in audit deferrals into the 2019/20 Plan (e.g. Workforce - Programme Management, Capital Programme Limited Assurance Follow Up, Business Rates Evaluation List, Competency Framework, HRA Delivery Plan - Budget Savings and ICT Action Plan); and
- Audit activity where actual days were in excess of those originally budgeted, due to the findings and outcomes of the audit work (e.g. Procurement and Homelessness); and
- The impact of potential fraud / irregularity referrals.



Example rationale for the variance between 2018/19 planned and actual days per category are in line with the rationale provided regards service area variances.

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

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

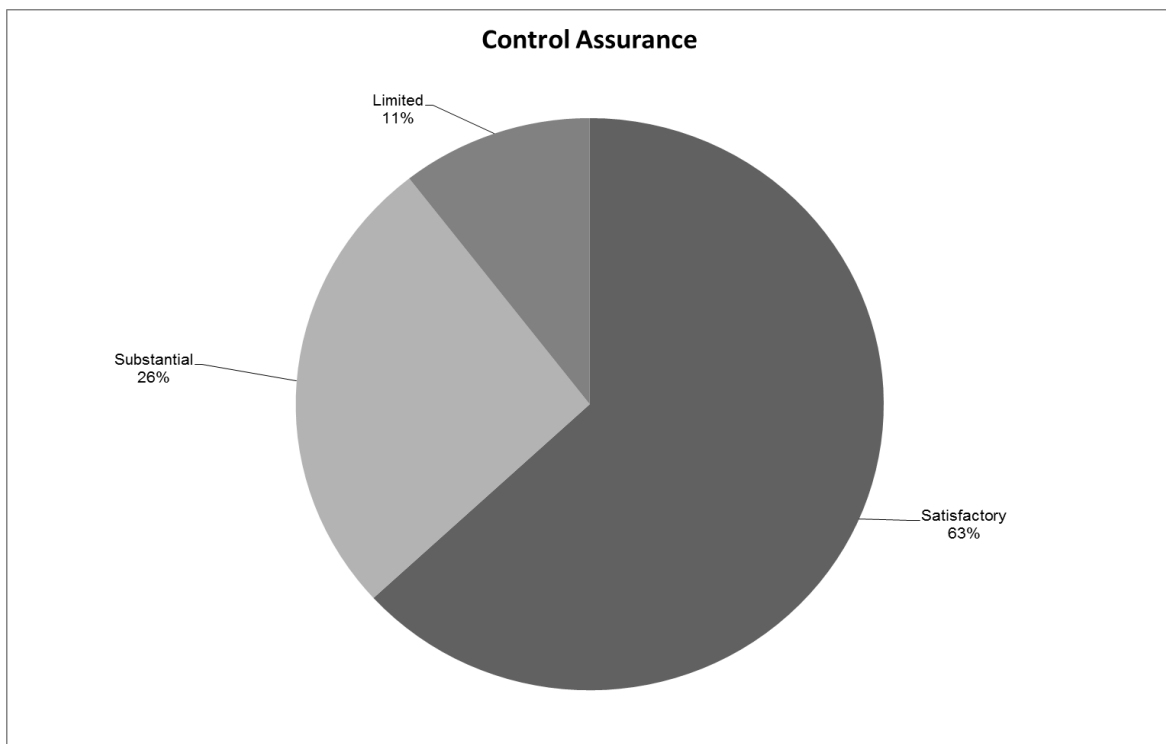
The schedule provided at **Appendix 2** contains a list of all of the audit activity undertaken during 2018/19, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Audit and Standards Committee. Explanations of the meaning of these opinions are shown below.

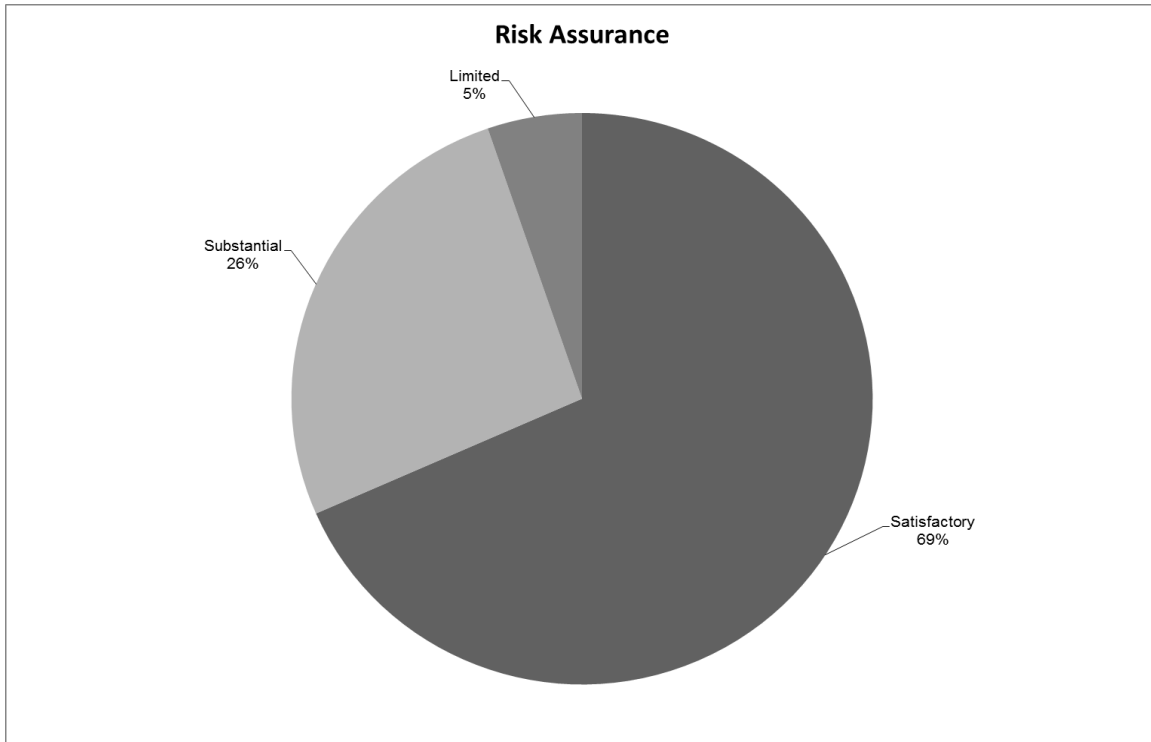
Assurance levels	Risk Identification Maturity	Control Environment
Substantial	<p>Risk Managed Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners,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

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

The pie charts provided below show the summary of the risk and control assurance opinions provided within each category of opinion i.e. substantial, satisfactory and limited. ARA can report that the Council is showing that **89%** of the activities reviewed have received a **substantial (26%)** or **satisfactory (63%)** opinion on control. Whilst **11%** of the opinions on control are limited, this maybe related to transformational change, continued focusing of our activity on the key risks of the Council and specific requests from Directors, who are asking for areas to be reviewed where issues have arisen or where independent assurance is required.

Risk and Control Opinions 2018/19





(6b) Limited Control Assurance Opinions

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

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

During 2018/19, two limited opinions on control were provided. These related to:

Audited Service Area	Date reported to Audit and Standards Committee
Legacy Software	9 th October 2018
Multi Services Contract Follow Up	9 th October 2018

(6d) Satisfactory Control Assurance Opinions

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

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

Year	Total No. of high priority recs.	% of high priority recs. accepted by management	Total No. of medium priority recs.	% of medium priority recs. accepted by management	Total No. of recs. made
2017/18	33	*95%	63	100%	96
2018/19	11	100%	28	100%	39

*Two of the three recommendations made within the Post Project Review audit in 2017/18 were not accepted by management, as they were deemed to be within their risk appetite.

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

(6f) Risk Assurance Opinions

There was one audit where a limited assurance opinion was given on risk during 2018/19 which related to:

Audited Service Area	Date reported to Audit and Standards Committee
Multi Services Contract Follow Up	9 th October 2018

Where limited assurance opinions on risk are provided, the relevant risk management lead officers within the Council are made aware, to ensure that the risks highlighted by Internal Audit are placed on the relevant risk registers.

The monitoring of the implementation of the recommendations is then owned by the relevant manager and helps to further embed risk management into the day to day management, risk monitoring and reporting processes.

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

During 2018/19, **95%** of the audited areas rated the effectiveness of risk management arrangements as **substantial (26%) or satisfactory (69%)** with **5%** obtaining a limited assurance opinion. This evidences that risk management continues to be further embedded into the Council's business activities.

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

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

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

In April 2016, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authorities Chief Executives (SOLACE) published 'Delivering Good Governance in Local Government: Framework 2016' and this applies to annual governance statements prepared for the 2018/19 financial year. Guidance notes were also published to assist Council Leaders and Chief Executives in reviewing and testing their governance arrangements against the seven principles for good governance.

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

- Reviewed the existing governance arrangements against the principles set out in the Framework;
- Developed and implemented a refreshed local Code of Corporate Governance, based on the new principles and guidance, including an assurance framework for ensuring ongoing effectiveness; and

- Will report publically, via the Annual Governance Statement on compliance with the code on an annual basis, how the Council has monitored the effectiveness of the governance arrangements operating in the year and on planned improvement areas.

The key 2018/19 governance matters identified related to: Future Financial Stability, Local Government Association (LGA) Corporate Peer Challenge (CPC) and the Procurement Action Plan.

The actions to be taken to address the above can be found within the Council's Annual Governance Statement 2018/19 and their implementation monitored by the Audit and Standards Committee throughout the year.

(7) Summary of additional Internal Audit Activity

(7a) Special Investigations/Counter Fraud Activities

During 2018/19 (1st April 2018 to 31st March 2019) 25 potential irregularities were referred to Audit, Risk Assurance (ARA) (Internal Audit (IA)), all of which have been previously reported to Audit and Standards Committee. In addition, Gloucestershire Counter Fraud Unit (CFU), commissioned through ARA, continued to work on ten cases brought forward from 2017/18.

In respect of the new cases referred in 2018/19, ARA has commissioned the CFU to investigate potential irregularities in respect of housing, tenancy and council tax. All counter fraud activity undertaken by the CFU has been agreed with the relevant Service Managers, S151 Officer and overseen by the Chief Internal Auditor. Of the cases referred in 2018/19, 19 have now closed with varying outcomes:

Tenancy and Housing

7 new cases were referred to the CFU, via ARA in 2018/19 plus an additional 10 cases were carried forward from 2017/18.

- 3 cases referred by the Right to Buy (RTB) team to investigate/validate the RTB application;
- 3 cases referred by the tenancy team – subletting/abandonment or breach of tenancy conditions; and
- 1 case acting as the co-ordinator of evidence in respect of an investigation into the use of stolen credit cards reported to Action Fraud.

Of these, 13 cases were closed plus an additional four cases that had been identified during a RTB audit. These can be broken down as:

- 2 cases referred by the RTB team where it was proven that the tenant was not living in the property and the RTB was refused;
- 4 cases where there was no further action for the RTB team but issues were identified with council tax and/or housing benefits;
- 4 cases where the information or advice was provided to the Housing team to enable them to continue with any investigation as required;
- 6 cases closed due to insufficient evidence to progress the investigation; and
- 1 case of fraudulent use of credit cards closed by Gloucestershire Constabulary due to insufficient evidence.

Council Tax Reduction Scheme (CTRS)

There were 18 new CTRS investigations referred to the CFU, via ARA, during the year.

One case closed recently, which has not previously been reported to the Audit and Standards Committee, related to a Council Tax Support Scheme overpayment of £5,081.20 due to non declaration of income/savings. This resulted in a joint prosecution with the Department for Work and Pensions (DWP) and the Council.

The individual was given a 9 month custodial sentence in relation to each of the two offences (to run concurrently), each reduced to 6 months for the early guilty plea, and suspended for 18 months. The individual has been ordered to pay £1,044.12 (in addition to the £5,081.20 identified), comprising the Councils' full costs of £929.12 and a victim surcharge of £115.00. In awarding the Council's full costs the bench acknowledged the considerable amount of time and effort involved in investigating this case.

Two cases are currently being jointly investigated with the DWP in respect of undeclared work resulting in potential HB overpayments which is likely to result in sanctions being imposed, which cumulatively are in the region of £6k

Of the 18 new CTRS cases, the following 6 cases have been closed:

- 3 cases were rejected because they did not meet the criteria;
- 1 case resulted in the identification and recovery of £639.08 overpayment of Council Tax Support but there insufficient evidence to take the case further; and
- 2 cases were closed as the allegation could not be proved.

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

The Council, through the CFU, is currently participating in a pilot exercise working with the Department for Work and Pensions (DWP) on joint investigations of housing benefits and CTRS.

