



27 August 2019

AUDIT AND STANDARDS COMMITTEE

A meeting of the Audit and Standards Committee will be held on **TUESDAY 8 OCTOBER 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 25 July 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 THURSDAY 3 OCTOBER 2019
Questions must be submitted in writing to the Chief Executive, Democratic Services, Ebley Mill, Ebley Wharf, Stroud and sent by post or by Email: democratic.services@stroud.gov.uk.
- 5 **INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2019/20**
To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2019/20.

- 6 **1ST QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2019/20**
To accept the treasury management activity first quarter report for 2019/2020.
- 7 **STANDING ITEMS**
(a) To consider the work programme for 2019/20.
(b) To consider any Risk Management issues.
- 8 **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

1 Vacancy

Councillor Stephen Davies

Councillor Karen McKeown

Councillor Keith Pearson

Councillor Mark Reeves



STROUD DISTRICT COUNCIL

Council Offices • Ebley Mill • Ebley Wharf • Stroud • GL5 4UB

Tel: (01453) 754 351/754 321

www.stroud.gov.uk

Email: democratic.services@stroud.gov.uk

AUDIT AND STANDARDS COMMITTEE

25 July 2019

7.00 pm – 9.14 pm

Council Chamber, Ebley Mill, Stroud

Minutes

Membership:

Councillor Nigel Studdert-Kennedy (Chair)	P	Councillor Stephen Davies	P
Councillor Tom Williams (Vice-Chair)	P	Councillor Karen McKeown	P
Councillor Dorcas Binns	A	Councillor Keith Pearson	P
Councillor Rachel Curley	P	Councillor Mark Reeves	P

A = Absent P = Present

Officers present:

Interim Head of Legal Services and Monitoring Officer	Interim Director of Resources and S151 Officer
Head of Audit Risk Assurance (ARA) (Chief Internal Auditor)	Interim Accountancy Manager
Principal Accountant	Democratic Services & Elections Officer

Also present:

Ian Howse, Partner in Deloitte the Council's external auditors.

AC.001

APOLOGIES

An apology for absence had been received from Councillor Binns.

AC.002

DECLARATIONS OF INTEREST

There were none.

AC.003

MINUTES

RESOLVED That the Minutes of the meeting held on 7 May 2019, are approved as a correct record.

AC.004

PUBLIC QUESTION TIME

There were none.

AC.005 STATEMENT OF ACCOUNTS 2018/19

The Interim Director of Resources and S151 Officer presented the above report, it was advised that the unaudited Statement of Accounts was signed on the 31st May and the Statement of Accounts being presented was the post audit version. The management letter of representation to Deloitte will be signed by the Chair and the Interim Director of Resources and S151 Officer at the close of the meeting.

The Principal Accountant took the opportunity to thank the Finance team and the wider organisation for enabling them to meet the required deadlines. It was advised that Deloitte would be ready next week to sign the accounts, and once this was completed the Statement of Accounts would be published on the website and in the local newspaper.

In presenting the above report, the Principal Accountant drew attention to the table on page 17 which displayed the Movement in Reserves Statement 2018/19 which gave an overview of the financial performance for the year of the Council.

Councillor Pearson questioned the reduction in the value of Council owned housing property. The Principal Accountant advised that we had employed professional valuers to value our properties and that we rely on their professional opinion. He also advised that although the housing properties were reduced in value by £10 million, the reduction in terms of percentage was small.

Councillor Davies asked if the Committee could take a closer look at the valuation of properties and potentially have a presentation on how the process works. Ian Howse, Partner in Deloitte confirmed that a presentation may be useful and advised that it was a complex process. The valuation of the properties is based on existing use value for social housing which is different to the market value, for this type of valuation the value would be approximately 35% of what it would be if it was a normal marketable property.

Councillor McKeown asked questions regarding page 11 and the Non-Financial Performance and whether thought had been given to including the Council's KPI's and more detailed information on the results of the annual budget survey of residents. The Interim Director of Resources and S151 Officer said they had given consideration to the inclusion of detailed KPI's however advised that it had been decided to provide a snapshot summary of the overall achievements and that the Performance Monitoring reports to other Committees would include greater detail and KPI's.

Councillor Davies asked a question regarding the expenditure and valuation of the Subscription Rooms, the Interim Director of Resources and S151 Officer advised that he would provide a response by email to the Committee Members. Councillor Davies also requested that the financial impact of our environmental targets be shown in our accounts. The Interim Director of Resources and S151 Officer advised that this will be included in the future.

Questions were also answered regarding pensions, termination benefits, the inclusion of our environmental targets in the accounts, overpaid postage VAT and depreciation.

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

RESOLVED To approve the audited Statement of Accounts for the year ending 31 March 2019.

AC.006 **EXTERNAL AUDIT REPORT ON ACCOUNTS (ISA260)**

Ian Howse, Partner in Deloitte began by stating that he was impressed with the questions and debate that had been raised by Members of the Committee on the item above. He also commended the Council's accounts; he stated that they were the best he had seen for some time as they were tailored to the specific circumstances.

