Annual report on
Internal Audit Activity
2019-2020

ARA
AuditRiskAssurance

STROUD DISTRICT COUNCIL

Contents

(1) Introduction

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

The standards define the way in which the Internal Audit Service should be established and undertake its functions. The Council's Internal Audit Service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Stroud District Council, Gloucester City Council and Gloucestershire County Council and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

The standards also require that an independent and objective opinion is given on the overall adequacy and effectiveness of the control environment, comprising risk management, control and governance, from the work undertaken by the Internal Audit Service.

The Shared Service Internal Audit function is conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing.

(2) Responsibilities

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

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

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

(3) Purpose of this Report

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

> ➢ Provide an opinion on the overall adequacy and effectiveness of the organisation's internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification;

> ➢ Compare the actual work undertaken with the planned work, and present a summary of the audit activity undertaken from which the opinion was derived, drawing attention to any issues of particular relevance;

> ➢ Summarise the performance of the Internal Audit function against its performance measures and targets; and

> ➢ Comment on compliance with the PSIAS.

When considering this report, the Committee may also wish to have regard to the quarterly interim Internal Audit progress reports presented to the Committee during 2019/20.

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

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

In addition, in light of the coronavirus (Covid 19) pandemic and the impact of this on the Council the opinion given below is based on internal audit work undertaken, and completed, prior to emergency measures being implemented as a result of the pandemic. These measures have resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. It is therefore not possible to quantify the additional risk arising from the current short term measures or the overall impact on the framework of governance, risk management and control.

Chief Internal Auditor's Opinion

I am satisfied that, based on the internal audit activity undertaken during 2019/20 and management's actions taken in response to that activity, enhanced by the work of other external review agencies, sufficient evidence is available to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of Stroud District Council's overall internal control environment.

In my opinion, based on internal audit work undertaken and completed prior to emergency measures being implemented as a result of the pandemic, Stroud District Council has, a **satisfactory** overall control environment, to enable the achievement of the Council's outcomes and objectives.

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

(4a)   Scope of the Internal Audit Opinion

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

➢ The results of all internal audit activity undertaken during the year ended 31st March 2020 and whether our high and medium priority recommendations have been accepted by management and, if not, the consequent risk;

➢ The effects of any material changes in the organisation's risk profile, objectives or activities;

➢ Matters arising from internal audit quarterly progress reports or other assurance providers to the Audit and Standards Committee;

➢ Whether or not any limitations have been placed on the scope of internal audit activity; and

➢ Whether there have been any resource constraints imposed on internal audit which may have impacted on our ability to meet the full internal audit needs of the organisation.

(4b)   Limitations to the scope of our activity

There have been no limitations to the scope of our activity or resource constraints imposed on internal audit which have impacted on our ability to meet the full internal audit needs of the Council. Whilst the core Internal Audit service is provided by the ARA shared service during 2019/20, the Chief Internal Auditor has:

- Commissioned external specialist ICT audit via Warwickshire County Council's Internal Audit Framework Agreement; and

- Arrangements in place with Gloucestershire NHS Counter Fraud Service to provide support with investigations.