In addition, the CFU has provided a number of fraud awareness training sessions to council staff on housing and tenancy fraud.

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

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

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

Fraud Risk Assessment / Risk Register

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

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data collections were collected throughout October 2018 and generating reports containing data set matches for follow-up action. Examples of data sets includes housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol. Not all matches are investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area.

Monitoring and Review

The Audit and Standards Committee can also take assurance that all special investigations/counter fraud activities are reported to the Chief Executive, Monitoring Officer and Chief Financial Officer, who challenge, monitor management actions and follow-up progress to date and approve all police referrals.

Anti Fraud and Corruption Policy Statement and Strategy

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

The Chief Internal Auditor continues to undertake a self-assessment against the guidance to measure the Council's counter fraud and corruption culture and response and propose enhancements as required.

Serious and Organised Crime Strategic partnership led by Gloucestershire Police

The Chief Internal Auditor is a member of the Serious and Organised Crime Strategic Partnership (SOCSP) to discuss the local multi agency approach to tackling crime/fraud. There is a clear direction from central government that a 'whole government approach' is required, with the co-ordination of the Police, statutory partners and the community and voluntary sector. It is the intention that this partnership is to set the context of Serious and Organised Crime within Gloucestershire and then mobilise the network of local partners to work together with a strong emphasis on a preventative, early intervention approach.

(7b) Local Government Transparency Code 2015

Introduction

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

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

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

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

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

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

Council wide fraud and irregularity activity relating to 2018/19 including Internal Audit activity

Question	Stroud District Council Response
Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.	3
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.	The Council has access to 1.6 FTE fraud investigators as part of the Internal Audit shared service arrangement with Gloucestershire County Council and Gloucester City Council (ARA – Audit, Risk, Assurance), together with access to the CFU via ARA.

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

Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.	The Council has access to 1.6 FTE fraud investigators as part of the Internal Audit shared service arrangement with Gloucestershire County Council and Gloucester City Council (ARA) together with access to the CFU via ARA.
Total amount spent by the authority on the investigation and prosecution of fraud.	Approximately £12,415 in staff time from ARA/CFU. Staff employed by SDC unknown.
Total number of fraud cases investigated by ARA and the CFU. (<i>all cases are initially investigated as fraud</i>).	3 (plus 2 referred to DWP outcomes unknown).

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

Question	Stroud District Council Response
Total number of cases of irregularity investigated. (This is not in addition to the fraud cases investigated)	30
Total number of occasions on which a) fraud and b) irregularity was identified.	(a) 3 (b) 30 + 2 referred to DWP, outcomes unknown.
Total monetary value of a) the fraud and b) the irregularity that was detected.	(a) Estimated £130,000 (RTB loss prevention) £5,081.20 from CTRS (b) £7,129.21 (Excludes ongoing cases where value is currently not known)

<p>Total monetary value of a) the fraud and b) the irregularity that was recovered</p>	<p>(a) Estimated £130,000 (includes value of discount saved from preventing a property being sold under the RTB scheme)</p> <p>£5,081.20 recovered in respect of CTRS.</p> <p>(b) £639 (Excludes ongoing cases where value is currently not known. As a local authority there is an obligation to refer our HB fraud allegations to DWP for their consideration as to whether an investigation should take place.)</p>
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Full details about the code and its requirements can be found at:

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

(8) Internal Audit Effectiveness

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

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

Public Sector Internal Audit Standards (PSIAS)

These standards have four key objectives:

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

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

External Assessment of the effectiveness of Internal Audit

There is a requirement under the PSIAS i.e. Standard Ref '1312 External Assessments' for internal audit to have an external quality assessment which must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The standards require the Chief Internal Auditor to discuss the following with the Audit and Standards Committee:

- The form of external assessment; and
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

The review undertaken during May 2015 by the Chartered Institute of Internal Auditors (CIIA) included a review of the team's conformance to the International Professional Practice Framework (IPPF) as reflected in the PSIAS, benchmarking the function's activities against best practice and assessing the impact of internal audit on the organisation. There are 56 fundamental principles to achieve with more than 150 points of recommended practice in the IPPF. The independent assessment identified 100% conformance.

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

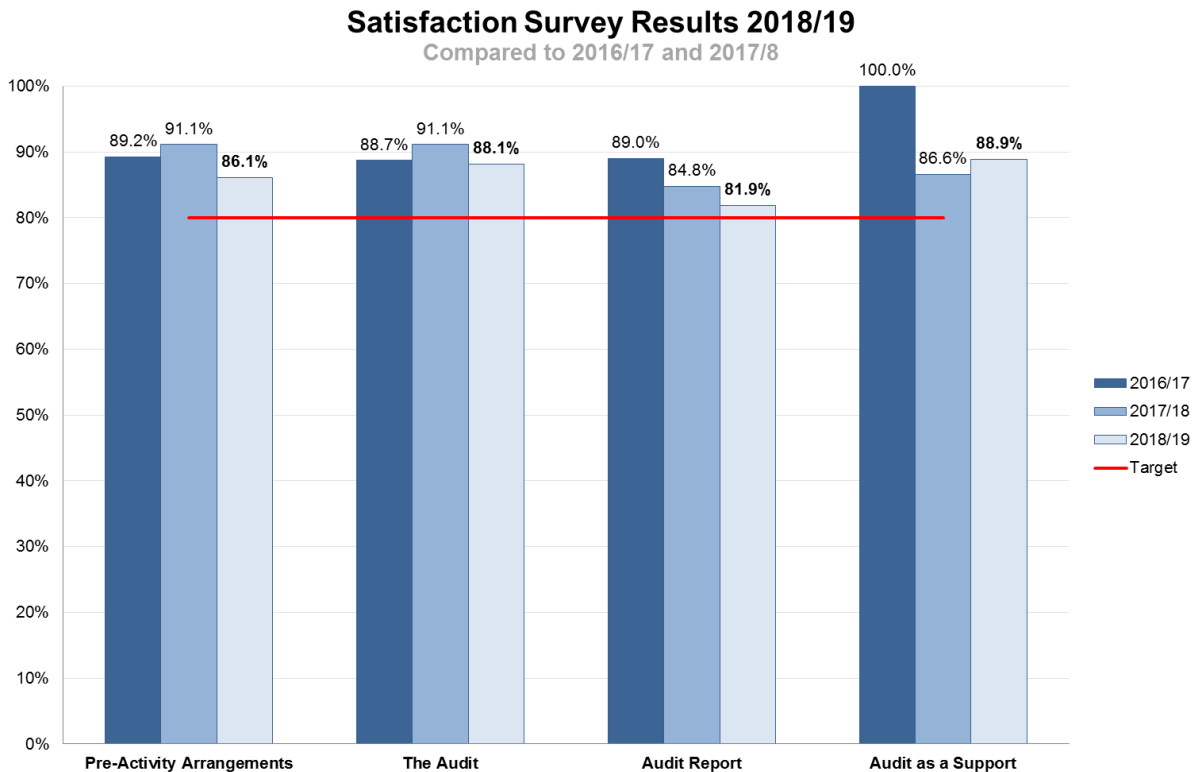
The internal audit shared service applies consistent systems and processes, which supports compliance across the Audit Risk Assurance Shared Service partners.

During 2018/19 the Chief Internal Auditor assessed Internal Audit's performance against the Internal Audit's Quality Assurance and Improvement Programme (QAIP) as required by the PSIAS. The QAIP confirmed compliance against the PSIAS and highlighted opportunities for further service improvement.

Internal Assessment - Customer Satisfaction Survey results 2018/19

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

A target of 80% was set where overall, audit was assessed as good or better. The latest results as summarised below, shows that the target has been exceeded, with the score of **88.9%** reflecting Internal Audit as being a positive support to their service.



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

- *'Feedback during the process, so that any issues identified could be addressed at source'.*
- *'I think the auditor was particularly good in recognising that circumstances had changed since the original audit report and that although previous recommendations were not being carried out the risks previously identified were still being addressed'.*
- *'The auditor actively worked with all parties and his recommendations and assistance were a positive contribution to the sub rooms transfer'.*
- *'We've adopted all the recommendations recommended and put in place processes to ensure accountability moving forward'.*

Lessons Learned from customer feedback and actions taken by Internal Audit

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

ARA Learning and Development

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

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

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

ARA Partner Dividend

During 2018/19 ARA has been in a position to be able to provide a dividend to the Council in the sum of £8,259.72. This is due to efficiencies achieved by the shared service during this period.

Internal Audit's relationship with the Audit and Standards Committee

The Chief Internal Auditor functionally reports to the Audit and Standards Committee and supports the Committee in fulfilling its role as an independent assurance provider.

The Chartered Institute of Public Finance and Accountancy, CIPFA, have recently produced revised guidance on the function and operation of audit committees; "Audit Committees in Local Authorities and Police, 2018 edition". The guidance represents CIPFA's view of best practice for Audit Committees in local authorities throughout the UK and replaces the Position Statement of Audit Committees in Local

Government issued in 2013. In the guidance, CIPFA provide a suggested self-assessment against recommended practice.

By reviewing the Committee's effectiveness against a good practice self-assessment on an annual basis, the Committee can demonstrate a high degree of performance and evidence that the Committee is soundly based with a knowledgeable membership that is not impaired in any way. Completion of the self-assessment can also be used to support the planning of the Committee's work programme and training plans and inform the Committee's annual report to Council.

Internal Audit led on a review of their effectiveness which enabled members of the Committee to undertake a self assessment against the good practice principles. An action plan has been developed which summarises the next steps to further enhance the Committees effectiveness.

Green Impact Award

Green Impact is a sustainability accreditation scheme with an awards element. Green Impact supports organisations in meeting the reduction in energy and fuel use, cost and resulting CO₂ emissions.

ARA achieved a bronze award in 2017 demonstrating and evidencing change across the team and its activities making improvements in managing waste and recycling, reduction of energy use, reduction in water usage including preventing water wastage, reusing before procuring new, alternative travel use and improving overall team health and well-being.

ARA was also identified by the scheme in 2017 by being awarded the Green Impact special award for its proactive approach in making positive changes to its processes to benefit the Council as a whole.

In 2018 ARA has further demonstrated its commitment in meeting this objective and received the gold award, the highest award within the scheme.

Completed Internal Audit Activity during the period April – June 2019

Summary of Satisfactory Assurance Opinions on Control

Service Area: Tenant and Corporate Services

Audit Activity: Property Maintenance

Background

There are various pieces of statutory legislation and building regulations which the Council should be compliant with, which the planned service and maintenance programme will target.

The Council's General Fund planned service, responsive, emergency and out of hours' maintenance budget for 2018/19 was £308k.

Scope

The audit reviewed whether the Council has adequate arrangements for undertaking planned and responsive maintenance works, in order to protect the value of its property and the health and wellbeing of employees and members of the public.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

- The systems and processes in place for administering property incident claims were found to be adequate and operating effectively.
- The service risk register only partially recognises and evaluates property maintenance risks, and does not consider the wider business environment compliance requirements with statutory legislation and building regulations.
- There is evidence to support that stock condition surveys for key strategic buildings have been undertaken in previous years. More recently, components of buildings such as plant have received independent specialist condition survey reports, with the objective of; i) tailoring in line with the revenue budget available; and ii) identifying any planned maintenance needs.

- Audit testing highlighted that procurement procedures for planned and responsive building property maintenance and repairs (below the £5,000 threshold) is not being undertaken in compliance with the Council's Contract Procurement Procedure Rules. As at March 2019 the annual total spend analysed by cost centre within this threshold is circa £45k, which represents 15% of the annual budget.
- The Buildings Programme Manager advised Internal Audit that there are time/resource limitations for arranging three quotations for every work item due to the volume of orders that are raised in year (typically 600 orders) and where it is impractical to obtain this number of contractor quotes relating to responsive repairs, procurement decisions were based on their judgement for value for money.
- It is acknowledged however that there is a need to develop the existing control environment by proactively developing a business case to identify/capture the Council's business needs/medium term procurement requirements (based on known future demand/need and historical data), and ensure that the future procurement of goods, works and services is in compliance with the council's procurement rules.
- There are adequate procedures in place to review and monitor contractor performance for planned service maintenance, and these are operating effectively.

Conclusion

The review has highlighted some lapses within the current control environment for managing planned and responsive maintenance for building properties.

Assurance was obtained to confirm that specific statutory legislation and building regulation inspection and maintenance requirements had been correctly completed.

Management Actions

Internal Audit has raised two high and one medium recommendation in order to improve the existing control environment in relation to risk management and future procurement activities.