Ian Howse, Partner in Deloitte briefly ran through the report and highlighted the key points to the Committee.

Councillor Pearson wanted the Committee to register it's thanks to the Finance team for producing a very understandable report and thanked the Interim Director of Resources and S151 Officer for his work.

Ian Howse, Partner in Deloitte answered questions from Councillor Davies and advised that a first year audit is always much more complicated for an audit firm and that he would hope at the Committee next year the report would be finalised with nothing to follow and they would be able to sign off the audited accounts at the Committee Meeting.

Councillor Curley asked questions regarding the IT findings which showed no disaster recovery and business continuity arrangements in place and the lack of management response. She asked if this could come back to the Committee. Ian Howse, Partner in Deloitte advised the lack of management response may have been due to not having completed the report in time to receive a formulated response. The Interim Director of Resources and S151 Officer advised that they are aware that it is an issue and that steps are being taken.

Members noted the report.

AC.007 **PROVISION OF AN INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT (EQA)**

The Head of ARA presented the above report, she advised that as required by the Public Sector Internal Audit Standards an External Quality Assessment (EQA) had to be undertaken at least once every 5 years by an assessor who is fully competent in assessing the effectiveness of the internal audit function. She stated that the reports purpose was to provide an update on what had been agreed at the ARA Shared Services Board. The ARA was assessed as being 100% compliant at the last assessment in May 2015 and the aim is to remain compliant when next assessed in May 2020. It was also advised that the assessors may wish to speak to Members of the Committee or request participation in a survey, to obtain their views on the service provision.

The Head of ARA answered questions regarding the suitability of the chosen auditors. Clarification on the decision the Councillors needed to make was also given, it was advised that the report was to note because the decision had been made at the ARA Shared Services Board Meeting and would be commissioned by the County Council.

RESOLVED **To note that the Chartered Institute of Internal Auditors (CIIA) is engaged to carry out an independent assessment of the Internal Audit function.**

AC.008 **ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2018/19**

The Head of ARA presented the above report highlighting various key points including page 22 which showed her annual opinion on the Council's internal control environment. With the exception of the key governance matters identified in relation to the Local Government Association Corporate Peer Challenge Review, a satisfactory opinion had been provided. She also provided assurance that she has had no limitations on the scope of her activity or any resource constraints.

Members asked questions and received replies on the following topics:-

- The Satisfaction Survey results on page 39
- The limited assurance opinion on control for the Multi Services Contract Follow Up
- Fraud Investigations
- GDPR.

Councillor McKeown asked questions regarding fraud statistics and requested some information which would help to provide a comparison with other council's. The Head of ARA advised she would request further information from the Gloucestershire Counter Fraud Unit who had undertaken the Council tax and housing benefits counter fraud activity and provide a response to the Committee.

Councillor McKeown requested a further report to Committee regarding breaches of GDPR, the number of cases referred to the Information Commissioner's Office and the outcomes. The Interim Head of Legal Services and Monitoring Officer advised that he would look into providing a report to Committee.

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

- RESOLVED**
- a. To 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;**
 - b. To note that the performance of Internal Audit meets the required standards; and**
 - c. To 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).**

AC.009 **ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY AND ACTUAL PRUDENTIAL INDICATORS 2018/19**

In presenting the above report, the Principal Accountant drew attention to the table in paragraph 4 on page 50 which showed a decrease in borrowing and an increase in investments over the period April 2018 to March 2019. The Principal Accountant advised that Stroud District Council is a member of a Link Asset Services Benchmarking Group which helps to compare return on investments and that we had compared well with the Benchmark Group in terms of returns achieved. The Principal Accountant stated that we are aiming to increase our return on investments through an increased risk appetite.

The Chair asked a question regarding the low Average Rate of return for the Investment in the Natwest Treasury Reserve, the Principal Accountant advised that this was used for cash flow purposes and was directly linked to the Current Account.

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

RESOLVED To approve the Treasury Management Activity Annual Report for 2018/2019 and the Actual Prudential Indicators.

AC.010 DRAFT ANNUAL GOVERNANCE STATEMENT (AGS) 2018/19

The Head of ARA presented the above report and advised that the Annual Governance Statement is based on the CIPFA and SOLACE best practice guidance which contains 7 key governance principles. The Head of ARA advised that following the annual review of the effectiveness of the governance arrangements operating within Council, the key governance matters that were identified and included in the Annual Governance Statement Action Plan related to future financial sustainability, Local Government Association Corporate Peer Challenge and the Procurement Action Plan.

Councillor McKeown asked for reassurance that the self assessments do face internal challenge and that the assessments are monitored. The Interim Director of Resources and S151 Officer outlined the process and advised that the completed self assessments are reviewed by the Directors and the Chief Executive and that internal challenge is part of the process. The Head of ARA also clarified that an internal audit of the adequacy of the statements made within the assurance statements (that underpin the AGS) will be undertaken during 2019/2020.

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

RESOLVED To approve the Annual Governance Statement 2018/19.

