



STROUD DISTRICT COUNCIL

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

Tel: (01453) 754 351/754 321

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11 November 2019

AUDIT AND STANDARDS COMMITTEE

A meeting of the Audit and Standards Committee will be held on **TUESDAY 19 NOVEMBER 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 8 October 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 14 NOVEMBER 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 **ANNUAL AUDIT LETTER**
To note the Annual Audit Letter on the 2018/19 External Audit.

- 6 **REVIEW OF THE EFFECTIVENESS OF THE AUDIT AND STANDARDS COMMITTEE - OUTCOMES AND ACTION PLAN**
To approve the action plan emanating from the effectiveness review and consider any further actions / training / developmental requirements to support Committee Members in their role.
- 7 **AUDIT AND STANDARDS COMMITTEE'S PROPOSED TERMS OF REFERENCE**
To agree the revised Audit and Standards Committee's Terms of Reference as set out in Appendix 1; and recommend to Council on 19th December 2019 they are approved.
- 8 **APPOINTMENT OF AN INDEPENDENT MEMBER TO THE AUDIT AND STANDARDS COMMITTEE**
To provide the Committee with documentation relating to the appointment of the proposed Independent Member and, if approved, for onward recommendation to Council.
- 9 **HALF YEAR TREASURY MANAGEMENT ACTIVITY REPORT 2019/20**
To provide an update on treasury management activity as at the first half of the financial year and recommend to Council it is approved.
- 10 **GDPR UPDATE**
To provide an update on data protection and the process for dealing with potential data breaches
- 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 Miranda Clifton
Councillor Rachel Curley

Councillor Stephen Davies
Councillor Karen McKeown
Councillor Keith Pearson
Councillor Mark Reeves



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AUDIT AND STANDARDS COMMITTEE

8 October 2019

7.00 pm – 7.44 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 Miranda Clifton	P	Councillor Mark Reeves	A
Councillor Rachel Curley	P		

A = Absent P = Present

Officers present:

Interim Head of Legal Services and Monitoring Officer	Strategic Director of Resources Principal Accountant
Group Manager - Audit Risk and Assurance Shared Service (ARA)	Democratic Services and Elections Officer

AC.013

APOLOGIES

Apologies for absence had been received from Councillor Reeves and Binns.

AC.014

DECLARATIONS OF INTEREST

There were none.

AC.015

MINUTES

Councillor McKeown thanked officers for the response to questions she had asked at the Audit and Standards Committee on 25 July 2019 however advised she had not received a response regarding minute AC.008 and questioned when the GDPR report would be brought to Committee. The Interim Head of Legal Services and Monitoring Officer advised that the report would be brought to the Committee on 19 November 2019.

The Strategic Director of Resources confirmed that Deloitte had issued an unqualified opinion on the Statement of Accounts by the deadline.

RESOLVED That the Minutes of the meeting held on 25 July 2019, are approved as a correct record.

AC.016 **PUBLIC QUESTION TIME**

There were none.

AC.017 **INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2019/20**

In presenting the above report, the Group Manager - Audit Risk and Assurance Shared Service (ARA) advised that the report contained 3 audit outcomes, VAT Outputs, Housing Stock Void Management and Local Government Transparency Code all with satisfactory assurance opinions. The Group Manager - Audit Risk and Assurance Shared Service (ARA) also brought the Committee's attention to pages 21 and 22 which contained a counter fraud update.

Councillor Pearson stated that it was good that of the 6 Council Tax Reduction Scheme referrals that the Counter Fraud Unit had closed, all of them had resulted in prosecutions or penalties.

Councillor Clifton asked whether the key findings of the Housing Stock Void Management Audit had been reported to Officers in Tenant Services and the Chair of the Housing Committee. It was also asked if the findings were included in the key performance indicators and whether these would be looked at during performance monitoring. The Group Manager - Audit Risk and Assurance Shared Service (ARA) confirmed that the detailed audit reports were issued to the Head of Services and Directors relevant to the report. The Housing Stock Void Management Audit report was sent to the Head of Contract Services, the Head of Housing Services and relevant Directors to ensure any recommendations were known and appropriate management responses obtained. It was confirmed that it would be the responsibility of the report recipients to ensure any relevant actions were communicated to the team. The Strategic Director of Resources confirmed that currently it is the responsibility of Officers within the relevant service to take action and rectify any issues and that it isn't always reported through performance monitoring. It was advised that he would need to think about how we can ensure that the information is looked at across the whole organisation and how we can ensure that it doesn't just sit within one service area.

Councillor Williams asked whether satisfactory assurance was a lower level of assurance than substantial assurance. The Group Manager - Audit Risk and Assurance Shared Service (ARA) confirmed that there were 3 assurance levels that could be allocated an audit outcome, the highest is substantial assurance, then satisfactory assurance and the lowest is limited assurance. The Strategic Director of Resources also confirmed that we are always aiming for substantial assurance.

The Chair brought the Committees' attention to the last paragraph on page 22 and asked for an update. The Director of Resources confirmed that the revised Tenancy Fraud Policy would be brought back to the Audit and Standards Committee to be reviewed.

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

RESOLVED

- a. To accept the progress against the Internal Audit Plan 2019/20.
- b. To accept the assurance opinions provided in relation to the effectiveness of the Council's control environment.

AC.018 **1ST QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2019/20**

The Principal Accountant introduced the above report and confirmed that the interest that had been earned was just short of £99,000 with an average interest rate of 0.94%. He also drew the Committees' attention to Table 2 which showed a snapshot of the investments that were in place at the end of June 2019. The Principal Accountant also stated that Link Asset Services were administering a selection process and a meeting was being held on Friday to review the shortlist of investments for Property Funds and Multi-Asset Funds.

Councillor Davies asked for confirmation that following on from the change of strategy we had not yet made any investments and also requested clarification that we knew what criteria the investments would be judged against. The Strategic Director of Resources confirmed that no investments had been made yet and that Link Asset Services had provided them with a range of questions to think about. He also stated that all of the funds they would be discussing on Friday were good quality investment funds that were suitable for a Local Authority to invest in.

Councillor Pearson asked what interest rate we were aiming for with the new investments. The Principal Accountant advised that the long term average interest rate they were aiming for was about 3.5% – 4%. Councillor Pearson questioned whether the timing was right to invest as some people are predicting a crash around the corner. The Strategic Director of Resources stated that Councillor Pearson's point about uncertainty was a fair one, it was advised that they may make a decision about which investment to make on Friday but could wait and see what happens before completing the investment. The Strategic Director of Resources also stated that he will be asking the firms on Friday how often they would report back to the Council and how would they notify the Council if there are any fluctuations.

Councillor Curley spoke about the risk appetite and confirmed that it was still quite cautious and that we were correct to be following this approach. She also asked if the reports going forward would contain a separate section so that the Committee can monitor and evaluate how the investments are performing. The Strategic Director of Resources confirmed that the Treasury Management Activity Reports will include details about the funds performance.

Councillor Williams asked whether the performance of the investment funds are published in the newspapers. The Principal Accountant confirmed that they would ask this question at the meeting on Friday.

The Chair advised the Committee to bear in mind that the 0.95% interest rate is 1.05% below inflation.

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

RESOLVED **To accept the treasury management activity first quarter report for 2019/2020.**

AC.019 **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 Pearson – Waste Management and UBICO

Councillor McKeown – Procurement

Councillor Reeves - TBC
Councillor Williams – Housing accounts
Councillor Clifton – TBC

AC.020 **MEMBERS' QUESTIONS**

There were none.

The meeting closed at 7.44 pm.

Chair



Annual Audit Letter on the 2018/19 External Audit Stroud District Council

November 2019

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1. Letter to Members

The Members

Ebley Mill

Ebley Wharf

Stroud

GL5 4UB

1 November 2019

Dear Sirs

We have pleasure in setting out this Annual Audit Letter to summarise the key matters arising from the work that we have carried out in respect of the audit for the year ended 31 March 2019.

Although this letter is addressed to the Members of Stroud District Council ("the Council"), it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Public Sector Audit Appointments Ltd (PSAA) website at www.psaa.co.uk and on the Council's website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Ltd. This is available from www.psaa.co.uk.

This key contents of this letter have been discussed and agreed with the Council. A copy of the letter will be provided to all Members.

This is our first year as the external auditor of the Council following the transition of the PSAA contract in 2018/19. Our aim is to deliver a high standard of audit, delivering insights identified from our audit work to make a positive and practical contribution, which supports the Council's own agenda.