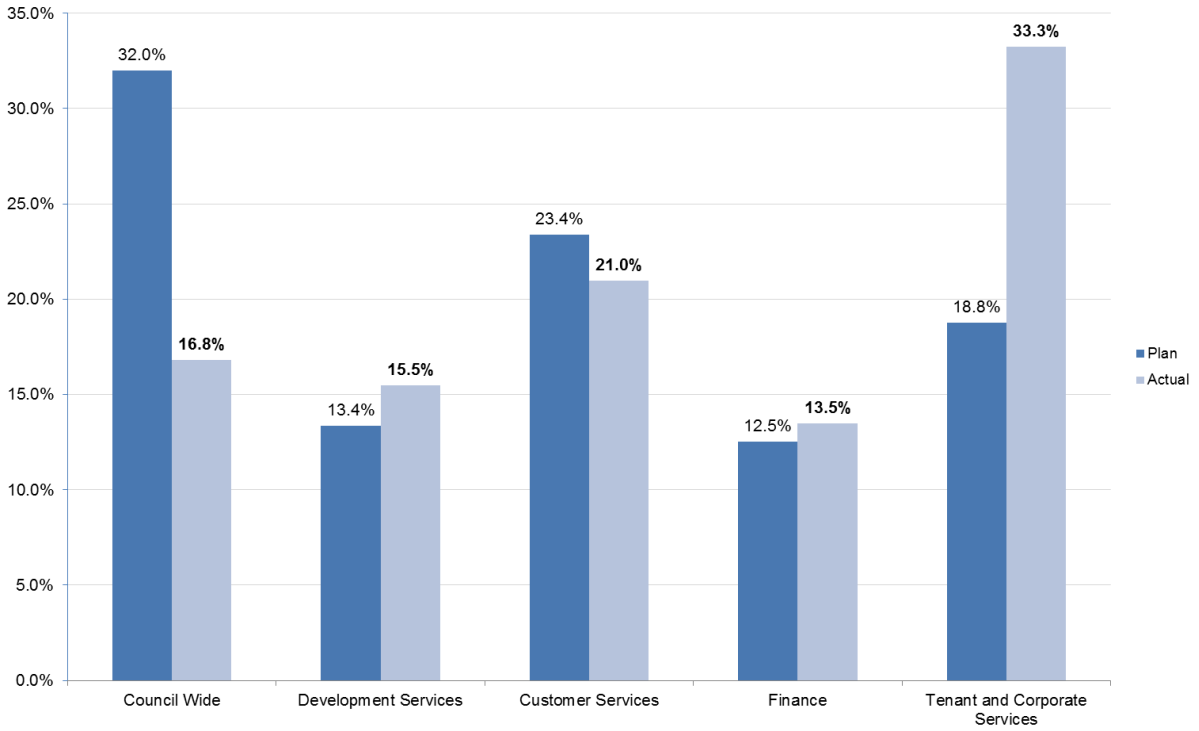## (5) Summary of Internal Audit Activity undertaken compared to that planned

The underlying principle to the 2019/20 plan is risk and as such, audit resources were directed to areas which represented 'in year risk'. Variations to the plan are required if the plan is to adequately reflect the ongoing changing risk profile of the Council.

Since the original risk based plan was approved in April 2019 by the Audit and Standards Committee, two brought forward/deferred activities from 2018/19 have been completed and reported within 2019/20 (Business Continuity and Capital Programme Limited Assurance Follow Up) and some of the original planned audits have been deferred into the 2020/21 Internal Audit Plan (based on appropriate client request and to ensure the audit adds value). Plan changes are detailed in **Attachment 2** (the Summary Activity Progress Report 2019/20).

The net effect is that although the work undertaken was slightly different to that originally planned we are able to report that we achieved **87%** of the overall revised plan 2019/20, against a target of 85%. The actual percentage achieved has been adversely affected by Covid 19 and being unable to finalise a number of activities which otherwise would have been completed.

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

Percentage of Planned vs Actual Days per Service Area 2019/20

Plan / Actual

Service Area	Plan	Actual
Council Wide	32.0%	16.8%
Development Services	13.4%	15.5%
Customer Services	23.4%	21.0%
Finance	12.5%	13.5%
Tenant and Corporate Services	18.8%	33.3%