Management has responded positively to the recommendations made.

Service Area: Council Wide

Audit Activity: General Data Protection Regulation (GDPR)

Background

The General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679) is a regulation by which the European Parliament, the Council of the European Union and the European Commission intend to strengthen and unify data protection for all individuals within the European Union (EU).

GDPR replaces the Data Protection Directive (officially Directive 95/46/EC) [2] of 1995. The regulation was adopted on 27th April 2016 and became enforceable from 25th May 2018 after a two-year transition period. Unlike a directive, it does not require national government to pass any enabling legislation and is thus directly binding and applicable.

Scope

The aim of this audit was to review whether the Council has an effective framework in place for ensuring that personal information gathered is only used for the purpose for which it was originally intended.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

The review identified a number of areas of good practice applied by the Council, including:

- Key GDPR/data protection policies and procedures were found to have been updated to reference GDPR and describe how the Council meets key requirements;
- Staff and members have been made aware of GDPR requirements via a number of channels, including a series of training sessions, e-learning, communications issued by email, the Council intranet, posters, and an information sheet;
- A high level privacy notice and service specific privacy notices have been created and published to the Council website;

- Data Privacy Impact Assessment (DPIA) process has been introduced and the Council's Data Protection Policy has been updated to reflect this requirement; and
- A designated Data Protection Officer and 'Information Champions' with the responsibility of disseminating information on GDPR were noted to be in place.

The findings from this review have also identified some areas where improvement is required to ensure compliance with GDPR requirements. These are:

- The Council does not currently maintain a centrally held register or record of processing activities that details all of the Council's information assets;
- There is no centrally held Subject Access Request log to be used in the management of subject access requests;
- Not all contracts held by the Council are currently detailed on the Contracts Register;
- A log of data breaches is maintained, however this only currently includes incidents reported to the Information Commissioner Office, and not all incidents raised/investigated;
- There is a need to gain further assurance that all departments/service areas are capturing and recording data subjects consent to retain and process their data; and
- It is recommended that management consider the appointment/nomination of a dedicated information officer to help ensure compliance with GDPR.

Conclusion

Based on the results of audit enquiries and testing it is evident that a significant amount of work has been undertaken to achieve compliance with GDPR requirements.

Management were able to demonstrate a good level of knowledge and awareness of their obligations under GDPR and that a number of controls have been implemented to move the Council towards full compliance with GDPR. The audit recommendations raised will help further improve the overall control environment once implemented.

Management Actions

Management have positively responded to the six medium priority recommendations made within the report. The latest recommendation implementation deadline agreed by management is 30th September 2019.

Summary of Substantial Assurance Opinions on Control

Service Area: Customer Services

Audit Activity: Subscription Rooms Risk Management-Financial Closedown

Background

The Subscription Rooms is a Grade II listed building in the centre of Stroud. It is used as an arts and entertainment venue, and has been owned and run by the Council for a number of years.

The freehold of the Subscription Rooms was transferred to Stroud Town Council for £1 as approved on 17th January 2019 by the Strategy and Resources Committee. The Stroud Subscription Rooms Trust will run the venue's day-to-day business. The Subscription Rooms transfer took place on 28th March 2019.

Scope

This audit scope was to determine whether there are effective risk management arrangements in place for the change in ownership, in particular, that there are adequate financial procedures and controls for the close down of the Council's responsibilities for the Subscription Rooms.

Due to the significance of this project, application of an agile audit approach to delivering residual risk has been taken, thus ensuring that should any suggested improvement areas to the financial procedures and controls be identified these have been raised with the relevant managers responsible at the earliest opportunity.

Risk Assurance – Substantial

Control Assurance – Substantial

Key Findings

- The underlying financial records to review for this audit were held by a combination of; i) the General Manager for the Subscription Rooms and ii) the financial system Business World. Discussions with key officers and review of supporting documentation, was then completed.
- The actual finance procedures and controls used for financial close down were compliant with the Council's Financial Regulations.
- The known inherent key risks as identified within the Terms of Reference for this review in dealing with the transfer of the Subscription Rooms to the Town Council and Trust have been minimised to an acceptable level.

- This project benefitted by having the ex Director of Customer Services as part of the Transition Group, so suitable and timely reporting of the financial issues arising as identified by Council staff/ and Trustees occurred.
- It was noted that the Excelsis Property Services risk for transfer of assets (PROP 1) was last reviewed in November 2018, with the proposed date for further review stated as February 2019 now being overdue. This was verbally raised with the respective service area.

Conclusion

Review of financial close down concludes that substantial assurance can be provided for risk identification arrangements and their management and control. No recommendations have been made.

Management Actions

None required.

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

Service Area: Council Wide

Audit Activity: Workforce Plan Programme Management

The 2018/19 Internal Audit Plan included a review of the effectiveness of the programme / project management arrangements in place to deliver the objective of the Workforce Plan. Due to the significance, and breadth of this programme, it was agreed that application of an agile audit approach to delivering the objective would be taken, thus any suggested improvement areas identified were raised with management at the earliest opportunity to ensure that improvements to the control environment could be considered and actioned.

During the financial year the Council has had a change of leadership with a new Chief Executive joining the Council in November 2018. In order to help understand the change that is needed and to help shape the future direction of the Council, the Chief Executive commissioned a Local Government Association Peer Challenge Review.

It was therefore agreed that the review should be deferred and audit resource directed during 2019/20 to a review of the effectiveness of the governance arrangements for driving forward any key improvement actions/plans emanating from the peer review.

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	Not Applicable	Not Applicable	25/07/2019	Summary paragraph included within the Annual Report 2018/19. Approved 2019/20 Audit Plan includes the 'LGA and Workforce Plan transitional arrangements' consultancy days and 'LGA Peer Review' internal audit regards the action plan governance arrangements.
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 of new capital strategy approval and implementation.
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
Council Wide	Car Parking Review	High	Final Report Issued	Not Applicable	Not Applicable	29/01/2019	New activity
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	Deferred				Review deferred due to in year arrangements and assurance confirmed by the relevant Head of Service (value would not be added by independent review in 2018/19). Deferred for consideration within 2020/21 Audit Plan.
Customer Services	Multi Services Contract Follow Up	High	Final Report Issued	Limited	Limited	09/10/2018	
Customer Services	Subscription Rooms - Risk Management	High	Final Report Issued	Substantial	Substantial	25/07/2019	
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 positive outcome within the November 2018 progress report.
Finance	Local Government Pension Scheme (LGPS) Limited Assurance Follow Up	High	Final Report Issued	Satisfactory	Satisfactory	29/01/2019	
Finance	Treasury Management	High	Final Report Issued	Satisfactory	Satisfactory	20/11/2018	
Tenant & Corporate Services	Competency Framework	High	Deferred				Carried forward to 2019/20 Plan, through the LGA Peer Review relevant reviews.
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	Final Report Issued	Satisfactory	Satisfactory	25/07/2019	
Tenant & Corporate Services	HRA Delivery Plan - Budget Savings	High	Deferred				Deferred to 19/20 plan due to recent legislation changes and corporate delivery plan and council's vision to be refreshed.
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	Final Report Issued	Satisfactory	Satisfactory	25/07/2019	
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	
Tenant & Corporate Services	ICT Action Plan	High	Deferred				Audit deferred to ensure appropriate consideration of LGA Peer Review outcomes. Audit embedded into LGA Peer Review Action Plan.

STROUD DISTRICT COUNCIL

AGENDA
ITEM NO

AUDIT AND STANDARDS COMMITTEE

25 JULY 2019

9

Report Title	ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY AND ACTUAL PRUDENTIAL INDICATORS 2018/2019
Purpose of Report	To advise on the treasury management activities in 2018/2019, in accordance with the Council's Treasury Policy Statement. To report on actual 2018/2019 Prudential Indicators in accordance with the requirements of the Prudential Code.
Decision(s)	The Audit & Standards Committee RESOLVES to approve the treasury management activity annual report for 2018/2019 and the actual Prudential Indicators.
Consultation and Feedback	Link Asset Services Limited (LAS).
Financial Implications and Risk Assessment	There are no financial implications arising directly from this report as it reports the outturn Treasury position for 2018/19. Andrew Cummings, Interim Director of Resources & S151 Officer Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk
Legal Implications	Any legal implications are set out in the body of the report and/or the appendices. Craig Hallett, Solicitor & Deputy Monitoring Officer Tel: 01453 754364 Email: craig.hallett@stroud.gov.uk
Report Author	Graham Bailey, Principal Accountant Tel: 01453 754133 Email: graham.bailey@stroud.gov.uk
Options	None
Performance Management Follow Up	The Committee will receive regular reports on treasury activity throughout the 2019/2020 financial year.
Background Papers Appendices	Appendix A – Temporary investments 2018/2019 Appendix B – Actual Prudential Indicators 2018/2019 Appendix C – Explanation of Prudential Indicators Appendix D – The economy and interest rates 2018/2019 Appendix E – Borrowing and investment rates in 2018/2019

Introduction

1. This Council fully complies with the CIPFA Treasury Management Code of Practice and the CIPFA Prudential Code for Capital Finance in Local Authorities.
2. For the financial year 2018/19 the minimum reporting requirements were that the full Council should receive the following reports:
 - Annual treasury strategy (Council 22/02/2018)
 - Half year treasury management report (Council 20/11/2018)
 - Annual treasury review (this report)
3. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body, which in this Council is the Audit & Standards Committee.

Treasury Activity

4. A summary of treasury management activity for 2018/2019 is shown below:

Treasury Activity 2018-19				
	April 2018	Increase	Decrease	March 2019
	£000	£000	£000	£000
Debt				
Borrowing:				
Long-term	-105,717	-	2,000	-103,717
Short-term	-	-	-	-
Total debt	-105,717	-	2,000	-103,717
Investments				
Externally managed	-	-	-	-
Internally managed - Long term	-	-	-	-
Internally managed - Short term	31,414	7,957	-	39,371
Total investments	31,414	7,957	-	39,371
Net debt	-74,303	7,957	2,000	-64,346

Investment Strategy

5. Investment strategy for 2018/2019 was to give primary importance to security of capital and liquidity. This was achieved through having regard to government 'Guidance on Local Government Investment' issued in March 2004, and our own investment policy which set out permitted specified and non-specified

investments. In addition, the Council received and followed weekly investment advice from Link Asset Services detailing counterparty credit ratings, which were also subjected to a credit default swap overlay. This was supplemented by daily update emails from Link Asset Services, economic briefings and monitoring the financial press.

6. Investment strategy, set out in the report to Council in February 2018, stated that in 2018-19 the Council would continue to invest for the longest permitted duration with quality counterparties to maximise return without compromising security. In particular instances the Section 151 Officer would authorise investments in the LAS blue category for a period of up to two years, which was longer than the LAS recommended duration of one year. Otherwise, the length of investments permitted would vary if necessary in line with LAS advice and subject to the Council's 3-year upper limit.
7. The expectation for interest rates within the strategy for 2018/19 was for Bank Rate to rise to 0.75% from 0.5% in March 2019. In fact the rate was increased to 0.75% in August 2018.
8. **Appendix A** has a summary of investments during the year.

Borrowing Outturn for 2018/19

9. The Council had total borrowing of £103.717m as at 31 March 2019. On 5 February 2019 a £2m loan from Hampshire County Council at 2.40% matured and was repaid. With a Capital Financing Requirement of £111.468m as at 31 March 2019, the Council has continued and extended an element of internal borrowing during the year to help offset low investment returns. As at 31 March 2019 there is internal borrowing of £7.751m.

Lender	Principal	Type	Interest Rate	Years to Maturity	Maturity Date
PWLB	£1m	Fixed Interest Rate	1.63%	2 years	11/02/2021
PWLB	£2m	Fixed Interest Rate	1.93%	4 years	11/02/2023
PWLB	£6m	Fixed Interest Rate	3.32%	13 years	31/03/2032
PWLB	£10m	Fixed Interest Rate	3.45%	18 years	31/03/2037
PWLB	£7m	Fixed Interest Rate	3.51%	23 years	31/03/2042
PWLB	£7m	Fixed Interest Rate	3.51%	23 years	31/03/2042
PWLB	£7m	Fixed Interest Rate	3.53%	28 years	31/03/2047
PWLB	£7m	Fixed Interest Rate	3.53%	28 years	31/03/2047
PWLB	£7m	Fixed Interest Rate	3.52%	33 years	31/03/2052
PWLB	£7m	Fixed Interest Rate	3.52%	33 years	31/03/2052
PWLB	£7m	Fixed Interest Rate	3.51%	38 years	31/03/2057
PWLB	£7m	Fixed Interest Rate	3.51%	38 years	31/03/2057
PWLB	£10m	Fixed Interest Rate	3.48%	42 years	31/03/2061
PWLB	£9.717m	Fixed Interest Rate	3.48%	42 years	31/03/2061
PWLB	£1m	Fixed Interest Rate	2.51%	44 years	21/06/2063
PWLB	£2m	Fixed Interest Rate	3.16%	44 years	20/08/2063
PWLB	£1m	Fixed Interest Rate	3.55%	46 years	28/11/2064
PWLB	£2m	Fixed Interest Rate	3.20%	46 years	18/08/2065
PWLB	£2m	Fixed Interest Rate	2.96%	47 years	11/02/2066
PWLB	£1m	Fixed Interest Rate	2.65%	47 years	14/06/2066
Total Loans	£103.717m				

The Economy and Interest Rates

10. An analysis of UK economic performance and interest rates and the world economic context during 2018/2019 is in **Appendix D**.