Ian Howse

Audit Partner

for and on behalf of Deloitte LLP

Cardiff, United Kingdom

2. Key Messages

Statement of Accounts	
<p>Unqualified opinion issued on 31 July 2019</p>	<p>In 2018/19 the Council was required to prepare its Statement of Accounts in accordance with International Financial Reporting Standards (“IFRS”) as defined in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and other relevant legislation.</p> <p>The Statement of Accounts was prepared and audited in accordance with the agreed timetable.</p> <p>Through our audit planning we identified two significant risks of material misstatement which we addressed through our audit. These were:</p> <ul style="list-style-type: none"> • completeness of expenditure; and • management override of controls. <p>Materiality for the Council’s accounts was set at £1,958,000.</p> <p>We issued an unqualified audit opinion on the Statement of Accounts on 31 July 2019.</p>
Value for Money (VfM) conclusion	
<p>Unqualified opinion issued on 31 July 2019</p>	<p>We are required to base our statutory VfM conclusion on the criteria specified by the National Audit Office, namely whether the Council has in place proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</p> <p>We issued an unqualified opinion in respect of the VfM conclusion on 31 July 2019.</p>
Annual Governance Statement	
<p>All relevant governance matters were adequately and appropriately disclosed</p>	<p>We have considered the contents of the Annual Governance Statement and confirmed that the Statement complied with guidance and that it adequately and appropriately disclosed all relevant governance matters arising in the year that we are aware of.</p>
Whole of Government accounts	
<p>The Council is below the audit threshold</p>	<p>The Council prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review this pack as the Council falls below the threshold where an audit is required.</p> <p>As required we have confirmed this fact to the National Audit Office by the national deadline of 13 September 2019.</p>

Financial reporting systems

Weaknesses in internal control were identified

During our audit we identified a number of areas for improvement in internal controls and procedures resulting in seven recommendations being raised, five of which were IT related and two which were reported provided scope for improvements to be made by management in relation to the preparation of the financial statements.

3. Responsibilities and Scope

Responsibilities of the Council and Auditors

The Council is responsible for maintaining the control environment and accounting records and preparing the accounting statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on IFRS and other relevant legislation.

We are appointed as the Council’s independent external auditors by PSAA, the body responsible for appointing auditors to local public bodies in England.

As the Council’s appointed external auditor, we are responsible for planning and carrying out an audit that meets the requirements of the National Audit Office’s Code of Audit Practice (“the Code”). Under the Code, we have responsibilities in two main areas:

- the Council’s accounts; and
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) as adopted by the UK Auditing Practices Board (“APB”). The audit opinion on the accounts reflects the financial reporting framework adopted by the Council, being the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on IFRS and other relevant legislation.

We conducted our work on the value for money conclusion in line with guidance issued by the National Audit Office, in respect of local government bodies for the financial year ended 31 March 2019.

4. Audit of the Accounts

Statement of Accounts	
Unqualified opinion issued on 31 July 2019	<p>Before we give our opinion on the accounts, we are required to Report to Those Charged with Governance any significant matters arising from the audit. A detailed report was discussed with the members of the Audit and Standards Committee on 25 July 2019.</p> <p>Materiality for the Council’s accounts was set at £1,958,000 which equated to 2% of gross expenditure. The level of materiality shapes and informs the extent of the audit work we undertook, including review of balances which are below this which exhibit particular characteristics. This assists in the identification of transactions and balances which were likely to give rise to material misstatements, and in determining the extent of work undertaken in respect of the areas we judged to contain such risks.</p> <p>Our Report to Those Charged with Governance, in the case of the Council, the Audit and Standards Committee, set out the details of any errors identified during the audit which were greater than £98,000, our clearly trivial threshold.</p> <p>Our audit work was designed to specifically address the following significant audit risks:</p> <ul style="list-style-type: none"> • Whether the Statement of Accounts contained all of the expenditure relating to the year ended 31 March 2019 (Completeness of expenditure) – We obtained an understanding of the design and implementation of the key controls in place in relation to recording completeness and valuation of accruals and provisions; we performed focused testing in relation to the completeness of expenditure including a detailed review of accruals and provisions; as part of this focused testing we challenged any assumptions made in relation to year-end accruals and provisions; we reviewed how accurate the Council has been in calculating its current year provisions and accruals; and we reviewed the year-on-year movement in accruals and provisions and investigated any significant downward movements. • Whether the Council’s controls had been bypassed by management in the preparation of the financial statements (Management override of controls) – We have tested the design and implementation of key controls in place around journal entries and management estimates; we risk assessed journals and selected items for detailed testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest; we tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting; we reviewed accounting estimates for biases that could result in material misstatements due to fraud, specifically in relation to material provisions; and we have not become aware of any significant transactions that are outside the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the entity and its environment. <p>We issued an unqualified opinion on the Council’s 2018/19 accounts on 31 July 2019, in accordance with the deadline set for local government bodies. Our opinion confirms that the accounts present a true and fair view of the financial</p>

Statement of Accounts	
	position of the Council as at 31 March 2019 and its income and expenditure for the year then ended.
Key issues from work performed on the Statement of Accounts	
We identified one uncorrected misstatement	<p>We received a set of draft accounts in line with the agreed deadline, which were supported by working papers.</p> <p>The final Statement of Accounts upon which we issued our opinion contained one financial misstatement.</p> <p>This error concerned the McCloud pension scheme. In December 2018 the Court of Appeal ruled against the Government regarding pensions (McCloud) on the grounds of discrimination between scheme members based on their age. The Supreme Court has recently upheld that ruling. Deloitte are of the view that all Local Government Pension Scheme participating entities should increase their IAS19 pension liability at 31 March 2019 for the estimated impact of the McCloud judgement, which is £294,000.</p>
Annual Governance Statement	
The Statement includes all appropriate disclosures and is consistent with our understanding of the Council's governance arrangements	<p>As appointed auditors, we review the Annual Governance Statement ("AGS") and comment on any inconsistencies noted between the AGS and our audit work, other work relating to the Code of Audit Practice, and our understanding of the Council's Governance arrangements.</p> <p>We have concluded that the Statement includes all appropriate disclosures and is consistent with our understanding of the Council's governance arrangements and internal controls derived from our audit work.</p>
Powers and Duties	
We did not receive any questions about the accounts or make any public interest reports	<p>Under the Local Audit and Accountability Act 2014, auditors have specific powers and duties, including to give electors the opportunity to raise questions about the accounts and to consider and decide upon objections received in relation to the accounts. We did not receive any such questions or objections.</p> <p>We have a duty to consider whether to issue a report in the public interest about something we believe the Council should consider, or if the public should know about.</p> <p>We have not identified any matters that would require us to issue a public interest report.</p>
Whole of Government accounts return	
The Council is below the audit threshold	The Council prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review this pack as the Council falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office by the national deadline of 13 September 2019.
Audit Certificate	

Statement of Accounts

We have issued our certificate

We issued our certificate on 31 July 2019. The certificate confirms that we have concluded the audit for 2018/19 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

5. Value for Money

Background and approach

The approach to our audit work in relation to value for money (“VFM”) was specified by the National Audit Office.

We are required to satisfy ourselves that the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

We would emphasise that it is the arrangements in place that we are required to assess, and not the actual decisions made by the Council.

We planned our local programme of work based on our risk assessment, which was informed by a series of risk factors determined by the National Audit Office.

We did not identify any significant risks as part of our risk assessment.

The VFM conclusion

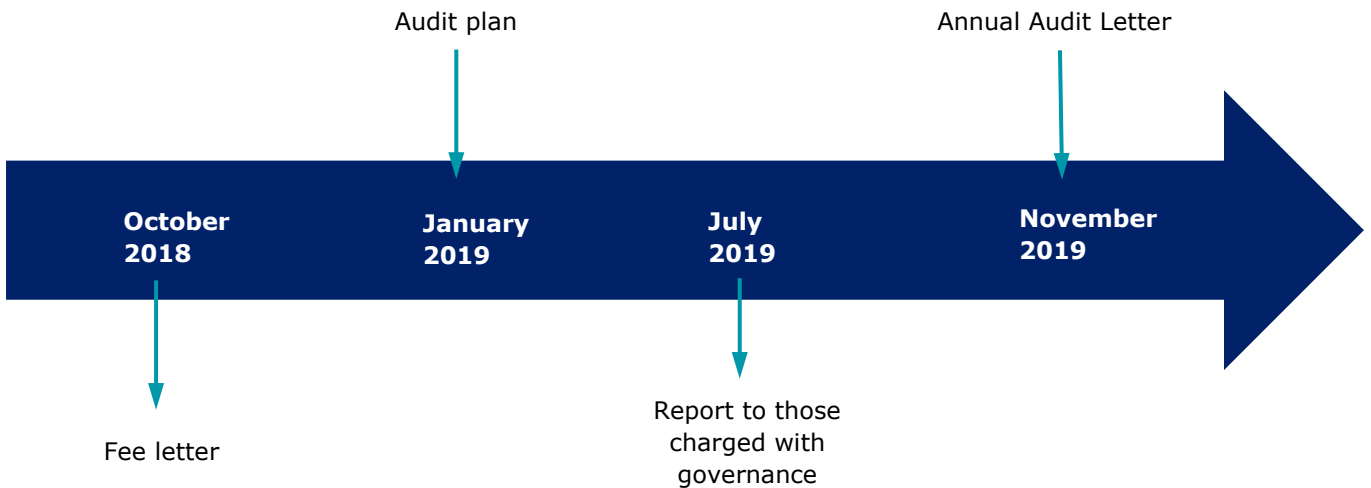
Having performed our work in line with guidance received from the National Audit Office we issued an unqualified value for money conclusion for the 2018/19 financial year.