AC.011 STANDING ITEMS

(a) Work Programme

The Chair outlined the Committee Members chosen specialisations:

Councillor Curley – Excelsis and Risk Management

Councillor Davies – Canal and IT

Councillor McKeown – TBC

Councillor Pearson – Waste Management and UBICO

Councillor Reeves - TBC

Councillor Williams – Housing accounts.

The Chair also advised that an informal meeting would be required in the Autumn with the Head of ARA to discuss the work for the forthcoming year 2020/2021. Details of the meeting would be circulated by email.

AC.012 MEMBERS' QUESTIONS

There were none.

The meeting closed at 9.14 pm.

Chair

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

8 OCTOBER 2019

5

Report Title	INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2019/20
Purpose of Report	To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2019/20.
Decision(s)	The Committee RESOLVES to: <ul style="list-style-type: none"> a. Accept the progress against the Internal Audit Plan 2019/20. b. Accept the assurance opinions provided in relation to the effectiveness of the Council's control environment.
Consultation and Feedback	Internal Audit findings are discussed with Service Heads/Managers. Management responses to recommendations are included in each assignment report.
Financial Implications and Risk Assessment	There are no financial implications arising directly from this report. Andrew Cummings, Interim Director of Resources & S151 Officer Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk Risk Assessment: Failure to deliver an effective Internal Audit service will prevent an independent, objective assurance opinion from being provided to those charged with governance that the key risks associated with the achievement of the Council's objectives are being adequately controlled.
Legal Implications	The legal framework concerning the requirements regarding internal audit are set out in the opening section of the progress report. Craig Hallett, Solicitor & Deputy Monitoring Officer Tel: 01453 754364 Email: craig.hallett@stroud.gov.uk
Report Author	Theresa Mortimer, Head of Audit Risk Assurance (Chief Internal Auditor) Tel: 01453 754111 Email: theresa.mortimer@stroud.gov.uk
Options	There are no alternative options that are relevant to this matter.
Performance Management Follow Up	In accordance with the Public Sector Internal Audit Standards 2017 (PSIAS) and reflected within the Audit and Standards Committee work programme, Internal Audit reports on progress against the approved Internal Audit Plan 2019/20. These are scheduled to be presented to Audit and Standards Committee at the October 2019, January 2020, April 2020 and July 2020 meetings.

Background Papers/ Appendices	Appendix A – Internal Audit Activity Progress Report 2019/20. Background papers: <ul style="list-style-type: none"> ➤ Internal Audit Plan 2019/20; ➤ PSIAS; and the ➤ CIPFA Local Government Application Note for the UK PSIAS.
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1.0 Background

- 1.1 Members approved the Internal Audit Plan 2019/20 at 7th May 2019 Audit and Standards Committee meeting. In accordance with the PSIAS, this report (through **Appendix A**) details the outcomes of Internal Audit work carried out in accordance with the approved Plan.
- 1.2 The Internal Audit Activity Progress Report 2019/20 at **Appendix A** summarises:
- The progress against the Internal Audit Plan 2019/20, including the assurance opinions on the effectiveness of risk management and control processes;
 - The outcomes of the Internal Audit activity during the period July to September 2019; and
 - Special investigations/counter fraud activity.
- 1.3 The report is the first progress report in relation to the Internal Audit Plan 2019/20.

Internal Audit Activity Progress Report

2019-2020



Audit & Standards Committee
8 October 2019



Agenda Item 5
Appendix A

(1) Introduction

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that a relevant authority “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. The Internal Audit Service is provided by Audit Risk Assurance under a Shared Service agreement between Stroud District Council, Gloucester City Council and Gloucestershire County Council and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

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

(2) Responsibilities

Management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non financial) and governance arrangements. Internal Audit plays a key role in providing independent assurance and advising the organisation that these arrangements are in place and operating effectively. Internal Audit is not the only source of assurance for the Council. There are a range of external audit and inspection agencies as well as management processes which also provide assurance and these are set out in the Council’s Code of Corporate Governance and its Annual Governance Statement.

(3) Purpose of this Report

One of the key requirements of the standards is that the Chief Internal Auditor should provide progress reports on internal audit activity to those charged with governance.

This report summarises:

- The progress against the 2019/20 Internal Audit Plan, including the assurance opinions on the effectiveness of risk management and control processes;
- The outcomes of the Internal Audit activity during the period July to September 2019; and
- Special investigations/counter fraud activity.

(4) Progress against the 2019/20 Internal Audit Plan, including the assurance opinions on risk and control