Percentage of Planned vs Actual Days per Category 2019/20

Plan / Actual

Category	Plan	Actual
Strategic & Operational Risks	27.8%	43.8%
IT Audit	6.1%	0.0%
Corporate Governance	33.9%	25.3%
Consultancy/Advice	2.8%	0.4%
Counter-Fraud & Investigation	8.6%	3.5%
Procurement & Contracts	4.6%	5.2%
Fundamental Financial System	16.1%	21.9%
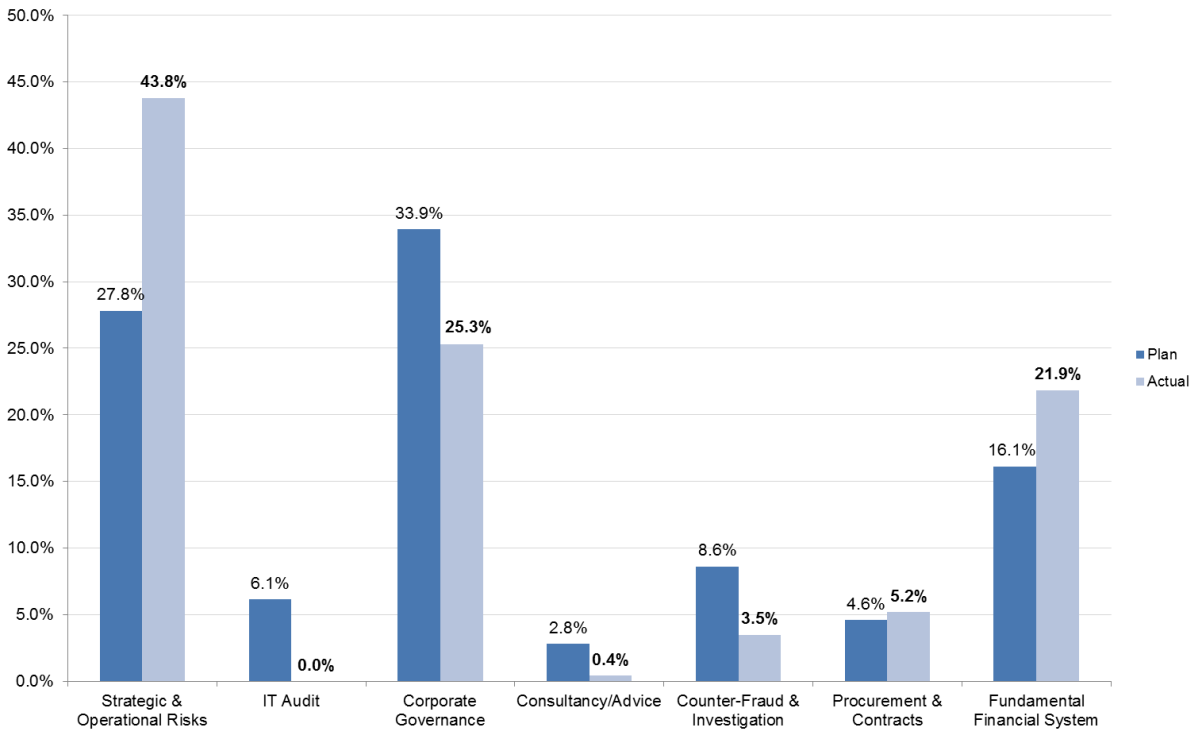
Example rationale for the variance between 2019/20 planned and actual days per service area and category include (but are not exclusive to):

➢ Activities brought forward for completion from the 2018/19 Plan (Business Continuity and Capital Programme Limited Assurance Follow Up);

➢ Agreed audit deferrals into the 2020/21 Plan (e.g. LGA and Workforce Plan transitional arrangements, Risk and Performance Reporting, and Housing Revenue Account Delivery Plan – Budget Savings);

➢ ICT audit days being charged at the point of agreed draft report (the above table excludes the audit days for ICT Action Plan due to the audit position);

➢ Audit activity where actual days were in excess of those originally budgeted, due to the findings and outcomes of the audit work (e.g. Private Sector Housing (Empty Homes), Housing Stock Void Management and Leavers Process);

➢ Audit activity where actual days were less of those originally budgeted, due to the findings and outcomes of the audit work (e.g. Council Tax Support Scheme and Small Business Rates Relief); and

➢ The impact of potential fraud / irregularity referrals. The outcome of this work is detailed within section 7 of this report.