6. Other Matters

Reports issued

Reports issued during the course of the 2018/19 audit included:

- Audit Fee letter;
- Annual Audit Plan;
- The Report to Those Charged with Governance on the 2018/19 audit of the Council; and
- This Annual Audit Letter.



Analysis of audit fees

Audit fees charged are as follows:

	2018/19 £
Scale fees for the audit of the Council's annual accounts, VfM conclusion and whole of government accounts return	40,021

Independence and objectivity

In our professional judgement, our policies and safeguards that are in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

We confirm that we comply with FRC’s Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.

In our opinion there are no inconsistencies between FRC’s Ethical Standards for Auditors and the Council’s policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.

No matters impacting our independence have arisen during the year.

Statement of Responsibilities

The Statement of Responsibilities of Auditors and Audited Bodies issued by PSAA explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out in accordance with, that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national data and methodology supporting our value for money conclusion as they are derived solely from the National Audit Office.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other party.

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the

Annual Audit Letter since first published. These matters are the responsibility of the Council but no control procedures can provide absolute assurance in this area.



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STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

19 NOVEMBER 2019

6

Report Title	REVIEW OF THE EFFECTIVENESS OF THE AUDIT AND STANDARDS COMMITTEE - OUTCOMES AND ACTION PLAN
Purpose of Report	To ascertain the Committee's views on the outcomes and associated action plan in respect of reviewing their effectiveness.
Decision(s)	The Audit and Standards Committee RESOLVES to approve the action plan emanating from the effectiveness review and consider any further actions / training / developmental requirements to support them in their role.
Consultation and Feedback	Monitoring Officer, Chief Financial Officer (S151) Head of Audit Risk Assurance (ARA).
Financial Implications and Risk Assessment	<p>Actions 1 and 5 may generate small additional costs through allowances payable and training fees respectively. These can be contained within existing budgets.</p> <p>Andrew Cummings, Strategic Director of Resources Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk</p> <p>Risk Assessment: Failure to deliver an effective Audit and Standards Committee will prevent the non-executive, advisory function support those charged with Governance.</p>
Legal Implications	<p>There are no legal implications arising from this report.</p> <p>Patrick Arran Interim Head of Legal Services & Monitoring Officer Tel: 01453 754369 Email: patrick.arran@stroud.gov.uk</p>
Report Author	<p>Theresa Mortimer, Head of Audit Risk Assurance (Chief Internal Auditor) Tel: 01453 754111 Email: theresa.mortimer@stroud.gov.uk</p>
Options	The Committee could decide not to approve the action plan but this is not recommended.
Performance Management Follow Up	<p>The outcomes of this and future self assessments will be included in the Audit and Standards Committee's annual reports to Council and the Council's Annual Governance Statements.</p> <p>In addition, an update report on actions completed will be presented to a future committee.</p>
Background Papers/ Appendices	<p>Appendix A –The Review of the Effectiveness of the Audit and Standards Committee – Action Plan.</p> <p>Background papers:</p> <ul style="list-style-type: none"> ➤ CIPFA – Audit Committees – Practical Guidance for Local Authorities and Police 2018. ➤ CIPFA's Position Statement – Audit Committees in Local Authorities and Police 2018.

1.0 Background

- 1.1 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.
- 1.2 Audit committees are a key component of an authority’s governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 1.3 Good audit committees are characterised by:
- A membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role.
 - The political balance of a formal committee of a council will reflect the political balance of the council however, it is important to achieve the right mix of apolitical expertise.
 - A membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives.
 - A strong independently minded chair – displaying a depth of knowledge, skills and interest.
- 1.4 There are many personal qualities needed to be an effective chair, but key to these are:
- Promoting apolitical open discussion.
 - Managing meetings to cover all business and encouraging a open approach from all participants.
 - An interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime.
 - Unbiased attitudes – treating auditors, the executive and management fairly.
 - The ability to challenge the executive and senior managers when required.
- 1.5 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.
- 1.6 The role of the Audit and Standards Committee within the council’s Constitution is to gain and provide assurance that the council’s governance arrangements are operating effectively in line with good practice guidance. A workshop was held on 27th June 2019 to undertake a self assessment against the new CIPFA guidance with the outcomes of this self assessment presented via an action plan proposing the next steps to further enhance the Committee’s effectiveness.

THE REVIEW OF THE EFFECTIVENESS OF THE AUDIT AND STANDARDS COMMITTEE



Action Plan

Ref	Areas where Audit and Standards Committee can add value by supporting improvement	Actions	Action Owner(s)
1	Consideration is given to appointing an independent member who is not a councillor, or an officer of the Council, to the Committee.	Formulation of a Job Description / Person Specification. To be presented to the Audit and Standards Committee on 19 th November 2019 and to Council on the 19 th December 2019.	Monitoring Officer (MO) Head of ARA (HoA)
		Depending on outcome, lead on recruitment, selection and approval process.	S151 / MO / Head of ARA
2	Referesh the Committee's Terms of Reference to reflect the requirements of the revised guidance.	Draft prepared and presented to the 19 th November 2019 Audit and Standards Committee for endorsement.	MO / HoA
		Approval process via Council on the 19 th December 2019.	Chair of Audit and Standards Committee / MO / S151
3	Promoting the principles of good governance and their application to decision making.	Wider promotion of the Annual Governance Statement and good governance. To consider presentation at other Committees and via Members and Officers newsletters.	S151 / MO / HoA
		Inivite Chief Executive once a year to Committee to gain reasonable assurance on the effectiveness of corporate governance arrangements.	MO / S151

Ref	Areas where Audit and Standards Committee can add value by supporting improvement	Actions	Action Owner(s)
4	Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<p>Uncertainty around the role of other Committees and their responsibility in relation to corporate performance. For example, other committees in the governance structure might also scrutinise the Council's financial performance.</p> <p>Care should be taken to avoid duplication and maintain the focus of the Audit and Standards Committee on financial reporting and financial governance rather than on wider issues of performance and spending priorities.</p> <p>Financial scrutiny is a different role from that fulfilled by the Committee. Financial 'scrutiny' committees are likely to undertake reviews of the Council's budget proposals and financial performance. The Audit and Standards Committee should not seek to replicate scrutiny undertaken but should focus on the oversight of governance, risk and control and the audit process.</p> <p>An assurance framework to be developed to enable assurance to be provided to the Committee on the effectiveness of performance, project and programme management arrangements.</p>	S151 / MO / HoA
5	Members knowledge and skills self assessment.	Joint training workshops to be commissioned via CIPFA during 2019/2020 for all ARA partner Audit Committees.	S151 / HoA

Ref	Areas where Audit and Standards Committee can add value by supporting improvement	Actions	Action Owner(s)
6	Annual Review of the effectiveness of the Audit and Standards Committee.	To consider all ARA partners Audit Committee members to collectively participate in the annual effectiveness review, to enable networking, benchmarking and to share good practice.	S151 / HoA

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

19 NOVEMBER 2019

7

Report Title	AUDIT AND STANDARDS COMMITTEE'S PROPOSED TERMS OF REFERENCE
Purpose of Report	To present to the Committee the proposed revised Audit and Standard's Committee's Terms of Reference.
Decisions(s)	That the Audit and Standards Committee: a) RESOLVE to agree the revised Audit and Standards Committee's Terms of Reference as set out in Appendix 1; and b) RECOMMEND to Council on 19 December 2019 that the Audit and Standards Committee's Terms of Reference are approved.
Consultation and Feedback	<ul style="list-style-type: none"> ➤ Members of Audit and Standards Committee ➤ Monitoring Officer ➤ S151 Officer ➤ Chief Internal Auditor
Financial Implications and Risk Assessment	<p>There are no financial implications arising directly from this report.</p> <p>Andrew Cummings, Strategic Director of Resources Tel: 01453 754115, Email: andrew.cummings@stroud.gov.uk</p>
Legal Implications	<p>There are no specific legal implications arising from the report.</p> <p>However, members will see that there is a proposal to replace the informal Standards Panel with a formal sub-committee. This is to comply with Section 101 of the Local Government Act 1972 which provides that a local authority can delegate its functions to a committee, sub-committee or officer. The Constitution reserves the power to set up sub-committees to Council which would establish a sub-committee of the Audit and Standards Committee to deal with Standard matters in place of the existing Standards panel.</p> <p>The formal arrangement to achieve this will be considered as part of the review of the Constitution which will be commenced by Strategy and Resources Committee at its meeting on the 12th December 2019.</p> <p>For the sake of clarity, whilst the terms of reference refer to a sub-committee, even if they are adopted by Council, the current Standards Panel will continue until a different arrangement is approved by Council when it considers changes to the Constitution in 2020.</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	Committee Agenda Planning and Annual review of the effectiveness of the Audit and Standards Committee.
Background Papers/ Appendices	Appendix 1: Proposed Updated Audit and Standards Committees Terms of Reference. Background papers: <ul style="list-style-type: none"> ➤ Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on the function and operation of audit committees; “Audit Committees in Local Authorities and Police, 2018 edition”. ➤ Public Sector Internal Audit Standards (PSIAS) 2017; and ➤ CIPFA Local Government Application note on the PSIAS.