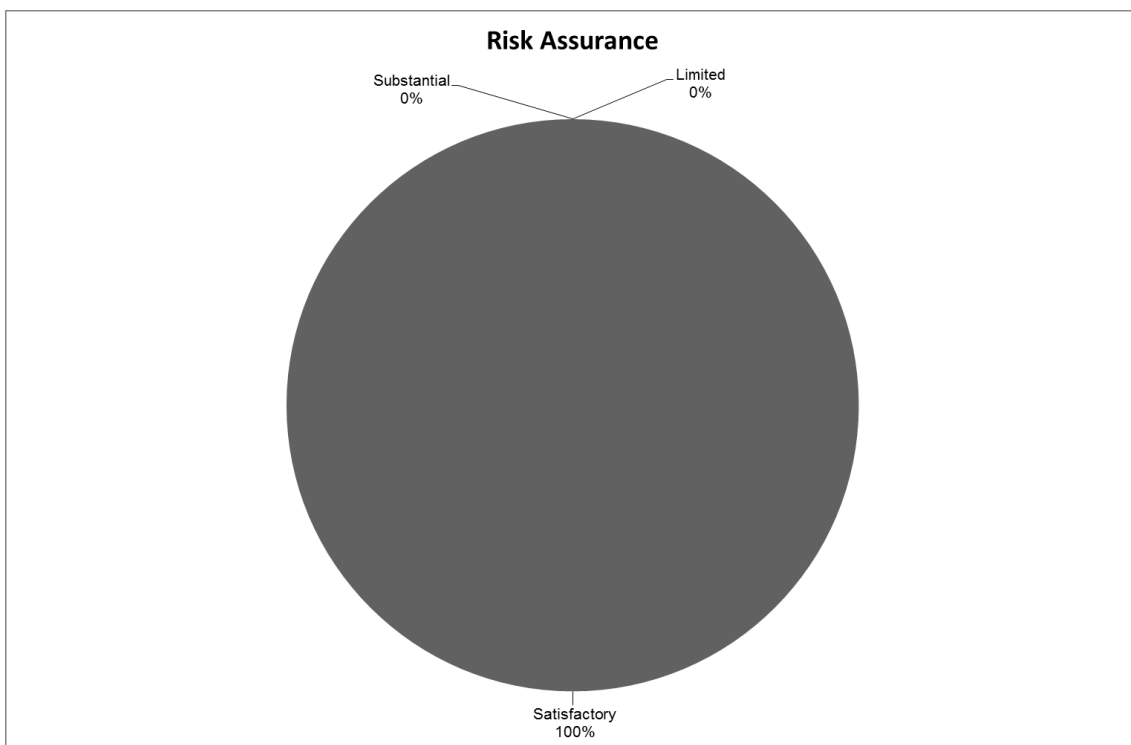
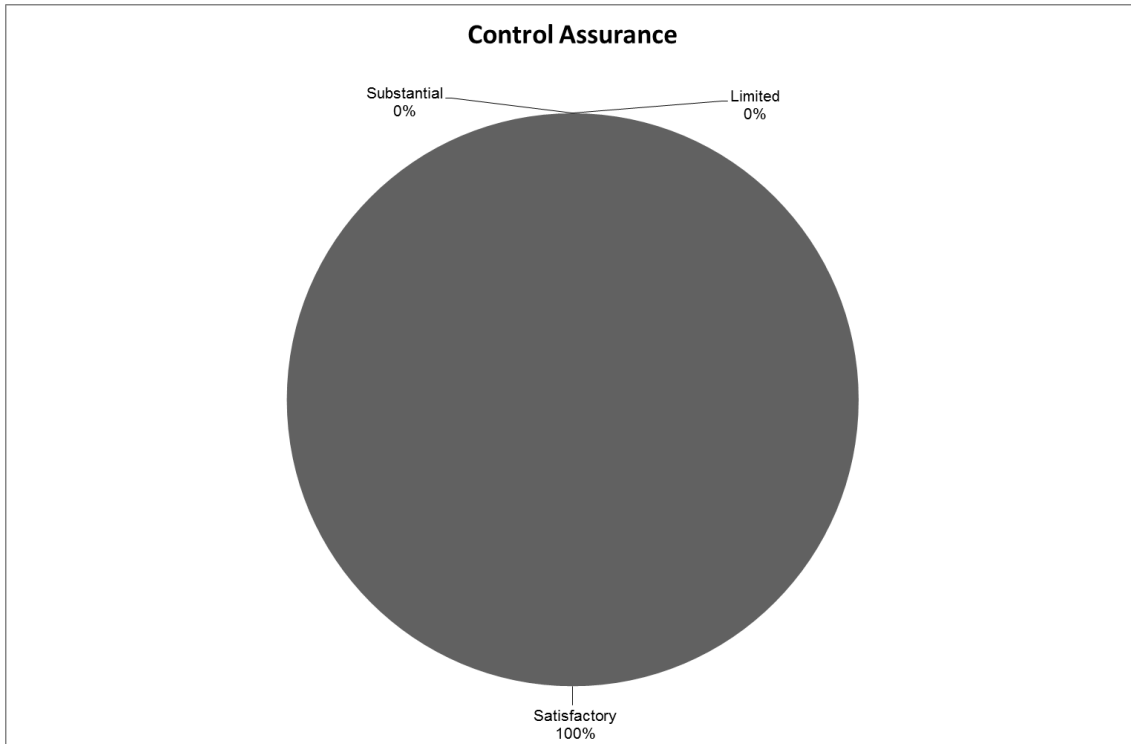
The schedule provided at **Attachment 1** provides the summary of 2019/20 audits which have not previously been reported to the Audit and Standards Committee.

The schedule provided at **Attachment 2** contains a list of all of the 2019/20 Internal Audit Plan activity undertaken during the financial year to date, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Audit and Standards Committee. Explanations of the meaning of these opinions are shown in the below table.