Performance Measurement

11. **Appendix A** has details of the investments made during the year. All of these were 'approved investments' with counterparties included on the Council's lending list, and within permitted limits as regards time and amount, with the exception of breaching the limits with our own bank NatWest during the Christmas office closedown period. This breach was rectified on the first day of business in the new year.
12. The average level of investments held was £41.978 million and the average return on these investments was 0.80%, compared with the average un compounded 7-day LIBID rate of 0.507% which is a generally accepted benchmark rate (the 3 month un compounded LIBID rate is given as well for comparative purposes). The interest earned was £334k.

	Average Investment	Rate of Return	Benchmark Return 7 day LIBID un compounded	For comparison 3 month LIBID un compounded
Internally Managed	£41,978,403	0.80%	0.507%	0.675%
Externally Managed	N/A	N/A	N/A	N/A

13. Stroud is a member of a Link Asset Services Benchmarking group. The group is comprised of North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Oxford City Council, Rugby Borough Council, Stratford-on-Avon District Council, Warwick District Council, Warwickshire County Council, Worcester City Council, Worcestershire County Council and Wyre Forest District Council. A primary aim of the group is to evaluate and compare return on investment taking into account the level of risk for the investment portfolio. During 2018/19 Stroud has again compared well with the benchmark group in terms of return achieved, whilst maintaining a low risk portfolio.
14. In line with the budget strategy and the 2019/20 Treasury and Investment Strategies approved by Council in February 2019 the Council is aiming to increase the return on investments through an increased risk appetite and permitting a wider range of investments.

Prudential Indicators and Compliance with Borrowing Limits

15. The Council is required by the Prudential Code to report actual prudential indicators after the year end. These are shown in **Appendix B**.

16. The Council had maximum loans totalling £105.717m during 2018/2019. This amount of borrowing was well within both the authorised and operational borrowing limits of £130m and £122m respectively.

Borrowing limits 2018/2019	Approved Limit	Actual
Authorised limit for external debt	£130m	£105.7m
Operational boundary for external debt	£122m	£105.7m

Member Training

17. Member training provided by Link Asset Services on treasury management issues took place on 4 December 2018. Further training for Members will be scheduled for 2019/20.

Local Authority Mortgage Scheme update

Through introducing a Local Authority Mortgage Scheme the Council offered a financial guarantee to enable first time buyers to obtain a mortgage. The maximum value of the guarantee is £1.2m. The Council invested £1m and the county council £200k with Lloyds bank for 5 years at a market rate of 3.8%. Premium interest of 0.7% was payable in return for the financial guarantee. Premium interest was set aside to pay for any liability realised as a result of the financial guarantee. This scheme commenced in April 2012 and closed to new loan applications in 2015. A total of £4.7m of loans to 37 first time buyers were issued which utilised £0.9m of the available £1.2m guarantee. As at March 2019 there are no arrears cases, and there have been no repossessions under the scheme since inception. The financial guarantee continues for 5 years from the start date of each mortgage and so should gradually reduce and end in July 2020, provided that a mortgage is not in arrears during the last six months of its 5 year period. In any such cases the financial guarantee for those mortgages will extend for a further 2 years.

At March 2019 a maximum financial guarantee liability of £0.05m was outstanding (£0.49m March 2018).

Temporary Investments - Summary Activity 2018/2019				
Borrower	Type	Average Principal Invested £	Interest £	Average Rate
RBS Group				
NatWest Treasury Reserve	Call	306,783	427	0.14%
RBS Deposit	CD	1,189,869	7,166	0.60%
NatWest Deposit	CD	3,526,027	33,749	0.96%
RBS Treasury Reserve	Call	7,506	30	0.40%
RBS Group Total		5,030,186	41,372	0.82%
Lloyds Group				
Bank of Scotland	Fixed	1,331,507	11,318	0.85%
Lloyds	Fixed	1,994,521	18,967	0.95%
Lloyds 175 Notice	Call	2,447,279	22,585	0.92%
Lloyds Group Total		5,773,307	52,870	0.92%
Barclays Bank PLC				
Barclays	FIBCA	16,008	80	0.50%
Barclays	Notice	5,219,723	46,045	0.88%
Barclays Total		5,235,731	46,125	0.88%
Goldman Sachs				
Goldman Sachs	Notice	2,000,000	15,100	0.76%
Goldman Sachs	Fixed	1,331,507	9,786	0.73%
Goldman Sachs MMF	MMF	1,321,843	7,941	0.60%
Goldman Sachs Total		4,653,350	32,827	0.71%
Santander				
Santander	Fixed	4,328,493	33,092	0.76%
Santander - 95 day notice	Notice	845	6	0.72%
Santander - 180 day notice	Notice	2,067,306	17,478	0.85%
Santander MMA	Call	30	-	0.00%
Santander Total		6,396,675	50,576	0.79%
Standard Chartered				
Standard Chartered	CD	1,506,849	11,779	0.78%
Standard Chartered 95 day notice	Notice	2,000,000	18,615	0.93%
Standard Chartered Total		3,506,849	30,394	0.87%
Svenska Handelsbanken				
Svenska Handelsbanken	Call	1,671	4	0.24%
Svenska Handelsbanken	Notice	229,041	687	0.30%
Svenska Handelsbanken	Fixed	515,068	3,193	0.62%
Svenska Handelsbanken Total		745,781	3,885	0.52%
Aberdeen	MMF	1,664,745	9,372	0.56%
Deutsche	MMF	504,389	3,170	0.63%
Federated Prime Rate MMF	MMF	3,834,513	25,241	0.66%
Credit Industriel et Commercial	CD	663,014	5,304	0.80%
Rabobank Netherlands	CD	410,959	4,438	1.08%
Toronto Dominion	CD	789,041	9,153	1.16%
Coventry Building Society	Fixed	2,769,863	19,914	0.72%
Grand Total		41,978,403	334,641	0.80%

Types of investment

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

CD - Certificate of Deposit which are tradeable financial investments.

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

FIBCA - Fixed Interest Bearing Current Account

Fixed - fixed term investments at fixed interest rates.

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

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

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

	2017/18	2018/19	2018/19
	£'000	£'000	£'000
Prudential Indicators	actual	original	actual
	outturn	indicator	outturn
Capital Expenditure			
Non- HRA	4,479	4,589	2,614
HRA	6,002	11,720	8,593
TOTAL	£10,481	£16,309	£11,207
Ratio of financing costs to net revenue stream			
Non- HRA	-0.46%	-0.66%	-1.83%
HRA	15.94%	16.05%	15.75%
Net borrowing requirement			
brought forward 1 April	111,457	112,464	112,364
carried forward 31 March	112,364	113,984	111,468
in year borrowing requirement	£907	£1,520	-£896
In-year Capital Financing Requirement			
Non- HRA	907	950	-896
HRA	-	-	-
TOTAL	£907	£950	-£896
Capital Financing Requirement as at 31 March			
Non- HRA	16,622	16,438	15,726
HRA	95,742	95,742	95,742
TOTAL	£112,364	£112,180	£111,468
HRA borrowing limit	95,742	95,742	-
Authorised limit for external debt			
borrowing	128,000	130,000	105,717
other long term liabilities	-	-	-
TOTAL	128,000	130,000	105,717
Operational boundary for external debt			
borrowing	120,000	122,000	105,717
other long term liabilities	-	-	-
TOTAL	120,000	122,000	105,717
Upper limit for fixed interest rate exposure			
Net principal re. Fixed rate borrowing / investments	100%	100%	100%
Upper limit for variable rate exposure			
Net principal re. Fixed rate borrowing / investments	100%	100%	100%
Upper limit for total principal sums invested for over 365 days	-	7,000	-

Explanation of prudential indicators

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

Capital expenditure – compares the 2018/19 original capital estimates with the actual outturn. Actual 2017/18 outturn is shown for comparison.

Ratio of financing costs to net revenue stream – this indicator shows the effect of HRA self-financing debt, with the cost of servicing debt accounting for 15.75% of rental income. Interest on reserves and balances still make a small positive contribution to General Fund finances.

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

In year capital financing requirement – this shows that in 2018/19 there was a net repayment of borrowing (internal or external) of £0.896m because Minimum Revenue Provision and Voluntary Revenue Provision of £1.355m exceeded capital expenditure of £0.459m financed by borrowing. Capital spend during the year was financed by the Council's capital resources such as grants, capital receipts and revenue contributions. The comparative 2017/2018 figure shows the capital spend financed by borrowing for that year was £0.907m.

Capital financing requirement (CFR) as at 31 March – the capital financing requirement shows the underlying need of the Council to borrow for capital purposes as determined from the balance sheet. The overall positive CFR of £111.468m provides the Council with the opportunity to borrow if appropriate. The Council has £103.717m in long term borrowing. This indicates Council is internally borrowing £7.751m .

Authorised limit for external debt - this is the “affordable borrowing limit” for external temporary borrowing. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cash flows. The Council does not have the power to borrow above this level. The Authorised Limit was set at £130m in February 2018.

Operational boundary for external debt – this is set as the more likely amount required for day to day cash flow purposes. It is acceptable to be above or below this level as long as the Authorised Limit is not breached. The Operational Boundary was set at £122m in February 2018.

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

Upper limit for total principal sums invested for over 365 days – the amount it is considered can prudently be invested for a period in excess of a year. Although the Council can invest for longer than a year no such investments were made in 2018/19 in accordance with Link Asset Services' advice.

The Economy and Interest Rates 2018-19

UK. After weak **economic growth** of only 0.2% in quarter one of 2018, growth picked up to 0.4% in quarter 2 and to a particularly strong 0.7% in quarter 3, before cooling off to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was as to be expected. However, some recovery in the rate of growth is expected going forward. The annual growth in Q4 came in at 1.4% y/y confirming that the UK was the third fastest growing country in the G7 in quarter 4.

After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. If there were a disorderly exit, it is likely that Bank Rate would be cut to support growth. Nevertheless, the MPC has been having increasing concerns over the trend in **wage inflation** which peaked at a new post financial crisis high of 3.5%, (excluding bonuses), in the three months to December before falling only marginally to 3.4% in the three months to January. British employers ramped up their hiring at the fastest pace in more than three years in the three months to January as the country's labour market defied the broader weakness in the overall economy as Brexit approached. The number of people in work surged by 222,000, helping to push down the unemployment rate to 3.9 percent, its lowest rate since 1975. Correspondingly, the total level of vacancies has risen to new highs.

As for **CPI inflation** itself, this has been on a falling trend since peaking at 3.1% in November 2017, reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February. However, in the February 2019 Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%.

The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 1.5%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in **household spending power** is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

Brexit. The Conservative minority government has so far, (8.4.19), been unable to muster a majority in the Commons over its Brexit deal. The EU has set a deadline of April 12 for the House of Commons to propose what form of Brexit it would support. If another form of Brexit, other than the proposed deal, does get a majority by April 12, then

it is likely there will need to be a long delay to Brexit to allow time for negotiations with the EU. It appears unlikely that there would be a Commons majority which would support a disorderly Brexit or revoking article 50, (cancelling Brexit). There would also need to be a long delay if there is no majority for any form of Brexit. If that were to happen, then it increases the chances of a general election in 2019; this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the strong rate of growth; this rose from 2.2%, (annualised rate) in quarter 1 of 2018 to 4.2% in quarter 2, 3.5% in quarter 3 and then back to 2.2% in quarter 4. The annual rate came in at 2.9% for 2018, just below President Trump's aim for 3% growth. The strong growth in employment numbers has fed through to an upturn in wage inflation which hit 3.4% in February, a decade high point. However, CPI inflation overall fell to 1.5% in February, a two and a half year low, and looks to be likely to stay around that number in 2019 i.e. below the Fed's target of 2%. The Fed increased rates another 0.25% in December to between 2.25% and 2.50%, this being the fourth increase in 2018 and the ninth in the upward swing cycle. However, the Fed now appears to be edging towards a change of direction and admitting there may be a need to switch to taking action to cut rates over the next two years. Financial markets are now predicting two cuts of 25 bps by the end of 2020.