1.0 Background

- 1.1 Audit committees are a key component of an authority’s governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management. The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place. The Council’s audit committee should adopt a model that establishes the committee as independent and effective. The committee should:
- act as the principal, advisory function supporting those charged with governance;
 - be independent of the decision making committees of the Council and include an independent member where not already required to do so by legislation;
 - have clear rights of access to other committees/functions, for example, service committees, corporate risk management and other strategic groups; and
 - be directly accountable to the authority’s governing body.
- 1.2 The guidance to support those acting as audit committee members in local authorities has recently changed and currently recognises CIPFA’s publication “Audit Committees: Practical Guidance for Local Authorities and Police (2018)” as representing “proper audit committee practices”.
- 1.3 This guidance defines the way in which audit committees should be established and undertake its functions, including the functional reporting requirements to the governance group charged with providing independent assurance on the adequacy of the control environment, comprising risk management, control and governance.
- 1.4 To ensure conformance with the new guidance the Council’s Audit and Standard’s Committee’s Terms of Reference have been updated in line with the revised guidance, for consideration and approval.

<p>Audit and Standards Committee</p> <p>The Chair of the Audit and Standards Committee to be drawn from outside the group or groups forming the administration.</p> <p>To include an Independent Member who is not a councillor or an officer of the Council.</p>	<p>(1) Statement of Purpose</p> <ul style="list-style-type: none"> • The Audit and Standards Committee is a key component in the Council's corporate governance structure ensuring compliance and maintenance of high ethical standards. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. • The purpose of the Committee is to provide independent assurance to Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of the council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. <p>(2) Governance, Risk and Control</p> <ul style="list-style-type: none"> • To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local Code of Corporate Governance. • To review and approve the Annual Governance Statement (AGS) and consider whether it properly reflects the risk environment, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. • To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements. • To consider the adequacy of Council's framework of assurance i.e. the Three Lines of Defence model. • Undertaking regular monitoring of the Council's treasury management policies and practices. • To monitor the effective development and operation of risk management in the Council and to monitor progress in addressing risk-related issues reported to the committee. • To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions. • To review the governance and assurance arrangements for significant partnerships or collaborations.
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(3) Ethical Governance / Conduct

- To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- To monitor the counter-fraud strategy, actions and resources.
- To be responsible, in consultation with the Monitoring Officer, for all matters relating to the Members Code of Conduct
- Keeping under review a Code of Conduct to promote high ethical standards amongst Officers and to promote and maintain high standards of conduct by Officers.
- Keeping under review the Council's 'whistle-blowing' policy.
- Keeping under review the Council's arrangements for handling complaints and investigations by the Local Government Ombudsman.
- To promote, maintain and assist the achievement of high standards of conduct by Councillors and co-opted members in accordance with the Council's Code of Conduct for Members.
- To monitor the operation of the Code of Conduct for Members and be responsible for dealing with any matters referred to the Committee by the Monitoring Officer.
- To advise the Council on any amendment or revision of the Code.
- To secure mandatory training of Councillors and co-opted Members on the Code of Conduct for Members.
- To keep under review the Register of Members' Interests maintained by the Monitoring Officer.
- To keep under review the Register of Gifts and Hospitality maintained by the Monitoring Officer
- To establish a Sub-Committee to hear allegations that Members have failed to comply with the Authority's Code of Conduct.
- To assess and review allegations of Member misconduct and to determine allegations of Member misconduct.

(4) Internal Audit

- To approve the Internal Audit Charter and Code of Ethics.
- To review proposals made in relation to the appointment of external providers of internal audit services.
- To review and approve the risk-based internal audit plan.

- To approve significant interim changes to the risk-based internal audit plan and resource requirements, including significant consulting services not already included in the audit plan, prior to acceptance of the engagement, if this materially impacts on core assurance activity.
- To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit. To approve and periodically review safeguards to limit such impairments.
- To contribute to the Quality Assurance and Improvement Programme (QAIP) and to the external quality assessment of internal audit that takes place at least once every five years.
- To consider reports from the Head of Internal Audit on internal audit's performance during the year, including the performance of external providers of internal audit services.
- To consider the Head of Internal Audit's annual report and the opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.
- To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To provide free and unfettered access to the committee chair for the Head of Internal Audit, including the opportunity for a private meeting with the Committee.

(5) External Audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments Ltd (PSAA) or the authority's auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

	<ul style="list-style-type: none"> • To monitor management’s response to the External Auditor’s findings and the implementation of External Audit recommendations. • To commission work from internal and external audit. • To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies. <p>(6) Financial Reporting</p> <ul style="list-style-type: none"> • To review and approve the annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. • To consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts. <p>(7) Accountability Arrangements</p> <ul style="list-style-type: none"> • To report to those charged with governance on the Committee’s findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions. • To report to full council on a regular basis on the Committee’s performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose. • To publish an annual report on the work of the Committee. <p>Note: The Committee has the right to require the attendance of any council officers or members in order to respond directly to any issue under consideration. In addition, the Committee has clear rights of access to other committees/functions, for example service committees, risk management group and other strategic groups.</p>
<p>Sub-Committee</p> <p>5 Councillors proportional to the political composition of the Council. Two Independent Persons</p> <p>Quorum of 3 present for its duration which must include at least one Independent Person</p>	<ol style="list-style-type: none"> 1. To receive reports referred from the Monitoring Officer following investigations into complaints against District and Parish Councillors and other steps associated with that function. 2. To conduct standards hearings and all other steps associated with that function in relation to the District and Parish Councils, including the imposition of sanctions for District Councillors and making recommendations on sanctions to Parish Councils taking into account the advice of the Independent Person.

	<p>3. If the panel determines that a breach of the Authority's Code of Conduct has occurred, the panel can impose one or more of the following if appropriate:</p> <ul style="list-style-type: none">a) Censure;b) Report to Council;c) Recommend actions to the Leader of the Council;d) Recommend actions to Group Leader;e) Removal from Outside Bodies;f) Withdrawal of facilities, such as Council email/website/internet access;g) Exclusion from the Council offices or other premises with the exception of meeting rooms as necessary for attending Council, Committees or Sub-Committees and/or nominating a single point of contact; and/orh) Requesting the Member to undertake actions deemed appropriate e.g. training, issue of an apology. <ul style="list-style-type: none">• To set-up when necessary an interview panel comprising of the lead members of each party to shortlist and interview candidates for the role of Independent Person.• To recommend successful candidates to the Council to be chosen by a majority of Councillors.
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STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

19 NOVEMBER 2019

8

Report Title	APPOINTMENT OF AN INDEPENDENT MEMBER TO THE AUDIT AND STANDARDS COMMITTEE
Purpose of Report	To provide the Committee with documentation relating to the appointment of the proposed Independent Member and, if approved, for onward recommendation to Council.
Decisions(s)	<p>It is Recommended that the Audit and Standards Committee:</p> <ol style="list-style-type: none"> 1. Approve the principle of co-opting an Independent Person onto the Audit and Standards Committee on a non-voting basis. 2. Approve the Independent Person specification, role advert and recruitment pack. 3. Recommend the following to Council: <ol style="list-style-type: none"> 3.1 That an Independent Member is co-opted on to the Audit and Standards Committee on a non-voting basis. 3.2 The Person Specification, Role Advert and Recruitment pack are approved. 3.3 That the appointment of the Independent Member is delegated to the Audit of Standards Committee. 3.4 That the process for selecting and recommending an appropriate candidate is delegated to the Strategic Director of Resources in consultation with the Chair of Audit and Standards Committee.
Consultation and Feedback	<ul style="list-style-type: none"> ➤ Members of Audit and Standards Committee ➤ Monitoring Officer ➤ S151 Officer ➤ Chief Internal Auditor
Financial Implications and Risk Assessment	<p>The Independent Member will receive an allowance of £550 per year which can be accommodated within existing budgets.</p> <p>Andrew Cummings, Strategic Director of Resources Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk</p>
Legal Implications	<p>Any legal implications are set out in the report</p> <p>Patrick Arran, Interim Head of Legal Services & 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	The Committee could decide to recommend the appointment of an Independent Person to Council or not as the case may be.
Performance Management Follow Up	An annual review of the effectiveness of the Audit and Standards Committee is undertaken.
Appendices / Background Papers	<p>Appendix 1: Independent Member Job Advertisement.</p> <p>Appendix 2: Independent Member Recruitment Pack.</p> <p>Appendix 3: Independent Member Application Form.</p> <p>Background papers:</p> <ul style="list-style-type: none"> ➤ Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on the function and operation of audit committees; “Audit Committees in Local Authorities and Police, 2018 edition”. ➤ Public Sector Internal Audit Standards (PSIAS) 2017; and ➤ CIPFA Local Government Application note on the PSIAS.