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

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

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



(4b) Limited Control Assurance Opinions

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

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

During the period July to September 2019, no limited assurance opinions on control have been provided on completed audits from the 2019/20 Internal Audit Plan.

(4d) Satisfactory Control Assurance Opinions

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

(4e) Internal Audit Recommendations

During July to September 2019 Internal Audit made, in total, **12** recommendations to improve the control environment, **0** of these being high priority recommendations (**100%** of these being accepted by management) and **12** being medium priority recommendations (**100%** accepted by management).

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

(4f) Risk Assurance Opinions

During the period July to September 2019, please note that no limited assurance opinions on risk have been provided on completed audits from the 2019/20 Internal Audit Plan.

Completed Internal Audit Activity during the period July to September 2019

Summary of Satisfactory Assurance Opinions on Control

Service Area: Finance
Audit Activity: VAT Outputs

Background

Value Added Tax (VAT) is a tax on transactions affecting most financial entries in the Council's financial accounting system. It is the Council's responsibility to make correct VAT returns to HMRC detailing input and output tax.

It is therefore essential that there are appropriate controls over the VAT that shall be charged on any supply of goods or services made in the United Kingdom, where it is a taxable supply in the course of Council business.

Scope

The objective of this audit was to:

- Determine whether there are adequate internal control arrangements in place to ensure that the VAT Guide (Notice 700) is correctly applied.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

- The review of the process for the monthly VAT return with the associated financial audit trails, has established that a defined and systematic methodology which clearly records the step by step approach in compiling the reporting to HMRC is in place; and
- Enquiries and evidence reviewed has identified the need to add; i) one monthly; and ii) one annual control review for: Reconciliations of the VAT Control Account and annual analysis of non-business VAT, which has a direct impact on the claimable refund for purchases.

Conclusion

Based on the evidence provided, the existing arrangements for accounting for VAT are compliant with the VAT Guide (Notice 700).

Two medium recommendations have been made (regular monthly reconciliations and review of the VAT Control Account and annual analysis of non-business VAT on purchases) which will add value to the existing monitoring arrangements.

Management Actions

Management has responded positively to the recommendations and confirmed that they will be implemented by October 2019.

Service Area: Tenant and Corporate Services

Audit Activity: Housing Stock Void Management

Background

Stroud District Council (the Council) retains and manages its own housing stock of 5,015 properties with a balance sheet value of £260m (Statement of Accounts 2018/19).

Empty council properties are called 'voids'. On average, each week five properties become empty and are handed to the Maintenance and Voids team to inspect and arrange for any maintenance works required before they are re-let.

Empty homes present the Council with a number of challenges, including:

- Impact on its Housing Revenue Account income stream;
- Repairs and improvement costs associated with empty property refurbishment and security;
- Aesthetics of the neighbourhoods in which they are located; and
- Potential impact on temporary accommodation costs.

It is therefore paramount for the Council to have effective arrangements in place for voids management in order to ensure that the number of empty properties and the time taken to re-let them is kept to a minimum.

Scope

The objective of this review was to determine whether there are effective arrangements in place to ensure good management of the Council's void properties, to limit void periods in order to maximise rental income, and provide a quality service to meet housing need.

The objectives of the audit were to be achieved by determining whether:

- The Council has clear guidelines to ensure that the expectations for good management of void properties is clearly defined, to ensure void periods are limited in order to maximise rental income, and support the provision of a quality service to meet housing need;
- Performance management information is available and regular monitoring is undertaken and subsequent further actions are promptly addressed to improve the management of voids;
- The Maintenance and Voids team are notified in a timely manner when a tenancy is terminated, including being notified of deceased tenants;
- The inspection of properties becoming vacant, both prior to and following the termination of the tenancy are undertaken on a timely basis in order to ensure that the property is tenantable and habitable (meeting the Decent Homes Standard, which is a technical standard for public housing which aims to provide a minimum standard of housing conditions for all those who are housed in the public sector);
- Void works/repairs are carried out within the expected time period; and
- Properties are advertised and re-let within the prescribed time period.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

- The Council has not adopted a Voids Policy however there is an Empty Homes Standard which is an operating standard that details the standard a void should meet prior to re-letting. The standard includes a Voids Process Flow diagram that officers are expected to follow when re-letting properties. This document requires updating to include all types of tenancy termination; and would benefit from a change of process to ensure that properties are advertised prior to the completion of works in order to shorten the time it takes to re-let a property.
- The Tenancy Agreement and Tenancy Termination letter need to reflect the Council's requirement to undertake pre termination inspections.