EUROZONE. The European Central Bank (ECB) provided massive monetary stimulus in 2016 and 2017 to encourage growth in the EZ and that produced strong annual growth in 2017 of 2.3%. However, since then the ECB has been reducing its monetary stimulus measures and growth has been weakening - to 0.4% in quarters 1 and 2 of 2018, and then slowed further to 0.2% in quarters 3 and 4; it is likely to be only 0.1 - 0.2% in quarter 1 of 2019. The annual rate of growth for 2018 was 1.8% but is expected to fall to possibly around half that rate in 2019. The ECB completely ended its programme of quantitative easing purchases of debt in December 2018, which means that the central banks in the US, UK and EU have all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in growth, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), prompted the ECB to take new measures to stimulate growth. With its refinancing rate already at 0.0% and the deposit rate at -0.4%, it has probably reached the limit of cutting rates. At its March 2019 meeting it said that it expects to leave interest rates at their present levels "at least through the end of 2019", but that is of little help to boosting growth in the near term. Consequently, it also announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which

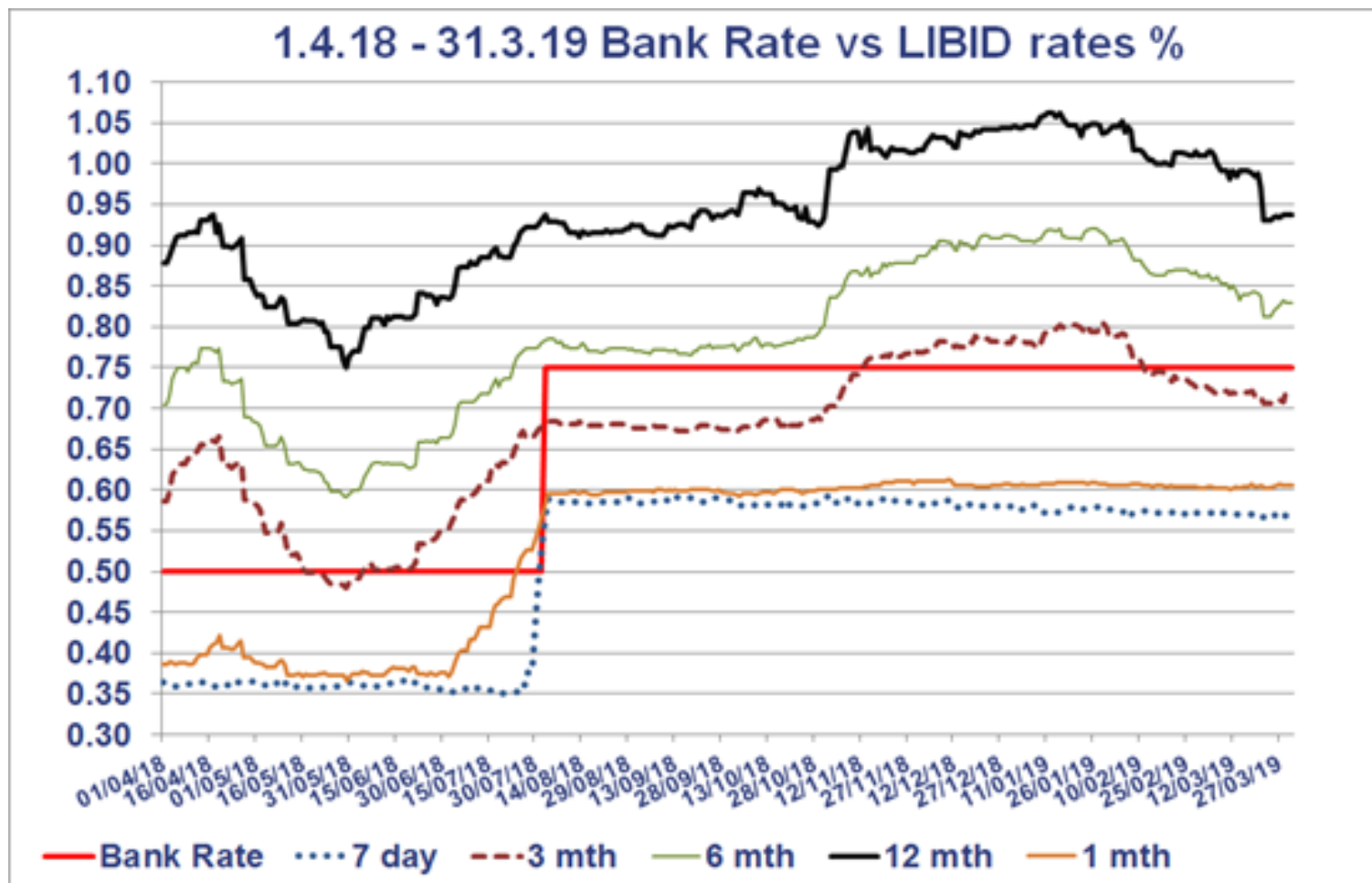
means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans.

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

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

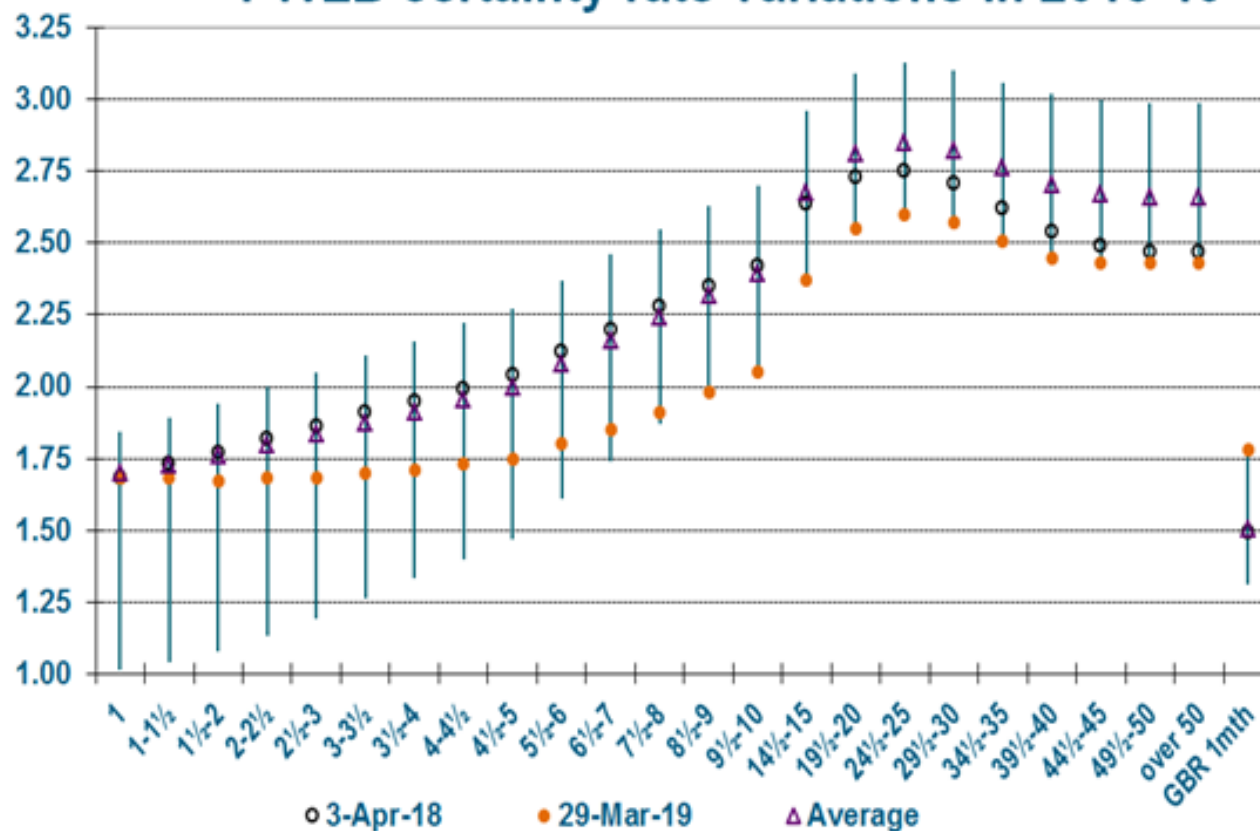
WORLD GROWTH. Equity markets are currently concerned about the synchronised general weakening of growth in the major economies of the world: they fear there could even be a recession looming up in the US, though this fear is probably overdone.

INVESTMENT AND BORROWING RATES 2018-2019

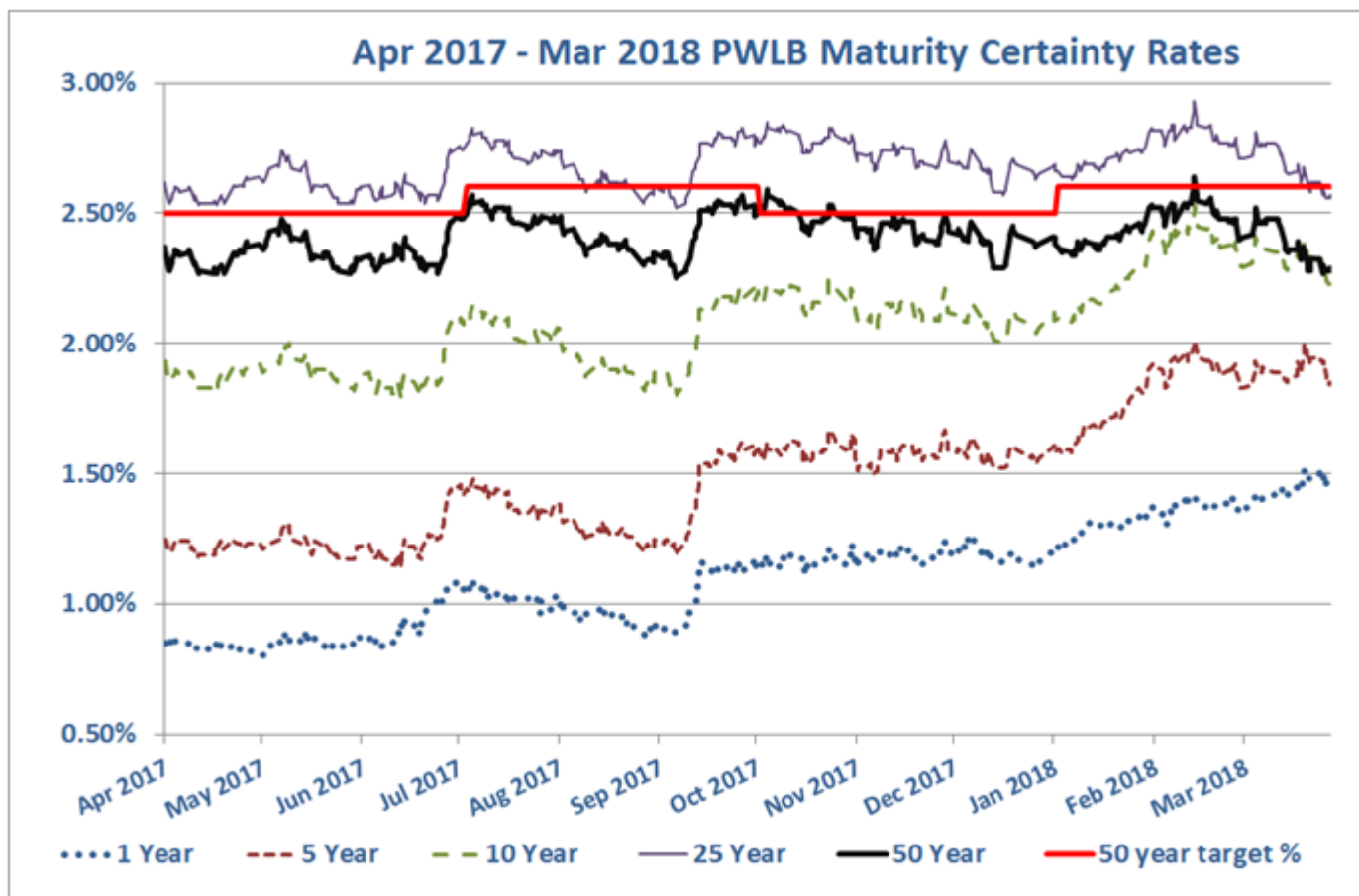


PWLB Certainty Rate Summary

PWLB certainty rate variations in 2018-19



	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2018	1.48%	1.85%	2.23%	2.57%	2.29%
29/03/2019	1.48%	1.55%	1.85%	2.40%	2.23%
Low	1.28%	1.50%	1.80%	2.33%	2.16%
Date	29/05/2018	26/03/2019	28/03/2019	26/03/2019	26/03/2019
High	1.64%	2.07%	2.50%	2.93%	2.79%
Date	04/10/2018	10/10/2018	10/10/2018	10/10/2018	12/10/2018
Average	1.50%	1.80%	2.20%	2.66%	2.47%