1.0 Background

- 1.1 Audit committees are a key component of an authority’s governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management. The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place. The Council’s audit committee should adopt a model that establishes the committee as independent and effective. The committee should:
- act as the principal, advisory function supporting those charged with governance;
 - be independent of the decision making committees of the Council **and include an independent member where not already required to do so by legislation;**
 - have clear rights of access to other committees/functions, for example, service committees, corporate risk management and other strategic groups; and
 - be directly accountable to the authority’s governing body.
- 1.2 The guidance to support those acting as audit committee members in local authorities has recently changed and currently recognises CIPFA’s publication “Audit Committees: Practical Guidance for Local Authorities and Police (2018)” as representing “proper audit committee practices”.
- 1.3 This guidance defines the way in which audit committees should be established and undertake its functions, including the functional reporting requirements to the governance

group charged with providing independent assurance on the adequacy of the control environment, comprising risk management, control and governance.

- 1.4 Best practice dictates that governance, risk management and strong financial controls be embedded in the daily and regular business of an organisation. The existence of an audit committee does not remove responsibility from senior managers, members and leaders, but provides an opportunity and resource to focus on these issues. CIPFA considers that Audit Committees must also actively explore the appointment of at least one independent member to the Committee. This is in line with good practice to demonstrate good governance principles and independence from the executive and other political allegiances.
- 1.5 In a most recent report, as per CIPFA, ten out of eleven local authority committees had appointed at least one independent member to the committee. Section 102(3) of the Local Government Act 1972 allows a Council to include persons who are not members of the authority on a committee. Section 104 of the Act sets out disqualification from membership, which is the same as those for being elected or being a member of a local authority. These requirements have been included in the person specification.
- 1.6 Good practice shows that co-option of independent members is beneficial to the audit committee. It is a requirement for police audit committees, English combined authorities and for local authorities in Wales, and it is usual practice for non-executives to be committee members in health and central government audit committees. The injection of an external view can often bring a new approach to committee discussions. Authorities that have chosen to recruit independent members have done so for a number of reasons:
 - to bring additional knowledge and expertise to the committee;
 - to reinforce the political neutrality and independence of the committee; and
 - to maintain continuity of committee membership where membership is affected by the electoral cycle.
- 1.7 While operating as a member of the audit committee, the independent member is required to follow the Council's Standing Orders and Code of Conduct for elected members. They should also register any interests should be maintained. It is usual for co-opted members not to have voting rights and this is the position being proposed here.
- 1.8 The primary considerations when considering audit committee membership should be maximising the committee's knowledge base and skills, being able to demonstrate objectivity and independence, and having a membership that will work together.
- 1.9 As part of the 2018/2019 annual review of the effectiveness of the Audit and Standards Committee and in line with the principles set out by CIPFA, it is proposed that the Committee appoint an independent member who is not a councillor, or an officer of the Council, to the Committee to contribute to this important role of promoting good governance and accountability.

Advertisement for Appointment of Independent Persons for Audit and Standards Committee

Providing Challenge

Could you make a difference to Stroud District Council?

If so, we want to hear from you

The Council is looking for an independent member to join its Audit and Standards Committee - a vital “watchdog” body promoting good governance and accountability.

The role of the Audit and Standards Committee is to oversee the Council’s corporate governance arrangements which include the way the Council manages its financial affairs and risk, financial reporting and internal and external audit processes.

The Audit and Standards Committee currently comprises 9 Councillors, however we would like to further enhance our membership by appointing an independent member. The independent person will not be elected but will be appointed by the Council. The Audit and Standards Committee is currently scheduled to meet 5 times a year to deal with set items of business, however, this is subject to annual review, as well as any additional meetings scheduled as required.

The role is eligible for an annual allowance of £550 and is for a fixed term of 3 years.

There are no formal qualifications for this position, but to be considered, you would ideally be experienced in matters of an audit nature with an awareness of risk management, performance management and financial governance, preferably within a large or public sector organisation. You will be able to demonstrate probity and the highest level of integrity in your conduct.

You will be asked to undertake some training for the role, and may also be invited to attend other events related to the work of the Audit and Standards Committee.

The work will be challenging and innovative but provides a real opportunity for you to make an active contribution to how the Council is run by providing assurance over its governance, risk and internal control environment.

The successful applicant should be inquiring and independent-minded and able to assist the work of the Audit and Standards Committee by applying their personal knowledge and experience of the financial and operational management and internal control of large organisations. The person specification for the role provides more details of what skills and experience the successful candidate might be expected to have.

Applications cannot be considered from anyone:

- who has been a councillor or employee of the Council at any time during the last 5 years;
- with a relative or close friend who is currently an employee or councillor; or
- where any potential conflict of interest would arise such as being involved in a dispute with the Council.

If you feel you have the experience and personal qualities to undertake this role, an application form and information pack can be requested by email on xxxxxxx. If you would like to discuss the role further, please contact [xxxxxxx](tel:xxxxxxx)

Assessment will be from the application form, followed by interviews. The final appointment will be made by xxxxxxx

Closing Date: xxxxx

Interviews will be held the week commencing xxxxxx.

The first Audit and Standards Committee meeting after appointment will be on xxxxxx



WOULD YOU LIKE TO DO SOMETHING WORTHWHILE FOR STROUD?

Do you feel you have the time and the skills to make a positive contribution to Stroud District Council's Audit and Standards Committee?

Do you think you could bring an independent perspective to analyse the Council's arrangements for:-

- managing risk;
- maintaining an effective control environment; and
- reporting on financial and other performance matters?

We are looking to appoint an independent member to the Audit and Standards Committee, ideally someone with financial/auditing experience, or practical experience of managing risk.

If this opportunity interests you, but you would like to discuss it further without committing yourself please contact  XXXXX or  XXXXX

Alternatively, you can request an information pack and application form by email on XXXXXXXXXX

Some key information about Stroud District

- Stroud District Council (SDC) is one of six districts in the county of Gloucestershire. It is a largely rural district covering approximately 175 square miles and is home to a population of approximately 118,130 residents living in 53,178 properties.
- We have 51 councillors covering 30 wards, who are elected every 4 years, the next election being in 2020. The political makeup of the Council comprises of Labour (16), Green (9), Liberal Democrat (2) Conservative (22), Conservative No Group (1) and Independent (1) complete the total membership. Stroud District Council is led by a cooperative alliance of the Labour, Green and Liberal Democrat parties. Cllr Doina Cornell (Labour) has been Leader of Council since January 2018. We changed to a committee system in May 2013. The Chief Executive (Kathy O'Leary) meets with the Leader weekly, alliance group leaders fortnightly and all four party group leaders monthly.
- There is a strong sense of community and democratic involvement, with an average turnout in our local elections of 42.5% in 2016 whilst for the general election 2017, it was 77%. Our survey of residents and businesses showed that 80% of local residents and 68% of businesses are satisfied with the way the Council runs things (budget consultation 2018). This is compared to the LGA survey average of 60%.
- The Council still owns and manages its own housing stock, having 5046 council homes, (of which 790 are sheltered accommodation), making SDC is the largest local authority landlord in Gloucestershire.
- We have consistently achieved a council tax collection rate in excess of 99%, which puts us in the top 20 councils nationally.
- Our recycling performance is the best in the South West of England, at 61% of all waste collected. Our waste service has been assessed and rated well by Association for Public Service Excellence.
- We offer excellent leisure services, with the Green Flag award winning Stratford Park and the Stratford Park Leisure Centre. Our new fitness centre, 'The Pulse' at Dursley is very popular and we also have an award winning Museum 'The Museum in the Park'. This is very much focused on the history of the Stroud locality and is a very popular destination promoting pride in our district.
- Our Local Plan is highly commended by the Royal Town Planning Institute and regarded regionally as an example of best practice, has been highly effective in delivering the Council's development plan as well as protecting the district from developments not supporting district and community needs.