- The Maintenance and Void team do not accept the keys back from the contractor until a post inspection has taken place and all works/repairs signed off, and the property is deemed to have met the Decent Homes Standard however there is no form or checklist in place to evidence that the property has met this standard.
- The Head of Contract Services and the Head of Housing receive monthly void performance data as part of their management meetings. Internal Audit reviewed reports for May and June 2019 and found them to be clear and detailed. However, the performance management data could be further strengthened with:
 - Additional Key Performance Indicators (KPI's) to support the identification of delays in the voids process that could affect the re-letting of properties; and
 - Documenting within an action plan when KPI's reflect that elements of the void process are not operating effectively to ensure that appropriate actions are agreed with staff and are reviewed as part of continuous improvement.
- Internal Audit sampled and reviewed 15 voids between July 1st 2018 and June 31st 2019 and found that for 13, Tenant Services was notified in a timely manner that the tenancy was terminating. The other two were delayed by 11 and 16 days as notification had not been received by Tenant Services that the tenant had died. Further exploration of the available options for the receipt of more timely death data may therefore prove to be beneficial to the service/council.
- Internal Audit sampled and reviewed 17 voids between July 1st 2018 and June 31st 2019 and found that:
 - One of the 17 sampled voids had been inspected within the expected five days of receiving notice; and
 - Of the 17 voids, 14 were inspected after the keys had been returned by the tenant. Internal Audit finds that this is a missed opportunity for the early identification of any rechargeable works.
- The Head of Contract Services is currently reviewing the minor and major works target void turnaround time set for the contractors, with the new targets expected to be in place by the end of September 2019. To support this review, Internal Audit sampled and reviewed 17 voids between July 1st 2018 and June 31st 2019 and fed back the findings to management to help inform the new arrangements.

Conclusion

Overall sound systems of control are in place to ensure that there are arrangements to ensure appropriate management of the Council's void properties, to limit void periods in order to maximise rental income, and provide a quality service to meet housing need.

A review of guidelines and the testing of processes has identified where improvements could be made to further strengthen the control framework which will result in improved systems and processes going forward.

Management Actions

Management have responded positively to the recommendations made.

Service Area: Tenant and Corporate Services

Audit Activity: Local Government Transparency Code

Background

The Department for Communities and Local Government published the Local Government Transparency Code in 2015. Local authorities are required to publish various data on-line for various types of council activity.

The Council web site contains an Open Data web page which is the base for the current published transparency required data sets. Service areas are responsible for ensuring compliance with relevant transparency requirements.

Scope

The objectives of this audit were to:

- Review the overarching arrangements to manage and monitor the Council's compliance with the Transparency Code; and
- Test the controls applied to the data and information published on the website under the requirements of the code, which ensure it is in accordance with the definitions, and is timely, complete, accurate, accessible and useable.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

- The previous audit report on this area was dated 12th April 2016, and had a high number of non-compliance issues for publishing information as required by the code. This audit review has identified a considerable improvement in information published, seeking to meet the requirements for the code. Further work needs to be completed by service staff, in eight of the fourteen categories stipulated by the code with the objective of achieving compliance, alongside ensuring accessibility of information to be available via the Open Data website page.
- In addition, acknowledgement of the risk, and mitigating controls to reduce the risk of non-compliance with the Transparency Code to within the Council's risk appetite should be captured and monitored in line with the Council's Risk Management Policy Statement and Strategy.

Conclusion

The management arrangements for; i) timely; ii) complete; iii) accurate; iv) accessible; and v) useable data sets to fulfil the requirements of the Transparency Code are substantially in place, although there are some lapses of compliance.

Management Actions

Internal Audit has raised one medium recommendation to cover the need to disclose the further information required on the Open Data web page, in line with code requirements either on a quarterly or annual basis; and to ensure compliance with the Council's Risk Management Policy Statement and Strategy.

Management has responded positively to the recommendation. The Interim Head of Legal Services and Monitoring Officer has taken responsibility to ensure that the requirements of the Transparency Code are fully documented on the Council web site.

Summary of Special Investigations/Counter Fraud Activities

Current Status

To date in 2019/20 only one new potential irregularity has been referred to Internal Audit.

This new case was related to a complaint received by Stroud District Council from a former council employee who felt they had been unfairly treated. A joint investigation with the Head of Community Services at Stroud District Council found the complaint to be unfounded.

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

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The 2018/19 data collections were successfully uploaded to the Cabinet Office during October 2018 and data matching reports are now available for review. Examples of data sets include housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol. Not all matches are investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area.

In addition, there is an annual data matching exercise undertaken relating to matching the electoral register data to the single person discount data held within the Council. Once all relevant data has been uploaded onto the NFI portal, a data match report is instantly produced and available for analysis.

Outcomes from the review of the matches will be reported to the Audit and Standards Committee once completed.

Other

In line with the approved Internal Audit Plan 2019/20, Audit Risk Assurance are responsible for co-ordination of NFI activity; fraud risk management (in line with CIPFA guidance); and fraud/irregularity investigation/detection and reporting (this includes an allocation to continue the development and implementation of the Council's Anti-Fraud and Corruption arrangements based on best practice and increase the profile and awareness of anti-fraud).

Separate to the above and in agreement with the Chief Internal Auditor, Stroud District Council (through the Section 151 Officer) has directly commissioned the

Counter Fraud Unit (CFU), hosted by Cotswold District Council to deliver targeted Revenues and Benefits counter fraud actions and reviews within 2019/20. The following update is for CFU activity only:

'Since 1 April 2019 the CFU have received 8 CTRS (Council Tax Reduction Scheme) referrals and closed 6.