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

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

The schedule provided at **Attachment 2** contains a list of all of the audit activity undertaken during 2019/20, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Audit and Standards Committee.

Explanations of the meaning of these opinions are shown below.

Assurance levels	Risk Identification Maturity	Control Environment
Substantial	**Risk Managed** Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners, and staff. All key risks are accurately reported and monitored in line with the Corporate Risk Management Strategy.	• System Adequacy – Robust framework of controls ensures that there is a high likelihood of objectives being achieved • Control Application – Controls are applied continuously or with minor lapses
Satisfactory	**Risk Aware** Service area has an awareness of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners, and staff, however some key risks are not being accurately reported and monitored in line with the Corporate Risk Management Strategy.	• System Adequacy – Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger • Control Application – Controls are applied but with some lapses
Limited	**Risk Naïve** **Due to an absence of accurate and regular reporting and monitoring of the key risks in line with the Corporate Risk Management Strategy, the service area has not demonstrated an adequate awareness of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners and staff.**	• **System Adequacy – Risk of objectives not being achieved due to the absence of key internal controls** • **Control Application – Significant breakdown in the application of control**

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

The pie charts provided below show the summary of the risk and control assurance opinions provided within each category of opinion i.e. substantial, satisfactory and limited.

It is noted that the split assurance opinion on Creditors reported to Committee in July 2020, has been reflected in both relevant assurance levels (limited/satisfactory) within the pie charts.

ARA can report that the Council is showing that **75%** of the activities reviewed have received a **substantial (13%)** or **satisfactory (62%)** opinion on control. Whilst **25%** of the opinions on control are limited, this maybe related to transformational change, continued focusing of our activity on the key risks of the Council and specific requests from Directors, who are asking for areas to be reviewed where issues have arisen or where independent assurance is required.