Role, Purpose and Description

Background Information

The aim of the independent member is to bring a fresh and objective viewpoint to the work of the Audit and Standards Committee and support them to carry out their work.

The Audit and Standards Committee comprises nine Councillors. The role of the Audit and Standards Committee has evolved and they are central to the governance, internal control, compliance and risk aspects of the operation of the Council. Having an independent voice with the appropriate background knowledge and skills is advocated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their Audit Committee Guidance.

The work of the Audit Committee includes:-

- [Annual Governance Statement](#)
- [The Audit Committee Annual Report](#)
- [Approval of the Council's Financial Statements](#)

Full details of the Committee's roles and responsibilities are in the Audit and Standards Committee Terms of Reference at Appendix 1. These form part of Stroud District Council's Constitution.

Members of the Audit and Standards Committee receive training relevant to their role and are expected to keep up to date.

The independent member will be appointed through a process of public advertisement, application, interview and appointment.

The Council has a commitment to equal opportunities and welcomes applicants from all sections of the community. Also we operate a no smoking policy.

An annual allowance is payable, currently £550 per year will be payable. It is for a fixed term of 3 years.

The independent member will attend and participate in meetings of the Stroud District Council's Audit and Standards Committee

The Audit and Standards Committee meets five times per year and on an 'exception' basis as required.

The independent member, through their participation in the Audit and Standards Committee, will assist the Council to discharge their powers and functions as set out in the Audit and Standards Committee Terms of Reference.

To apply strategic thinking and materiality to reports presented and be able review at an appropriate level.

- To ask questions that draw out relevant facts and explanations.
- To provide challenge.
- To seek understanding and enable solutions.
- To evaluate information on the basis of evidence presented without political bias.
- To weigh up differing views and be able to come to an evidence based conclusion.
- To ask difficult questions to get to the facts while maintaining positive relationships.

You must have local connections or other recognisable ties to Stroud District.

Agree to abide by the Stroud District Council Members Code of Conduct (Training will be provided).

Members or officers of Stroud District Council or anyone who has or is a relative or close friend of a member or officer of the Council is not eligible. More detail can be found in Appendix 2 – Disqualifications for Appointment.

Person Specification

Requirements	Where identified*	Essential	Desirable
A broad range of experience, preferably in public, private, voluntary and charitable sector employment or service including self-employed, employed and voluntary positions.	A	✓	
Understanding of the wider local government environment and accountability structures.	A		✓
Strategic/financial management responsibilities.	A		✓
Qualification in accountancy, finance, risk management, business management or internal audit.	A		✓
Good understanding of corporate governance and risk management and the key elements of audit, value for money and external scrutiny. The ability to formulate and evaluate solutions to the issues identified.	A		✓
Good understanding of the roles of internal and external audit.	I		✓
Ability to understand complex issues and make objective, evidence-based decisions.	I	✓	
Strong interpersonal and communication skills.	I	✓	
Willingness to participate in meetings and ask searching questions in order to challenge and hold to account Council Officers and the representatives of internal and external audit.	I	✓	
Attend and prepare for each meeting of the Audit and Standards Committee.	I	✓	
Ability/willingness to attend any relevant training or development activities associated with the role.	I	✓	
Independence of mind, objectivity and impartiality.	I	✓	

* **A is application form** **I is interview**

Please refer to Agenda Item 7 – Appendix 1.

The following criteria will be applied for this role.

The Independent Person cannot be / have:

1. A member, co-opted member or officer of Stroud District Council;
2. A member, co-opted member or officer of a town or parish council of which the authority is the principal authority (i.e. Within Stroud District); or
3. A relative, or close friend, of a person within paragraphs 1 & 2.

The Council will not be able to appoint a person if at any time during the 5 years prior to the appointment the person was:

- (i) a member, co-opted member or officer of the authority; or
 - (ii) a member, co-opted member or officer of a parish council of which the authority is the principal authority.
4. Someone who has been convicted of any offence attracting a sentence of imprisonment whether suspended or not for a period of three months without the option of a fine. The Council reserves the right to carry out a DBS check on any independent committee members.
 5. Significant business dealings with the Council
 6. A formal connection with any political group
 7. An undischarged bankrupt
 8. An employee or the holder of a significant office in an organisation with close commercial links to the Council

The appointment is subject to it being approved by a meeting of Full Council.

The post will be fee paid and for the avoidance of doubt, a person appointed does not cease to be independent as a result of being paid any amounts by way of allowances or expenses in connection with performing the duties of the appointment.



Stroud District Council

Audit and Standards Committee

Independent Member Application Form



Individuals who wish to be considered for the appointment as a member of the Audit and Standards Committee are requested to provide the following information to support their application. All information provided will be treated in the strictest confidence and will only be used for the purposes of selecting an Audit and Standards Committee Independent Member.

Please complete this form in BLACK INK. Please feel free to use a separate continuation page if you wish to expand upon your answer to any question below.

Name	
Address	
Contact Details	 Daytime Telephone Number:  Email Address:
Your Qualifications	Please list any qualifications which you think are relevant to membership of the Audit and Standards Committee.

<p>Summary of Experience</p>	<p>Please give a brief account of your experience including career, public and voluntary work together with the nature of your current occupation.</p>
<p>Relevant Expertise / Skills</p>	<p>Please briefly state any knowledge or expertise which you believe would be particularly relevant to your role as a committee member.</p>

Attributes	<p>Why do you wish to be considered for membership of the Audit and Standards Committee and what particular attributes do you believe you would bring to the work of the Committee?</p>
Political Activity	<p>The information in this section will be used to help assess your experience and skills as well as for monitoring purposes. If you were selected, this information may be included in public announcements of your appointment.</p> <p>Please tick those activities if any, which you have undertaken within the past five years.</p> <p><input type="checkbox"/> Candidate for public political office (e.g. Councillor, MP, MEP)</p> <p><input type="checkbox"/> Held office in political party (e.g. Branch Chairman, Secretary or Treasurer)</p> <p><input type="checkbox"/> Other political involvement</p> <p>If you have ticked any of the above, please give details here: Name of political party (if any) with which are associated:</p>
Issues involving the District Council	<p>Please state if you are currently, or within the last five years, have been in dispute with the District Council.</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please give details.</p>

Request for References	Please provide the names, addresses and contact telephone numbers of two persons whom we could approach for reference purposes:-
Your Name	
Referee 1	Name: Address: 
Referee 2	Name: Address: 

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

19 NOVEMBER 2019

9

Report Title	HALF YEAR TREASURY MANAGEMENT ACTIVITY REPORT 2019/20
Purpose of Report	To provide an update on treasury management activity as at the first half of the financial year 30/09/2019.
Decision(s)	The Audit and Standards Committee RECOMMENDS that Council APPROVES the treasury management activity half year report for 2019/2020.
Consultation and Feedback	Link Asset Services Limited
Financial Implications & Risk Assessment	There are no financial implications arising directly from this report as it reports on past performance of the Treasury Management function. Andrew Cummings, Strategic Director of Resources Tel: 01453 754115 Email: andrew.cummings@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 Email: patrick.arran@stroud.gov.uk
Report Author	Graham Bailey, Principal Accountant Tel: 01453 754133 E-mail: graham.bailey@stroud.gov.uk
Options	A selection process for longer term investments is in progress.
Performance Management Follow Up	A third quarter report and a full 2019/20 annual report.
Background Papers	None
Appendices	A – Prudential Indicators as at 30 Sept 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 half of the financial year, and to report on prudential indicators and compliance with treasury limits. A mid year report is essential under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management (revised 2017).

Discussion

3. The primary requirements of the Code are:
 - 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:
 - Security of Capital
 - Liquidity
 - Yield
5. The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current low interest rate environment the Council is seeking to invest for longer periods of up to a year, with highly credit rated financial institutions, using Link's suggested creditworthiness approach, which includes a sovereign credit rating and Credit Default Swap (CDS) overlay.
6. Paragraph 4.19 of the TMSS approved on 21 February 2019 stated that financial year 2019-20 would mark the start of the Council taking a more diversified approach to investments, and that the Section 151 officer will consider a range of investments newly introduced within the unspecified category. In line with this a selection process is being conducted by Link for the Council of property and multi-asset funds.
7. A breakdown of the Council's investment portfolio as at 30 September and 30 June 2019 is shown in Table 2 of this report. Investments and borrowing during the year have been in line with the Strategy.