Money market investment rates 2018/19

	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
01/04/2018	0.50	0.36	0.39	0.59	0.70	0.88
31/03/2019	0.75	0.57	0.61	0.72	0.83	0.94
High	0.75	0.59	0.61	0.81	0.92	1.06
High Date	02/08/2018	01/11/2018	10/12/2018	29/01/2019	15/01/2019	11/01/2019
Low	0.50	0.35	0.37	0.48	0.59	0.75
Low Date	01/04/2018	19/07/2018	30/05/2018	30/05/2018	30/05/2018	30/05/2018
Average	0.67	0.51	0.54	0.68	0.79	0.94
Spread	0.25	0.24	0.25	0.33	0.33	0.31

STROUD DISTRICT COUNCIL

AGENDA
ITEM NO

AUDIT AND STANDARDS COMMITTEE

25 JULY 2019

10

Report Title	DRAFT ANNUAL GOVERNANCE STATEMENT (AGS) 2018/19
Purpose of Report	To summarise Stroud District Council's corporate governance arrangements in place during 2018/2019.
Decision(s)	It is recommended that Audit and Standards Committee RESOLVE to approve the Annual Governance Statement 2018/19.
Consultation and Feedback	Senior Leadership Team, Monitoring Officer, Chief Financial Officer.
Financial Implications and Risk Assessment	<p>There are no financial implications arising directly from this report.</p> <p>Andrew Cummings, Interim Director of Resources and S151 Officer, Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk</p> <p>Risk Assessment:</p> <p>Failure to deliver effective governance will impact on the ability of the Council to achieve its vision, priorities and key actions. It is important to recognise that the purpose of the AGS is not just to be 'compliant', but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required.</p>
Legal Implications	<p>Any legal implications relating to the Council's obligations regarding governance are set out in the report and the appendices.</p> <p>Patrick Arran, Interim Head of Legal Services and Monitoring Officer Tel: 01453 754369 Email: patrick.arran@stroud.gov.uk</p>
Report Author	Theresa Mortimer, Head of Audit Risk Assurance (Chief Internal Auditor) Tel: 01453 754111 Email: Theresa.mortimer@stroud.gov.uk
Options	There are no alternative options that are relevant to this matter.
Performance Management Follow Up	The AGS contains the Council's Action Plan – 2018/19. The Council will continually monitor progress against the Action Plan within 2019/20. Results will be summarised and reported to Audit and Standards Committee throughout 2019/20.

Background Papers/ Appendices	Appendix A Draft AGS 2018/19 Appendix B Revised Local Code of Corporate Governance (LCCG) 2018/19 Appendix C Council Wide Governance Assurance Map 2018/19.
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1.0 Background

- 1.1 In April 2016, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework 2016 and this applies to Annual Governance Statements prepared for the 2018/2019 financial year. Guidance notes were also published to assist Council Leaders and Chief Executives in reviewing and testing their governance arrangements against the revised seven principles for good governance.
- 1.2 The Council demonstrates it adheres to these requirements via the publication of an AGS, which is signed by the Leader and the Chief Executive. The AGS is supported by a revised Local Code of Corporate Governance for 2018/2019 and the Council Wide Governance Assurance Map, which is in accordance with the requirements of the Local Government Act 1999, the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authorities Chief Executives (SPLACE) guidance – Delivering Good Governance in Local Government Framework 2016.
- 1.3 The key focus of the framework is on sustainability: economic, social and environmental and the need to focus on the longer term and the impact actions may have on future generations.
- 1.4 In response to the above, we therefore:
 - reviewed the existing governance arrangements against the principles set out in the Framework;
 - developed and implemented a refreshed local code of corporate governance, based on the principles, including an assurance framework for ensuring ongoing effectiveness; and
 - will report publically, via the Annual Governance Statement on compliance with our code on an annual basis, how we have monitored the effectiveness of our governance arrangements in the year and on planned improvement areas.

Annual Governance Statement 2018/19



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Scope of Responsibility

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

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

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

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

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

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

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

What is Governance?

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

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

What is the purpose of a Governance Framework?

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

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

What is the Annual Governance Statement?

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

In this document the Council:

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

The Annual Governance Statement reports on the governance framework that has been in place at Stroud District Council for the year ended 31st March 2019 and up to the date of approval of the Statement of Accounts.

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

The Council's Governance Assurance Framework, which underpins the AGS, has been in place at the Council for the year ended 31st March 2019 and up to the date of approval of the AGS and Statement of Accounts.

What is a Governance Assurance Framework?

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

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

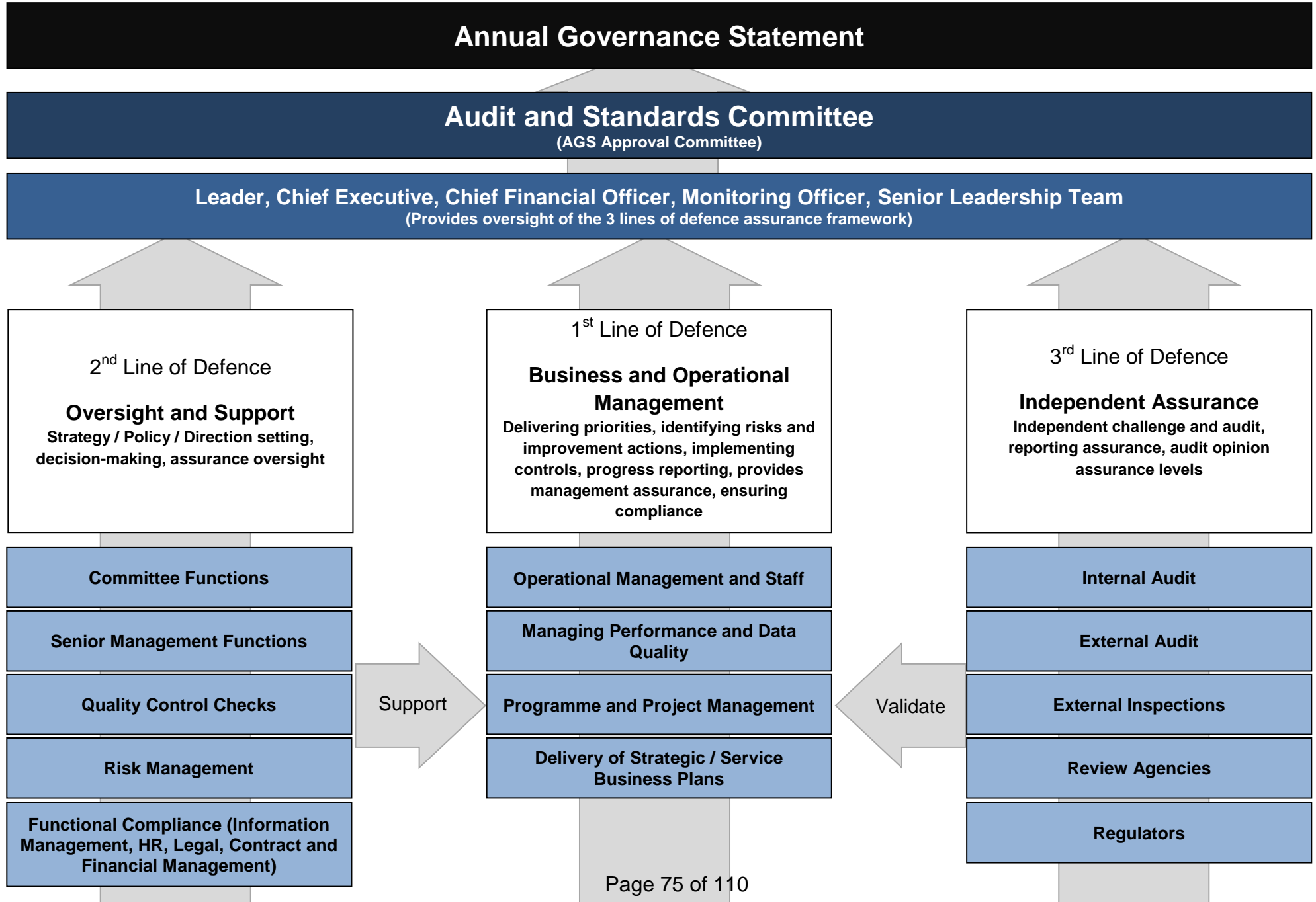
In addition, 'the three lines of defence assurance model' is in place which helps Members and Senior Management to understand where assurances are being obtained from, the level of reliance they place on that assurance and identify potential gaps in assurance.

The Three Lines of Defence in effective Risk Management and Control

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

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

What is the Council's Governance Assurance Framework?



How has the Annual Governance Statement been prepared?

In preparing the Annual Governance Statement the Council has:

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

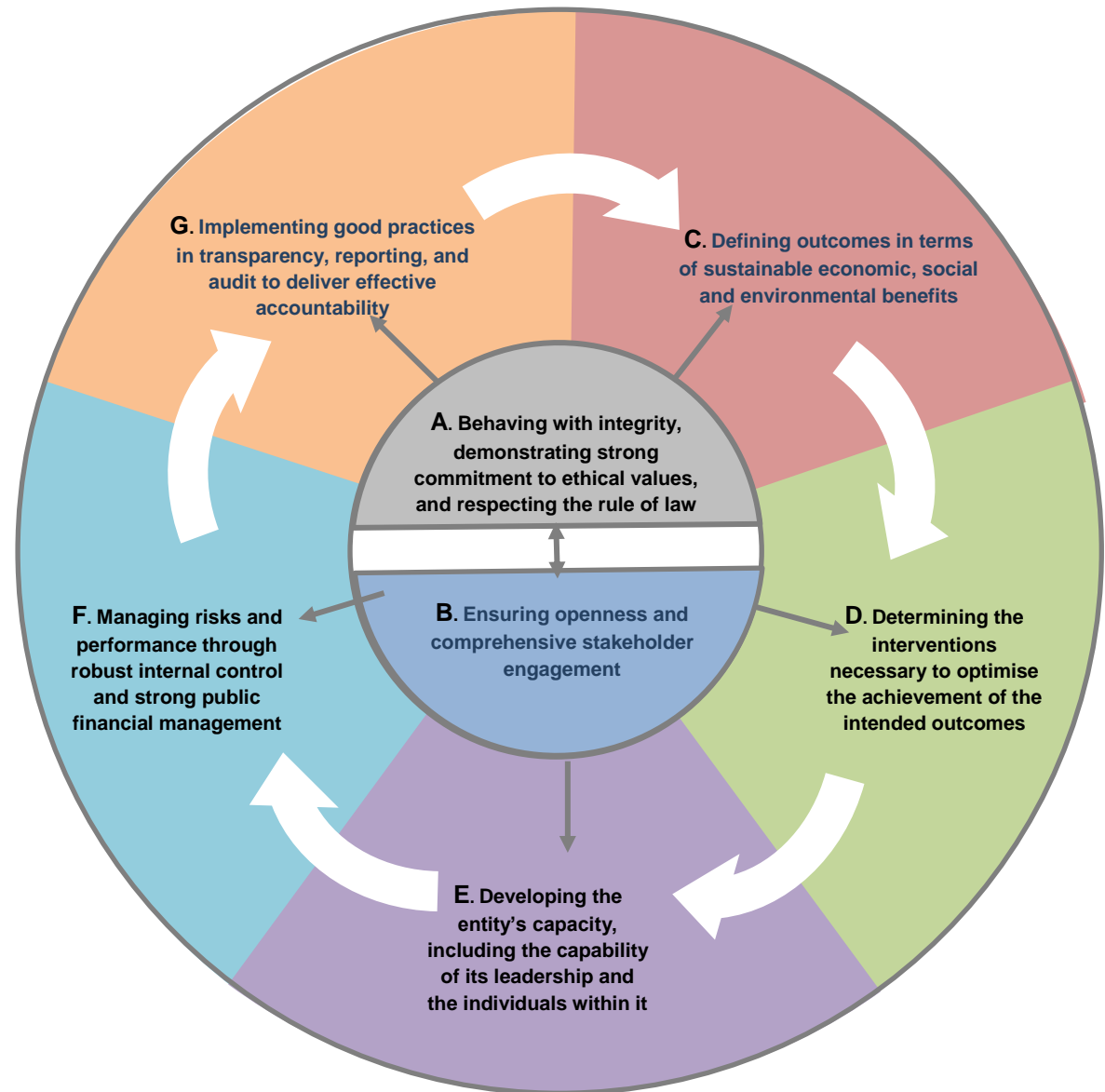
How does the Council monitor and evaluate the effectiveness of its governance arrangements?