Risk and Control Opinions 2019/20

Risk Assurance

Limited 19%
Substantial 25%
Satisfactory 56%

Control Assurance

Limited 25%
Substantial 13%
Satisfactory 62%
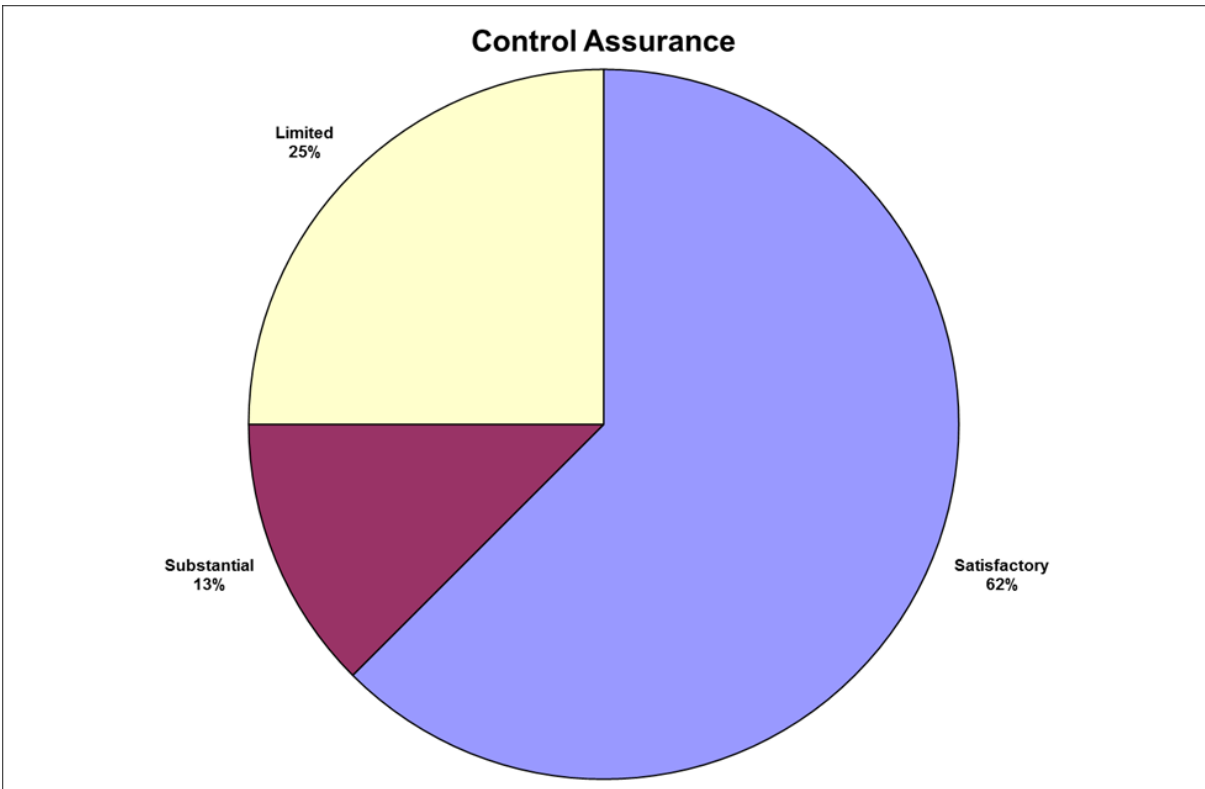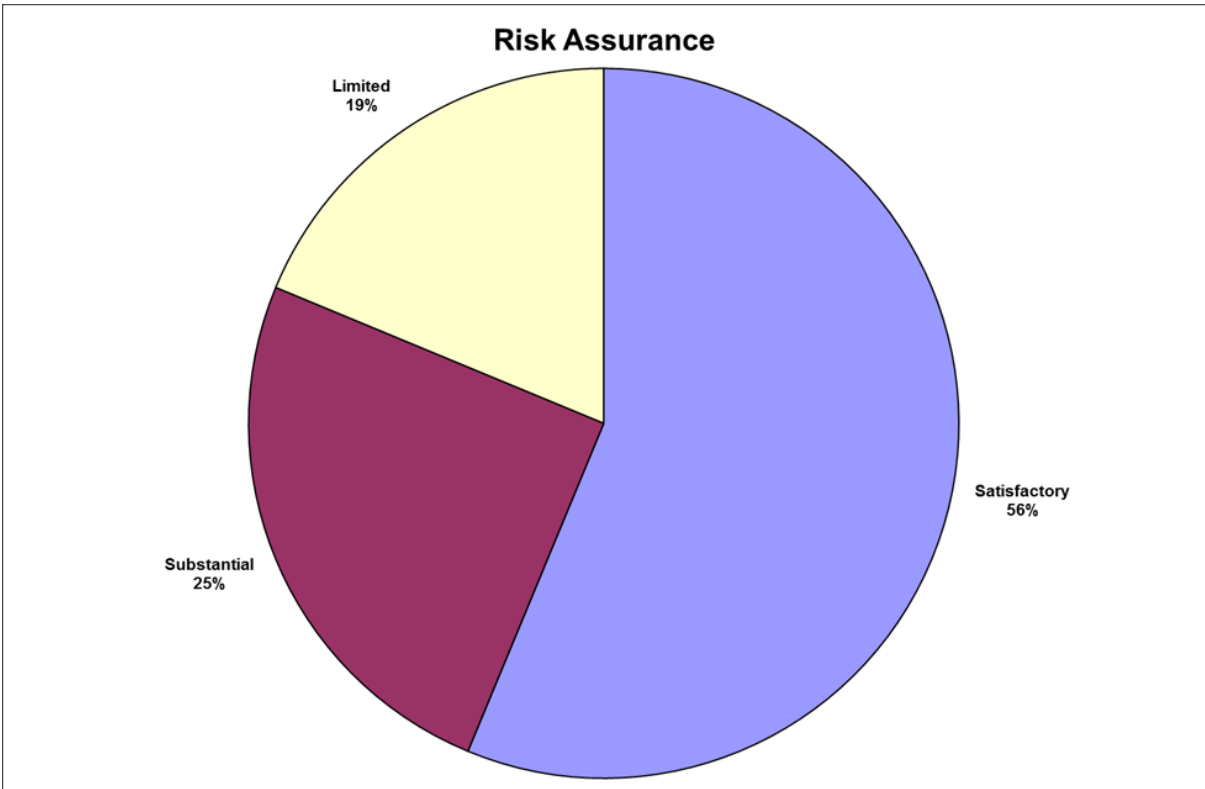
(6b) Limited Control Assurance Opinions