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 half year is shown in the table below:

TABLE 1: Average Interest Rate Compared with Benchmark Rates

Period	Investment Interest Earned	Average Net Investment £'000	Average Interest Rate	Benchmark 7 day LIBID	Benchmark 3 month LIBID
01/04/19 - 30/06/19	£98,873	£42,106	0.94%	0.57%	0.68%
01/07/19 - 30/09/19	£102,905	£47,379	0.86%	0.56%	0.64%
Total	£201,778	£44,757	0.90%	0.57%	0.66%

9. Table 2 below shows the investments and borrowing position at the end of September 2019.
10. The approved limits as set out in the Treasury Management Strategy report to Council 21 February 2019 within the Annual Investment Strategy have been complied with during the first half year 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 £15m core cash balances for investment purposes (i.e. funds that potentially could be invested for more than one year).

TABLE 2: Investments & Borrowing

	Jun 2019		Sep 2019	
	£'000		£'000	
Federated Prime Rate	2,885		3,278	
Deutsche	0		1	
Standard Life	0		1	
Money Market Funds Total		2,885		3,280
Bank of Scotland	0		0	
Lloyds	7,983		7,944	
Lloyds Banking Group Total		7,983		7,944
NatWest	6000		5011	
Royal Bank of Scotland	0		7	
RBS Banking Group Total		6,000		5,018
Goldman Sachs	2,000		4,000	
Standard Chartered	2,000		2,000	
Santander	7,084		3,013	
Barclays Bank Plc	7,690		7,700	
Svenska Handelsbanken	2		5,416	
Toronto Dominion	2,000		2,000	
Rabobank Netherlands	2,000		2,000	
Other Banks Total		22,776		26,129
Coventry Building Society	2000	2000	2,000	2,000
Peterborough City Council	0	0	2,000	2,000
TOTAL INVESTMENTS		<u>£41,644</u>		<u>£46,371</u>
PWLB		103,717		103,717
TOTAL BORROWING		<u>£103,717</u>		<u>£103,717</u>

Borrowing

12. The Council's Capital Financing Requirements (CFR) for 2019/20 is £114.657m. 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 external borrowing of £103.717m as at 30 September 2019. There is also £7.750m of internal borrowing.

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 September 2019 the Council has operated within the treasury limits and Prudential Indicators set out in the Council's TMSS and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix A.

Increasing return on investments

A selection process is being conducted by Link Asset Services on behalf of the Council. A shortlist of Multi-Asset Funds and Property Funds has been produced and a further selection process resulted in the following coming to the Council on 11 October for an officer and cross-party member presentation and interview process.

Property Funds	CCLA
	Hermes
	Lothbury
Multi-Asset Funds	CCLA
	Newton
	Royal London

Capital Strategy

15. In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities were required to prepare a Capital Strategy which should provide the following: -
- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - an overview of how the associated risk is managed
 - the implications for future financial sustainability

16. Each year the Capital Strategy should be revised. The updated 2020/21 Capital Strategy will be presented to Strategy and Resources Committee, and on to full Council, as part of the budget proposals in early 2020.

Prudential Indicators as at September 2019

Prudential Indicator	2019/20 Indicator £'000	Actual as at 30 June 2019 £'000	Actual as at 30 Sept 2019 £'000
Capital Financing Requirement (CFR)	114,657	111,468	111,468
Gross Borrowing	105,717	103,717	103,717
Authorised Limit for external debt	135,000	103,717	103,717
Operational Boundary for external debt	127,000	103,717	103,717
Principal sums invested > 365 days	15,000	0	0
Maturity structure of borrowing limits			
Under 12 months	25%	0%	0%
12 months to 2 years	50%	1%	1%
2 years to 5 years	75%	2%	2%
5 years to 10 years	100%	0%	0%
10 years and above	100%	97%	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 and 30 September 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 £114,657m provides the Council with the opportunity to borrow if appropriate. No external borrowing is planned for 2019/20.

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 September 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 September 2019.

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.

STROUD DISTRICT COUNCIL
AUDIT & STANDARDS COMMITTEE

**AGENDA
ITEM NO**

19 NOVEMBER 2019

10

Report Title	GDPR UPDATE
Purpose of Report	To provide an update on data protection and the process for dealing with potential data breaches
Decision(s)	The Audit & Standards Committee RESOLVES to note the report
Consultation and Feedback	None
Financial Implications and Risk Assessment	There are no financial implications arising from this report. Andrew Cummings, Strategic Director of Resources Tel: 01453 754115 Email: Andrew.cummings@stroud.gov.uk No risk assessment has been carried out at this stage due to the nature of the report which is principally informative
Legal Implications	There are no legal implications arising specifically from this report. Patrick Arran, Interim Head of Legal Services and Monitoring Officer Tel: 01453 754369 Email: patrick.arran@stroud.gov.uk
Report Author	Patrick Arran – Interim Head of Legal Services and Monitoring Officer Tel: 01453 754369 Email: patrick.arran@stroud.gov.uk
Options	The options are that the Committee can note the report and provide instructions to officers to carry out further work if necessary. Alternatively, the Committee can note the report and take no action.
Performance Management Follow Up	If the Committee instructs officers to carry out further work, a report will be taken to a future meeting of this Committee.
Background Papers/ Appendices	None

1. INTRODUCTION

On the 25th July 2019, the Committee received the annual report on Internal Audit Activity 2018/19. As a result of the questions arising from recommendations made as part of a recent successful GDPR Audit, members requested a further report to Committee regarding breaches of GDPR, the number of cases referred to the Information Commissioner’s Office and the outcomes.

- 1.1 This report will provide a summary of the information requested, but as this is a public report, specific details will not be made available in case the data subjects can be identified by the information relevant to them. Members of the Committee have a need to know as part of their role and as such, more detail can be provided in private session if required.
- 1.2 It will be useful for members to be provided with a brief background to GDPR followed by an outline of the reporting requirements in the event of a breach. This will provide a context to the data breaches recorded since GDPR was brought into effect in May 2018. On the basis that no significant changes are anticipated as a consequence of Brexit, no consideration has been given to it in this report.

2. GDPR Background

Until 24 May 2018, the EU data protection regime was based on the Data Protection Directive (95/46/EC) introduced in 1995. However, the last 23 years has seen significant advances in information technology, and fundamental changes to the ways in which individuals and organisations communicate and share information.

- 2.1 The General Data Protection Regulation (GDPR), which was brought into effect in the UK by the Data Protection Act 2018, is an ambitious, complex and strict regulation designed to harmonise data protection law across the EU, and transform the way in which personal data is collected, shared and used globally. Most processing of personal data is subject to the GDPR.
- 2.2 The GDPR introduced a number of new features into the data protection regime, such as accountability, mandatory personal data breach notification, data portability and new obligations on processors.
- 2.3 Similarly to the DPA 1998, the GDPR applies to the processing of personal data:
 - Wholly or partly by automated means.
 - Other than by automated means, if the data forms part, or is intended to form part, of a filing system (in other words, manual structured personal data).
- 2.4 The GDPR defines personal data as “*any information relating to an identified or identifiable natural person (data subject)*”. A person is identifiable if they “*can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person*”.
- 2.5 To determine whether a person is identifiable, a number of factors must be taken into account. It is important to be aware that information held (or obtained from another source) may indirectly identify an individual and could therefore constitute personal data (A car number plate for example).
- 2.6 Examples of personal data include:

- Personal information, such as name and address.
- Family details.
- Lifestyle and hobbies.
- Education and training.
- Health-related information.
- Employment data.
- Financial information.
- Contractual information (for example, goods and services provided to or by the data subject).

2.7 The GDPR requires that personal data should be processed in accordance with the principles in Article 5 of the GDPR which are very similar to those in the DPA 1998. However, there are now six data principles, rather than eight.

2.8 Responsibility for complying with the principles remains with the controller. The most important practical change is the addition of the accountability principle, which requires controllers to show how they comply with the six principles in Article 5(1), for example by documenting the decisions they take about a processing activity.

2.9 The GDPR aims to strengthen the rights of individuals. It does so by retaining rights that already exist under the Data Protection Directive and introducing the new rights of data portability, the right to be forgotten, and certain rights in relation to profiling.

2.10 Many of the core concepts under the Data Protection Directive remain unchanged under the GDPR. For example, the concepts of personal data, data controllers, and data processors (now respectively referred to as controllers and processors) are broadly similar.

2.11 In terms of the legal basis for processing, controllers must make sure that, under the first data protection principle, in addition to processing data fairly, lawfully and in a transparent manner, they have a legal basis for processing data. This is a fundamental feature of EU data protection law.

2.12 For public authorities The GDPR imposed a new obligation on both controllers and processors to appoint an independent data protection officer (DPO). For the purposes of this report, the DPO (The report author) is responsible for considering data breaches and reporting to the ICO when required.