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

- ❑ The development and implementation of a Management Governance Assurance Framework which enables the Council to gain assurance that good governance actions and behaviours are operating within the Council;
- ❑ The work of Members and Senior Officers of the Council who have responsibility for good governance;
- ❑ The Chief Internal Auditor's annual opinion which, except for those key governance matters identified in relation to the LGA Corporate Peer Challenge Review, is that the Council's control environment provides **satisfactory** assurance that the significant risks facing the Council are being addressed;
- ❑ Reports on Risk Management activity during 2018/2019;
- ❑ Any comments made by the Council's External Auditors; and
- ❑ Any other review agencies and inspectorates.

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

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



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

Principle A

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

Supporting Principles:

Behaving with integrity

How we do this:

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

Demonstrating strong commitment to ethical values

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

Respecting the Rule of Law

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

Principle B

Ensuring openness and comprehensive stakeholder engagement

Supporting Principles:

Openness

Engaging comprehensively with institutional stakeholders

Engaging stakeholders effectively, including individual citizens and service users

How we do this:

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

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

- ❖ The long-term vision for the Council is set out in the Corporate Delivery Plan 2018-2022 which is informed by public consultation.
- ❖ [Annual resident/business council satisfaction surveys](#) are received from the local communities.
- ❖ The Councillor Call for Action is to support elected members in achieving improvements for their local areas. In their day to day roles, councillors identify issues of significant concern to their communities. They seek to resolve problems by talking to the Council and other service providers. If they cannot resolve a particular issue they are able to refer it to a relevant committee for further investigation.
- ❖ A [consultation hub](#) is on the website which provides the details of both open and closed consultations, where we consult regularly with local people on a wide range of policies, plans and proposals affecting our communities.

Principle C

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

Supporting Principles:

Defining outcomes

Sustainable economic, social and environmental benefits

How we do this:

- ❖ The long term vision and Council's priorities are set out in the Corporate Delivery Plan 2018-2022.
- ❖ A [Budget and Medium Term Financial Plan](#), Capital Programme and annual budget process ensure that financial resources are directed to the Council's priorities.
- ❖ The Council works with partner organisations where there are shared objectives and clear economic benefits from joint working.
- ❖ The Council has a co-ordinated and structured approach to developing services and defining outcomes.
- ❖ Contract management and monitoring arrangements are in place to ensure that services provided are delivered to a high standard.
- ❖ The Council's business planning, performance and risk management framework enables the monitoring of progress against service strategic / business plans priorities and objectives, key performance indicators and targets.

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

Principle D

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

Supporting Principles:

Determining interventions

Planning interventions

Optimising achievement of intended outcomes

How we do this:

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

- ❖ [The Gloucestershire Vision 2050](#) plan, which stretches three decades, strives to help Gloucestershire grow - shaping it into a vibrant and welcoming place to live, work and study.
- ❖ The Council's Corporate Delivery Plan defines the Council's vision and key priorities, following full consultation with the local communities.
- ❖ The Council has a performance management and monitoring process in place.
- ❖ Performance reports analysing trends and latest budget position are monitored by management and the relevant Committees.

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

Principle E

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

Supporting Principles:

Developing the Council's capacity

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

How we do this:

- ❖ SDC participated in the Local Government Association (LGA) Corporate Peer Challenge (CPC) which offered support and help to the Council in order to further strengthen local accountability and explore how effectively the council is delivering services.
- ❖ Council participation in other relevant benchmarking exercises and peer reviews to help inform how the resources are allocated, so that outcomes can be achieved effectively and efficiently.
- ❖ Collaborative working and alternative service delivery models are fully considered as part of the option appraisal process, when looking to determine how the Council's resources are allocated in order to meet priorities.
- ❖ Developed and implemented a management development programme for senior managers to enable and encourage increased knowledge and skills.
- ❖ Access to a separate programme through the Institute of Leadership and Management is also provided.
- ❖ To expand their skill set beyond those used in their usual role and gain an insight into other parts of the Council, therefore the Council provides employees with secondment opportunities both within the Council and externally.

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

Principle F

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

Supporting Principles:

Managing Risk

How we do this:

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

Managing Performance

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

Robust internal control

- ❖ The Internal Audit (IA) function is 100% compliant with Public Sector Internal Audit Standards 2017. The Chief Internal Auditor's annual opinion which, except for those matters identified in relation to the LGA Corporate Peer Review is that the Council's control environment provides satisfactory assurance that the significant risks facing the Council are being addressed.
- ❖ The Council takes fraud, corruption and maladministration very seriously and has established policies and processes which aim to prevent or deal with such occurrences. These can be found within the [Anti Fraud and Corruption Policy](#) Statement and Strategy and [Whistleblowing Policy](#).

Managing Data

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

Strong public financial management

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

Principle G

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

Supporting Principles:

Implementing good practices in transparency

Implementing good practices in reporting

Assurance and effective accountability

How we do this:

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

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

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

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

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

How has the Council addressed the governance improvement actions from 2017/18?

The Annual Governance Statement 2017/18 contained the following key improvement actions. Details of the issues and how they have been addressed during the year have been reported to the Audit and Standards Committee at their meeting on 29th January 2019. . Please note that whilst improvement plans are in place to address these issues, due to their significance in relation to governance and inherent risk, several of these actions have been carried forward into the 2018/2019 Action Plan to enable their ongoing monitoring as noted below.

2017/18 Review Reference	Action	Current Status
Chief Financial Officer Assurance Statement	Future Financial Sustainability	C/F into the 2018/2019 AGS Action Plan
2017/2018 Limited Assurance Internal Audit Review	Capital Programme Management	Capital Strategy developed and approved. Internal Audit to review revised arrangements during 2019/2020.
AGS Assurance Framework	Risk Management Framework	Included within the LGA Corporate Peer Challenge Review
Director Of Tenant and Corporate Services Review	ICT Strategy / Infrastructure	Included within the LGA Corporate Peer Challenge Review
Director's Composite Assurance Statement	ICT Back Up and Disaster Recovery Arrangements	Included within the LGA Corporate Peer Challenge Review
Brought forward from	Multi Service Contract	Close liaison and work has been undertaken between SDC

2017/18 Review Reference	Action	Current Status
2016/2017		and Ubico Ltd. This resulted in setting a challenging but achievable budget for 2019/20. This is a significant improvement on current years where a contract fee was agreed after that process.
Brought forward from 2016/2017	Procurement Action Plan	C/F into the 2018/2019 AGS Action Plan.
Revised CIPFA Audit Committees: Practical Guidance	CIPFA Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition)	Initial self assessment against the guidance completed. Audit and Standards Committee workshop to be arranged in May 2019 to finalise assessment and agree an action plan to deliver any improvements identified.

What are the key 2018/19 governance matters identified?

The review of the effectiveness of the Council's governance framework has identified the following actions that will need to be addressed during 2019/20, which includes the carried forward actions from 2017/2018.

2018/2019 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
Chief Financial Officer Assurance Statement	<p>Future Financial Sustainability</p> <p>The 2018/19 Medium Term Financial Plan identified core deficit of £1.4m by 2022/23.</p> <p>Actions taken in response to the above:</p> <p>The Council has already undertaken a number of savings actions to improve its financial position in the Medium Term including the transfer of the Subscription Rooms in March 2019.</p> <p>It has also moved to a position of being fully budgeted for key risk areas such as the Multi-Service contract with Ubico Ltd.</p> <p>Reaching financial self-sufficiency remains a key focus of the Council's Corporate Delivery Plan and the Council is actively pursuing new income generation opportunities including improved treasury management returns.</p>	31st March 2020	Chief Financial Officer (S151)

2018/2019 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
Corporate Governance	<p data-bbox="315 253 1608 292">Local Government Association (LGA) Corporate Peer Challenge (CPC)</p> <p data-bbox="315 309 1608 788">The LGA's offer to support sector led improvement provides a range of tools to help councils further strengthen local accountability and explore how effectively they are delivering services. Peer Challenges are part of this offer. They provide a robust and effective improvement tool managed and delivered by the sector, for the sector. Peers are at the heart of the peer challenge process and provide a 'practitioner perspective' and 'critical friend' challenge. There is currently an offer to all councils to have a peer challenge (at no cost) at a time of its choosing, and focusing on local needs and specific requirements. There is an expectation that councils will commission a Corporate Peer Challenge (CPC) every 4-5 years.</p> <p data-bbox="315 842 1608 880">Background and focus for the peer challenge at Stroud District Council (SDC)</p> <p data-bbox="315 959 1608 1214">SDC last had a CPC in 2014. There is a relatively new political administration and leader and likewise a very new chief executive-Kathy O'Leary, having taken up post in November 2018. As such both the Leader and Chief Executive were very keen to have a relatively 'early' CPC in the spring of 2019. After a long period with relatively little organisational change and transformation SDC welcomed some external challenge.</p> <p data-bbox="315 1289 1608 1382">There is a clear mandate to promote and gain the benefits from progressive transformation and organisational change in the council.</p>	Ongoing	Chief Executive

2018/2019 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
	<p>That is not to underplay the many strong aspects of service performance, such as recycling rates and progressive approaches in terms of the canals and regeneration. However, the Council is keen to guard against itself becoming insular and risk averse and the CPC is a useful milestone to provide some critical friend challenge around the Council's emerging plans for change and the views of the many stakeholder both internally and beyond who will be key to seeing that change through.</p> <p>As such, as well as providing critical friend challenge of the core components it will be important the peer team encapsulates and feeds back a view on the above.</p> <p>Based on the above, SDC participated in an LGA Corporate Peer Challenge, which involved a team from the LGA, comprising of a Chief Executive, senior managers and members from other councils.</p> <p>The LGA review took place between the 26th and 29th March 2019.</p>		

In delivering this focus the peer team explored the five core components (the underpinning features of good performance) that all LGA Corporate Peer Challenges cover:

1. **Understanding of the local place and priority setting:** Does the council understand its local context and place and use that to inform a clear vision and set of priorities?
2. **Leadership of Place:** Does the council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?
3. **Financial planning and viability:** Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
4. **Organisational leadership and governance:** Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?
5. **Capacity to deliver:** Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?

In addition to the above we asked the peer teams view on:

- How well the Council is currently meeting customer needs;
- How the council might make best use of technology in the delivery of efficient and excellent customer services;
- How well the structure supports the Council's vision and delivery of corporate objectives and how this might be improved;
- How best to achieve financial self sufficiency – including making the most of commercial investment and treasury management (with an eye on the benefit to the residents and businesses).

Exploring the core components above will help provide reassurance and an indication about the organisation's ability and capacity to deliver on its plans, proposals and ambitions, but will also allow the peer team where appropriate to comment on track record and achievements too, helping to demonstrate the council's journey of improvement.

Actions taken in response to the above:

To monitor the progress made against the areas for improvement and development identified during the peer challenge.

2018/2019 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
Brought forward from 2016/2017	<p>Procurement Action Plan</p> <p>The Council fully appreciates that an appropriate corporate framework for procurement and contract management is key to effectively managing risks of legal challenge and not securing best value goods, works and services. In 2017/18 the final elements of the corporate action plan to address weaknesses in the corporate framework identified in 2014/15 were completed i.e. a comprehensive programme of corporate procurement training was delivered to improve staff procurement competency levels.</p> <p>As part of the corporate oversight of procurement, the Principal Procurement Officer with the support of the Legal team is continuing to advise and oversee the application of the framework. As a consequence issues have been brought to the attention of relevant heads of service and directors to improve their teams' forward planning of procurement activities.</p> <p>Actions taken in response to the above:</p> <p>To continue to develop officer procurement competency and forward planning, procurement and associated governance issues (e.g. risk management) are included within the staff induction day; further regular updates and reports to committee and Senior Leadership Team (SLT) are provided on procurement activities including consolidation projects.</p>	ongoing	Principal Procurement Officer and Monitoring Officer

2018/2019 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
	<p>Details of all exemptions to Contract Procurement Procedure Rules (whether agreed or not) are provided to Audit and Standards Committee on a regular basis as part of the procurement updates.</p>		
	<p>Regular update reports are taken to SLT on a regular basis to include any issues relating to the application of the procurement framework; forthcoming contract renewals with updates from contract owners, and progress on spend consolidation projects.</p>		
	<p>Reports and briefing papers are also provided to Audit and Standards Committee to highlight any improvements to; or concerns; relating to the application of the procurement governance framework.</p>		
	<p>Revised Procurement Strategy to be recommended to Council for approval at Strategy and Resources Committee on 13 June 2019; this includes an updated action plan reflecting the National Procurement Strategy 2018, the revised Environment Policy and recent motions agreed by Council relating to Modern Slavery Charter, Community Wealth Building and Single Use Plastics.</p>		

Certification

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

Signed:



Andrew Cummings
S151 Officer

Date:

28/5/2019

To the best of our knowledge, the governance arrangements, as defined above and within the Council's Code of Corporate Governance, have been effectively operating during the year with the exception of those areas identified on pages 20-26 above. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Signed:

 _____ Doina Cornell Leader of the Council	 _____ Kathy O'Leary Chief Executive
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Date:

<u>28/5/2019</u>	<u>28/5/2019</u>
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Code of Corporate Governance

2018-2019

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Introduction

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

What do we mean by Governance?