There are currently 14 live cases open, all CTRS investigations (there were open cases as at 1 April 2019).

Of the closed cases for CTRS the results are as follows:

- 1 x prosecution resulting in a guilty plea. The customer received a 6 month custodial sentence suspended for 18 months. Costs of £929 were awarded. The incorrectly awarded CTRS and prosecutable value was £5081.
- 3 x CTRS Civil Penalties of £70 on incorrectly awarded CTRS of £1693 and 1 Civil Penalty of £50 on a Housing Benefit overpayment of £2405.
- 1 x Reg 11 Criminal Penalty of £445 on incorrectly awarded CTRS of £890.

The CFU have not been actively undertaking housing work pending agreeing work delivery however the CFU have consulted on and issued a revised Tenancy Fraud Policy.'

Progress Report including Assurance Opinions

Department	Activity Name	Priority	Activity Status	Risk Opinion	Control Opinion	Reported to Audit and Standards Committee	Comments
Council Wide	ICT Action Plan	1	Planned				Brought Forward from 18/19 plan.
Council Wide	Annual Governance Statement review of 2018-19 assurance statements	1	Planned				
Council Wide	Freedom of Information	2	Planned				
Council Wide	Local Government Association Peer Review	1	Planned				
Council Wide	Risk and Performance Reporting	1	Planned				
Council Wide	LGA and Workforce Plan transitional arrangements	2	Planned				
Council Wide	Capital Programme	1	Planned				
Development Services	Gloucestershire Building Control Partnership	2	Audit in Progress				
Development Services	Planning Applications	1	Planned				
Development Services	Private Sector Housing (empty homes)	2	Audit in Progress				
Customer Services	Business Continuity	1	Consultancy				Brought Forward from 18/19 plan. Consultancy ongoing within 2019/20. Outcomes to be reported at year end.
Customer Services	Council Tax Support Scheme	2	Planned				
Customer Services	Complaints Handling	2	Planned				
Customer Services	Creditors - New Suppliers, Vendor Changes and Invoice Control	1	Planned				
Customer Services	Small Business Rate Relief	2	Planned				
Customer Services	Multi Services Contract	1	Planned				
Finance	Medium Term Financial Plan	1	Audit in Progress				Audit to be delivered across 2019/20 to ensure all relevant areas covered. Outcomes to be reported in April 2020.
Finance	VAT Outputs	2	Final Report Issued	Satisfactory	Satisfactory	08/10/2019	
Tenant & Corporate Services	HRA Delivery Plan - Budget Savings	1	Planned				
Tenant & Corporate Services	Housing Stock Void Management	2	Final Report Issued	Satisfactory	Satisfactory	08/10/2019	
Tenant & Corporate Services	Leavers Process	1	Planned				
Tenant & Corporate Services	Littlecombe Scheme	2	Audit in Progress				
Tenant & Corporate Services	Local Government Transparency Code	2	Final Report Issued	Satisfactory	Satisfactory	08/10/2019	

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Report Title	1ST QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2019/20
Purpose of Report	To provide an update on treasury management activity as at 30/06/2019.
Decision(s)	The Audit and Standards Committee RESOLVES TO ACCEPT the treasury management activity first quarter report for 2019/2020.
Consultation and Feedback	Link Asset Services Limited
Financial Implications & Risk Assessment	Interest of £99k in the first quarter is on target to achieve £410k for 2019/20. Graham Bailey, Principal Accountant Tel: 01453 754133 E-mail: graham.bailey@stroud.gov.uk
Legal Implications	There are no legal implications arising from this report. Patrick Arran, Interim Head of Legal Services & Monitoring Officer Tel: 01453 754369 E-mail: patrick.arran@stroud.gov.uk
Report Author	Maxine Bell, Senior Accounting Officer Tel: 01453 754134 E-mail: maxine.bell@stroud.gov.uk
Options	None
Performance Management Follow Up	Further quarterly reports and a full 2019/20 annual report.
Appendices	A – Prudential Indicators as at 30 June 2019 B – Explanation of prudential indicators

Background

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

Discussion

3. The Chartered Institute of Public Finance and Accountancy (CIPFA) issued the revised Code in November 2011, originally adopted by this Council on 21 January 2010. This first quarter report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:
 - A review of the Treasury Management Strategy Statement (TMSS) and Investment Strategy
 - A review of the Council's investment portfolio for 2019/20
 - A review of the Council's borrowing strategy for 2019/20
 - A review of compliance with Treasury and Prudential Limits for 2019/20
 - Other Treasury Issues

Treasury Management Strategy Statement and Investment Strategy update

4. The TMSS for 2019/20 was approved by Council on 21 February 2019. The Council's Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:
 1. Security of Capital
 2. Liquidity
 3. Yield
5. In 2019-20 the Council will continue to invest for the longest permitted duration with quality counterparties to maximise return without compromising security, or liquidity. In particular instances the Section 151 Officer will authorise investments in the LAS blue category for a period of up to two years, which is currently longer than the LAS recommended duration of one year. Otherwise, the length of investments permitted will vary if necessary in line with LAS advice subject to the Council's 3-year upper limit.
6. A breakdown of the Council's investment portfolio as at 30 June 2019 is shown in Table 2 of this report. Investments & borrowing during the year have been in line with the strategy.
7. Current advice from Link is to invest for no more than a year with UK banks, or up to a maximum of five years with government or local government provided they are sufficiently highly rated on Link's weekly list.