3. Data Breaches

The Committee requested information regarding breaches of GDPR and the number of cases referred to the Information Commissioners Office together with the outcomes. Before setting out a summary of this information, it would be useful to outline the legal requirements in the case of a personal data breach.

3.1 What is a personal data breach? This occurs where there is a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or

access to, personal data (*section 33(3), DPA 2018*). It can broadly be defined as a security incident that has affected the confidentiality, integrity or availability of personal data.

- 3.2 In summary, there will be a personal data breach whenever any personal data is lost, destroyed, corrupted or disclosed, if someone accesses the data or passes it on without proper authorisation, or if the data is made unavailable.
- 3.3 Personal data which is even temporarily unavailable will be considered a breach and may require notification if the unavailability has a significant negative effect on individuals. This would be the case where data is lost or miscommunicated but then retrieved. The ICO GDPR Guide states that “*a breach is more than just about losing personal data*”. It includes breaches that have occurred both deliberately or accidentally through human error, for instance. Examples include:
 - Sending personal data to the wrong recipient via email.
 - Lost laptops or other mobile devices which hold personal data.
 - Hacking of passwords, email accounts, networks and systems.
 - Loss or theft of hard copies which include personal data.
- 3.4 The GDPR requires notification to the ICO of all data breaches without undue delay and where feasible within 72 hours. However, this does not apply if the data breach is unlikely to result in a risk to the individuals concerned. If it is not possible to report within the deadline, the controller will have to justify the delay to the ICO by way of a reasoned justification.
- 3.5 If the breach is *likely to result in high risk to the individuals*, the GDPR, requires the controller to inform data subjects “*without undue delay*”, unless an exception applies.
- 3.6 As part of its extensive preparations for GDPR, the Council put in place a clear process for dealing with data breaches. This included designating specific roles and responsibilities, training employees, and preparing a notifications template. Consequently, the Council is able to, and does, react promptly in the event of a data breach.
- 3.7 All personal data breaches must be recorded by the relevant controller (including breaches which it decides against reporting), including the facts relating to the personal data breach, the effects of the breach and any remedial action taken in response. The ICO may demand the right to inspect these records.
- 3.8 This was an issue identified during the recent GDPR audit in that the Council only kept a record of breaches reported to the ICO. This has now been rectified and all breaches, regardless of whether they are notified to the ICO are recorded in a table.
- 3.9 Whilst the nature and outcomes of breaches reported to the ICO can be made available to members, unfortunately not all breaches which were reported to the DPO but not reported to the ICO prior to the audit will be recorded.
- 3.10 What breaches have to be reported to the ICO? Only certain personal data breaches must be proactively notified to the ICO and individuals. Notification to the ICO is triggered where

a breach is likely to result in a “**risk to individuals’ rights and freedoms**” (Section 67(1), DPA 2018). The obligation falls on the controller, i.e. the Council.

3.11 When assessing the risk to individuals, organisations will need to consider the specific circumstances of the breach, including the likelihood, severity and potential impact of the risk. The following factors will need to be taken into account when assessing risk:

- Type of breach.
- Nature, sensitivity and volume of personal data.
- Ease of identification of individuals.
- Severity of consequences for individuals.
- Special characteristics of the individual (for example, children or other vulnerable individuals may be at greater risk).
- Number of individuals affected.

3.12 An example of where a breach is unlikely to result in such a risk may be where personal data are already publicly available and therefore disclosure of the data does not, of itself, constitute a further risk to the individual.

3.13 When the DPO decides against reporting a breach, the decision is documented and any relevant evidence (where available) in support of the decision that the breach does not pose any risk to individuals’ rights and freedoms is retained.

3.14 When is notification to individuals required? The requirement to communicate a breach to individuals is triggered where a breach is likely to result in a high risk to their rights and freedoms. Again, the obligation falls on the controller.

3.15 Whether individuals should be notified will depend on the circumstances of the breach. For example, a loss of data which can be confirmed as encrypted and where the key has not been compromised, may represent a very low risk, and would not require notification to individuals (or indeed ICO). However, even where data is encrypted, if there are no comprehensive backups of the data, then this could have negative consequences for individuals which could require notification.

3.16 The following information should be included in a breach notification to the ICO:

- A description of the nature of the personal data breach including, where possible, the categories and approximate number of individuals concerned and the categories and approximate number of personal data records concerned.
- The name and contact details of the data protection officer (DPO) (if applicable) or other contact point where more information can be obtained.
- A description of the likely consequences of the personal data breach.
- A description of the measures taken, or proposed to be taken, to deal with the personal data breach, including, where appropriate, actions taken to mitigate any possible adverse effects.

- 3.17 Due to the potential complexities of personal data breaches, it is possible that an organisation may not have all the necessary information within 72 hours of when they become aware of the breach. Therefore, it is possible to provide this information in phases, if further information is provided to the ICO without undue further delay.
- 3.18 The ICO has established two processes for reporting personal data breaches under the GDPR and DPA 2018. There is a self-assessment option to determine if the breach should be reported. If the breach is reportable, there is a personal breach notification reporting form available. If the incident may result in a heightened risk of individuals being affected by fraud, organisations should consider reporting the incident to Action Fraud.
- 3.19 The following information should be included in a breach notification to individuals:
- The name and contact details of the DPO (if applicable) or other contact point where more information can be obtained.
 - A description of the likely consequences of the personal data breach.
 - A description of the measures taken, or proposed to be taken, to deal with the personal data breach, including, where appropriate, actions taken to mitigate any possible adverse effects.
- 3.19 As stated above, a controller must notify a data breach to the ICO without undue delay and, where feasible, not later than 72 hours after having become aware of it. A controller is deemed to become aware of a data breach when it has “*a reasonable degree of certainty*” that the incident affects personal data. In practice, the threshold of a reasonable degree of certainty is not always clear-cut. There are two different scenarios.
- 3.20 Firstly, where a reasonable degree of certainty that the breach has occurred is self-evident. For example, an unencrypted removable device such as a USB with personal data has been stolen. In such instance, the 72-hour countdown starts as soon as the controller discovers the breach or is informed about the breach.
- 3.21 Secondly, where the controller needs to gather some evidence to establish with a reasonable degree of certainty that the suspected data breach has occurred. The 72-hour deadline begins only when the controller acquires a reasonable degree of certainty that the breach has occurred. Although there is not a set deadline for this preliminary investigation and assessment, actions to investigate should be carried out as soon as the controller finds out about a suspect breach. While organisations will be given some leeway to investigate incidents to determine whether they are in fact breaches, it is unlikely to be long.
- 3.22 There is no set deadline for notifications to individuals; however, this must be done without undue delay. The exact timeline will depend on the circumstances. For example, the need to mitigate an immediate risk of damage would call for immediate communication whereas the need to implement appropriate measures against continuing or similar personal data breaches may justify more time for communication.

4. GDPR Breaches post May 2018

Subject to what is said above about the fact that no record was kept of data breaches that

were not reported to the ICO, the records held by the DPO record 11 data breaches since May 2018. Of the 10 reported to the DPO, 7 were reported to the ICO.

- 4.1 Given the low level of risk posed by the breach, the effective action and mitigation immediately taken to nullify any risk, the ICO has not taken any formal action on any of the reportable breaches.
- 4.2 In terms of general themes, the data breaches arose in the following circumstances:
 - Documents left by tenants who had been evicted were left / disposed of improperly during a house clearance by contractors.
 - Email inadvertently sent to a third party
 - Marketing database may have been accessible due to human error
 - Customer details available on website (Planning consultees)
 - Documents left on roof of a car
 - Documents sent to Court and served on 3rd party in error
- 4.3 In all cases, the theme is to learn from the experience. Any recommendations made by the ICO are passed on to the relevant department by the DPO with a request to confirm receipt and evidence process changes where necessary.

CONCLUSION

5. There are clear and established processes in place to deal with any data breaches. The breaches outlined are, in the main, relatively low level. The ICO has not taken any formal action in any of the 7 cases referred and has been satisfied by the processes put in place to retrieve the situation and that the authority has implemented any learning.

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

19 NOVEMBER 2019

11a

WORK PROGRAMME

Proposed Meeting Date	Report Description	Responsible Officer / Member
19 November 2019	Standing Items a. To consider the work programme for 2019/20. b. To consider any Risk Management issues.	Members
	Outcomes of the Review of the effectiveness of the Audit Committee	Chief Internal Auditor
	Appointment of an Independent Member	Chief Internal Auditor
	Revised Terms of Reference	Chief Internal Auditor
	Treasury Management – ½ year	S151 Officer Annual
	Audit Letter	Deloitte
28 January 2020	GDPR Update	Monitoring Officer
	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	Treasury Management	S151 Officer
	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