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

Core Principles

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

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

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

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

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

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

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

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

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

Appendix B – Stroud District Council’s Corporate Governance Framework

‘The International Framework: Good Governance in the Public Sector’ defines ‘governance’ as comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The framework also states that to deliver good governance in the public sector both governing bodies and individuals working for them must try to achieve the Council’s objectives while acting in the public interest at all times.							
Core Principles	(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	(B) Ensuring openness and comprehensive stakeholder engagement	(C) Defining outcomes in terms of sustainable economic, social, and environmental benefits	(D) Determining the interventions necessary to optimise the achievement of the intended outcomes	(E) Developing the Council’s capacity, including the capability of its leadership and the individuals within it	(F) Managing risks and performance through robust internal control and strong public financial management	(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Evidence of Good Governance	The Constitution	Corporate Delivery Plan 2018-2022	Committee Reports	Corporate Consultation Strategy	The Constitution	The Constitution	Constitution / Audit and Standards Committee
	Schemes of Delegation / Decision Making Protocols	Decision Making Protocols	Corporate Delivery Plan 2018-2022	Budget Consultation	Member Development Framework	Audit and Standards Committee	Committee Framework
	Audit and Standards Committee	LGA Corporate Peer Challenge Review	Committee Framework	Stakeholder Engagement	Member Induction Programme	Committee Framework	Decision Making Protocols
	Committee Framework	Public Meetings	Decision Making Protocols	Option Appraisals	Skills for Stroud –Work Experience Charter	Financial Regulations / Contact and Procurement Procedure Rules	External audit of accounts and value for money opinion
	Contract Standing Orders / Financial Regulations	Public Consultations	Procurement Strategy / Procedures/guidance	Gloucestershire Vision 2050 Leadership Gloucestershire	Corporate Competency Framework	External audit of accounts and value for money opinion / Statement of Accounts / Medium Term Financial Plan	Annual Statement of Accounts
	Statutory Officers Roles: Chief Executive, Chief Financial Officer / Monitoring Officer / Legal Services	Communications Strategy	Public Sector Social Value Act 2012	Medium Term Financial Plan	Peer Reviews / External Inspection	Risk Management Policy / Strategy / Toolkit	Annual Governance Statement / Assurance Framework
	Members and Employees Codes of Conduct Members / Officers Register of Interests / Register of Gifts and Hospitality	Corporate performance, financial and risk reporting framework	Service Strategic Plans	Decision Making Protocols	Benchmarking	Information Governance / ICT Security Policy / Data Protection Policy and associated Privacy Notice	Internal Audit Service Chief Internal Auditors Annual Opinion / Report
	Planning Protocol	Open Data and Transparency Code	Service Level / Outcome Agreements	Risk Management Policy / Strategy / Strategic Risk Register	Internally led reviews / independent challenge	Corporate and Operational Risk Registers	Review Panels (Planning and Housing)
	Protocol for Member Officer Relations	Customer feedback / Complaints Policy	Service Business Plans	Alternative Service Delivery Models	Alternative Service Delivery Models	Risk Based Internal Auditing Service / Plan	Strategic performance, financial and risk reporting framework
	Anti-fraud and Corruption Policy and Strategy	FOI Publication Scheme	Risk Management Policy / Strategy / Strategic Risk Register	Corporate performance, financial and risk reporting framework	Shared Services Programme	Chief Internal Auditors Annual Opinion / Report	Open Data and Transparency Code
	Anti-Bribery and Anti Money Laundering Policies	Annual Statement of Accounts and Annual Governance Statement published	Corporate performance, financial and risk reporting framework	Service Business Plans	Staff development programme including Action Learning Sets, Management Development Programme, Apprenticeships.	Corporate performance, financial and risk reporting framework / Member performance management	Website
	Whistleblowing Policy	Decision making committees and council meetings held in public and webcast to maximise accessibility.	Environmental Policy Environment Strategy 2007-2027	Project Management	Safety, Health and Wellbeing promotion	Anti-fraud and Corruption Policy / Strategy, Anti Bribery Policy / Anti Money Laundering Policy	Freedom of Information (FOI) reports published
	Risk Management Policy / Strategy	Website	Option Appraisals	Review Panels (Planning and Housing)	Council wide training on new legislation (e.g. data protection)	Emergency / Business Continuity Management	Complaints Annual Report

**Code of Corporate
Governance**
2018-2019

March 2019



ANNUAL GOVERNANCE STATEMENT 2018/19 – Council Wide Assurance Map

Customer Services Assurance Statement – Summary

Leader of the Council	Doina Cornell
Chief Executive	Kathy O’Leary
Director: Customer Services	Joanne Jordan
Actions to address non or partial compliance are monitored by Director	

Key	17/18	18/19
	Fully compliant	G
Partially compliant	A	A
Not compliant	R	R

CIPFA Seven Core Governance Principles	Community Services including Public Spaces/ Public Spaces	Revs and Bens	Customer Service Centre	Housing Advice and Homelessness	The Pulse	Museum	Subscription Rooms
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	17/18	18/19	17/18	18/19	17/18	18/19	17/18	18/19	17/18	18/19	17/18	18/19	17/18	18/19
A. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law.	G	G	G	G	G	G	G	G	G	G	G	G	G	G
B. My service area operates in a way that ensures openness and comprehensive stakeholder engagement.	G	G	G	G	G	G	G	G	G	G	G	G	G	G
C. My service area defines outcomes in terms of sustainable economic, social and environmental benefits.	G	G	G	G	G	G	G	G	G	G	G	G	G	G
D. My service area determines the interventions necessary to optimise the achievement of intended outcomes.	G	G	G	G	G	G	G	G	G	G	G	G	G	G
E. My service area continually develops its capacity including the capability of its leadership and the individuals within it.	G	G	G	G	G	G	G	G	G	G	G	G	G	G
F. My service area manages risk and performance through robust internal control, strong public financial management, and managing data appropriately.	G	G	G	G	G	G	G	G	G	G	G	G	G	G
G. My service area has implemented good practice in transparency, reporting, and audit to deliver effective accountability.	G	G	G	G	G	G	G	G	G	G	G	G	G	G

ANNUAL GOVERNANCE STATEMENT 2018/19 – Council Wide Assurance Map

Tenant and Corporate Services Assurance Statement – Summary

Leader of the Council	Doina Cornell
Chief Executive	Kathy O’Leary
Director: Tenant and Corporate Services	Allison Richards (Corporate Team Oversight)
Actions to address non or partial compliance are monitored by Director	

Key	17/18	18/19
Fully compliant	G	G
Partially compliant	A	A
Not compliant	R	R

CIPFA Seven Core Governance Principles	HR	Elections	Property Services	Legal Services	Contract Services	Housing Services	Business Service Planning	IT/ICT Infrastructure and Security

	17/18	18/19	17/18	18/19	17/18	18/19	17/18	18/19	17/18	18/19	17/18	18/19	17/18	18/19	17/18	18/19
A. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law.	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G
B. My service area operates in a way that ensures openness and comprehensive stakeholder engagement.	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G
C. My service area defines outcomes in terms of sustainable economic, social and environmental benefits.	G	G	G	A	A	A	A	G	G	G	G	G	G	G	G	G
D. My service area determines the interventions necessary to optimise the achievement of intended outcomes.	G	G	G	G	G	G	A	G	G	G	G	G	G	G	A	A
E. My service area continually develops its capacity including the capability of its leadership and the individuals within it.	G	G	G	G	G	A	G	G	G	G	G	G	A	G	G	G
F. My service area manages risk and performance through robust internal control, strong public financial management, and managing data appropriately.	G	G	G	G	G	A	A	G	G	G	G	G	G	G	A	G
G. My service area has implemented good practice in transparency, reporting, and audit to deliver effective accountability.	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G

ANNUAL GOVERNANCE STATEMENT 2018/19 – Council Wide Assurance Map

Development Services Assurance Statement – Summary

Leader of the Council	Doina Cornell
Chief Executive	Kathy O'Leary
Director: Development Services	Barry Wyatt
Actions to address non or partial compliance are monitored by Director	

Key	17/18	18/19
Fully compliant	G	G
Partially compliant	A	A
Not compliant	R	R

CIPFA Seven Core Governance Principles	Health and Wellbeing	Building Control	Planning	Planning Strategy

	17/18	18/19	17/18	18/19	17/18	18/19	17/18	18/19
A. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law.	G	G	G	G	G	G	G	G
B. My service area operates in a way that ensures openness and comprehensive stakeholder engagement.	G	G	G	G	G	G	G	G
C. My service area defines outcomes in terms of sustainable economic, social and environmental benefits.	G	G	G	G	G	G	G	G
D. My service area determines the interventions necessary to optimise the achievement of intended outcomes.	G	G	G	G	A	G	G	G
E. My service area continually develops its capacity including the capability of its leadership and the individuals within it.	G	G	G	G	A	A	G	G
F. My service area manages risk and performance through robust internal control, strong public financial management, and managing data appropriately.	G	G	G	G	G	G	G	G
G. My service area has implemented good practice in transparency, reporting, and audit to deliver effective accountability.	G	G	G	G	G	G	G	G

ANNUAL GOVERNANCE STATEMENT 2018/19 – Council Wide Assurance Map

Finance / Section 151 Officer / Canals Project Service Assurance Statement – Summary

Leader of the Council	Doina Cornell
Chief Executive	Kathy O’Leary
Finance / Section 151 Officer	Andrew Cummings
Canal Project Manager	Dave Marshall
Actions to address non or partial compliance are monitored by Chief Executive	

Key	17/18	18/19
Fully compliant	G	G
Partially compliant	A	A
Not compliant	R	R

CIPFA Seven Core Governance Principles	Finance / Section 151	Canal Project
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	17/18	18/19	17/18	18/19
A. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law.	G	G	G	G
B. My service area operates in a way that ensures openness and comprehensive stakeholder engagement.	G	G	G	G
C. My service area defines outcomes in terms of sustainable economic, social and environmental benefits.	A	A	G	G
D. My service area determines the interventions necessary to optimise the achievement of intended outcomes.	G	G	G	G
E. My service area continually develops its capacity including the capability of its leadership and the individuals within it.	G	G	G	G
F. My service area manages risk and performance through robust internal control, strong public financial management, and managing data appropriately.	G	G	G	G
G. My service area has implemented good practice in transparency, reporting, and audit to deliver effective accountability.	G	G	G	G

AUDIT AND STANDARDS COMMITTEE

25 JULY 2019

11a

WORK PROGRAMME

Proposed Meeting Date	Report Description	Responsible Officer / Member
25 July 2019	Standing Items a. To consider the work programme for 2019/20. b. To consider any Risk Management issues.	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
	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.	Members
	Internal Audit Activity Progress Report 2019/20	Chief Internal Auditor
	Review of the effectiveness of the Audit Committee	Chief Internal Auditor
19 November 2019	Standing Items a. To consider the work programme for 2019/20. b. To consider any Risk Management issues.	Members
	Internal Audit Activity Progress Report 2019/20	Chief Internal Auditor
	Treasury Management	S151 Officer
28 January 2020	Standing Items a. To consider the work programme for 2019/20. b. To consider any Risk Management issues.	Members
	Internal Audit Activity Progress Report 2019/20	Chief Internal Auditor

28 April 2020	Standing Items a. To consider the work programme for 2019/20. b. To consider any Risk Management issues.	Members
	Internal Audit Activity Progress Report 2019/20	Chief Internal Auditor