Investment Portfolio 2019/20

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

TABLE 1: Average Interest Rate Compared With Benchmark Rates

Period	Investment Interest Earned	Average Investment	Average Interest Rate	Benchmark 7 day LIBID	Benchmark 3 month LIBID
01/04/19 - 30/06/19	£98,873	£42.176m	0.94%	0.68%	0.78%

9. Table 2 below shows the investments and borrowing position at the end of June 2019.
10. The approved limits as set out in the Treasury Management Strategy report to Council 21st February 2019 within the Annual Investment Strategy were not breached during the first 3 months of 2019/20.
11. Funds were available for investment on a temporary basis. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme and canal project. The authority holds £10m core cash balances for investment purposes (i.e. funds that potentially could be invested for more than one year). Link Asset Services are currently administering a selection process for the Council of Property Funds and Multi-Asset Funds with the objective of making longer term investments to improve the overall rate of return in future years.

	June £'000	2019
Standard Life	0	
Federated Prime Rate	2,885	
Deutsche	0	
Goldman Sachs	0	
Money Market Funds Total		2,885
Bank of Scotland	0	
Lloyds	7,983	
Lloyds Banking Group Total		7,983
NatWest	6,000	
Royal Bank of Scotland	0	
RBS Banking Group Total		6,000
Goldman Sachs	2,000	
Standard Chartered	2,000	
Santander	7,084	
Barclays Bank Plc	7,690	
Svenska Handelsbanken	2	
Toronto Dominion	2,000	
Rabobank Netherlands	2,000	
Other Banks Total		22,776
Coventry Building Society	2,000	2,000
TOTAL INVESTMENTS		<u>£41,644</u>
Local Authority		0
PWLB		103,717
TOTAL BORROWING		<u>£103,717</u>

External Borrowing

12. The Council's Capital Financing Requirements (CFR) for 2019/20 is £114.66m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (External Borrowing) or from internal balances on a temporary basis (Internal Borrowing). The Council has borrowing of £103,717m as at 30 June 2019.

Compliance with Treasury and Prudential Limits

13. It is a statutory duty for the Council to determine and keep under review the “Affordable Borrowing Limits”. Council’s approved Treasury and Prudential Indicators are outlined in the approved TMSS.
14. During the period to 30 June 2019 the Council has operated within treasury limits and Prudential Indicators set out in the Council’s TMSS and with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix A.

Appendix A

Prudential Indicators as at June 2019

Prudential Indicator	2019/20 Indicator £'000	Actual as at 30 June 2019 £'000
Capital Financing Requirement (CFR)	114,657	111,468
Gross Borrowing	105,717	103,717
Authorised Limit for external debt	135,000	103,717
Operational Boundary for external debt	127000	103,717
Limit of fixed interest rates based on net debt	100%	100%
Limit of variable interest rates based on net debt	100%	0%
Principal sums invested > 365 days	10,000	0
Maturity structure of borrowing limits		
Under 12 months	100%	0%
12 months to 2 years	100%	1%
2 years to 5 years	100%	2%
5 years to 10 years	100%	0%
10 years and above	100%	97%

Explanation of prudential indicators

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

Gross borrowing – compares estimated gross borrowing in February 2019 strategy with actual gross borrowing as at 30 June 2019.

Capital financing requirement (CFR) – the capital financing requirement shows the underlying need of the Council to borrow for capital purposes as determined from the balance sheet. The overall positive CFR of £111.468m provides the Council with the opportunity to borrow if appropriate. £4.8m of borrowing is planned for 2019/20 arising from the approved capital programme, together with £1.9m minimum and voluntary revenue provisions for the repayment of debt.

Authorised limit for external debt - this is the maximum limit for gross external indebtedness. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cashflows. This limit has not been breached in the period 1 April 2019 to 30 June 2019.

Operational boundary for external debt – this is set as the more likely amount that may be required for day to day cashflow. This limit has not been breached in the period 1 April 2019 to 30 June 2019.

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

Upper limit for total principal sums invested for over 365 days – the amount it is considered can prudently be invested for a period in excess of a year. Current policy only permits lending beyond 1 year with other Local Authorities up to a maximum of 3 years. Property fund investments are subject to a 25 year maximum, and other investment funds up to 10 years as set out in Table 14 of the latest Treasury Management Strategy.

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WORK PROGRAMME

Proposed Meeting Date	Report Description	Responsible Officer / Member
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
	Treasury Management Q1	S151 Officer
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
	Review of the effectiveness of the Audit Committee	Chief Internal Auditor
	Terms of Reference	Chief Internal Auditor
	Treasury Management – ½ year	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
	Treasury Management	S151 Officer
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

Items for future Committee Meetings:

GDPR