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

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

During 2019/20, three limited opinions on control were provided. These related to:

Audited Service Area	Date reported to Audit and Standards Committee
Gloucestershire Building Control Partnership	28th January 2020
Littlecombe Scheme	28th April 2020
Private Sector Housing (empty homes)	29th July 2020

In addition a partial limited assurance opinion was provided on some areas of control within the Creditors – New Suppliers, Vendor Changes and Invoice Control internal audit reported to Committee in July 2020.

(6d) Satisfactory Control Assurance Opinions

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

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

Year	Total No. of high priority recs.	% of high priority recs. accepted by management	Total No. of medium priority recs.	% of medium priority recs. accepted by management	Total No. of recs. made
2017/18	33	95%	63	100%	96
2018/19	11	100%	28	100%	39
2019/20	**14**	**100%**	**53**	**100%**	**67**

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

(6f)   Risk Assurance Opinions

There were two audits where a limited assurance opinion was given on risk during 2019/20 which related to:

Audited Service Area	Date reported to Audit and Standards Committee
Gloucestershire Building Control Partnership	28th January 2020
Littlecombe Scheme	28th April 2020

In addition a partial limited assurance opinion was provided on some areas of risk within the Creditors – New Suppliers, Vendor Changes and Invoice Control internal audit reported to Committee in July 2020.

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

(6g)   Limited Assurance Opinions Direction of Travel

Internal Audit undertakes a follow up review of every audit (where relevant) where a limited assurance opinion on the control environment has been provided. The tables below show the changes in the risk and control opinions. This provides reasonable assurance that management have taken actions to address the internal audit recommendations made, reducing the risk exposure.

	2018/19		2019/20		Direction of Travel
	Risk Opinion	Control Opinion	Risk Opinion	Control Opinion	
Multi Services Contract	Limited	Limited	Satisfactory	Satisfactory	↑
Capital Programme (originally reported 2017/18)	Limited	Limited	Satisfactory	Satisfactory	↑
Legacy Software	Satisfactory	Limited	Follow up review not completed in 2019/20, due to ongoing third party assurance work re. Council ICT. Area to be reviewed within the ICT Action Plan 2019/20 internal audit.		

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

During 2019/20, **81%** of the audited areas rated the effectiveness of risk management arrangements as **substantial (25%)** or **satisfactory (56%)** with **19%** obtaining a limited assurance opinion. This evidences that risk management continues to be further embedded into the Council's business activities.

The above position is supported by the Stroud District Council Annual Governance Statement 2019/20 outcomes. The assurance statements obtained from all Directors and Service Managers across the Council (when formulating the Annual Governance Statement), provided reasonable assurance that management apply the Council's Risk Management Strategy and principles within their service areas.

This assessment as shown below, identified that Stroud District Council's risk maturity level 2019/2020 is level 4 out of 5: Risk Managed: established risk management with planned extension /development.

SDC Risk Maturity Assessments 2019/2020

Stroud District Council's Risk Maturity is Level 4 = Risk Managed
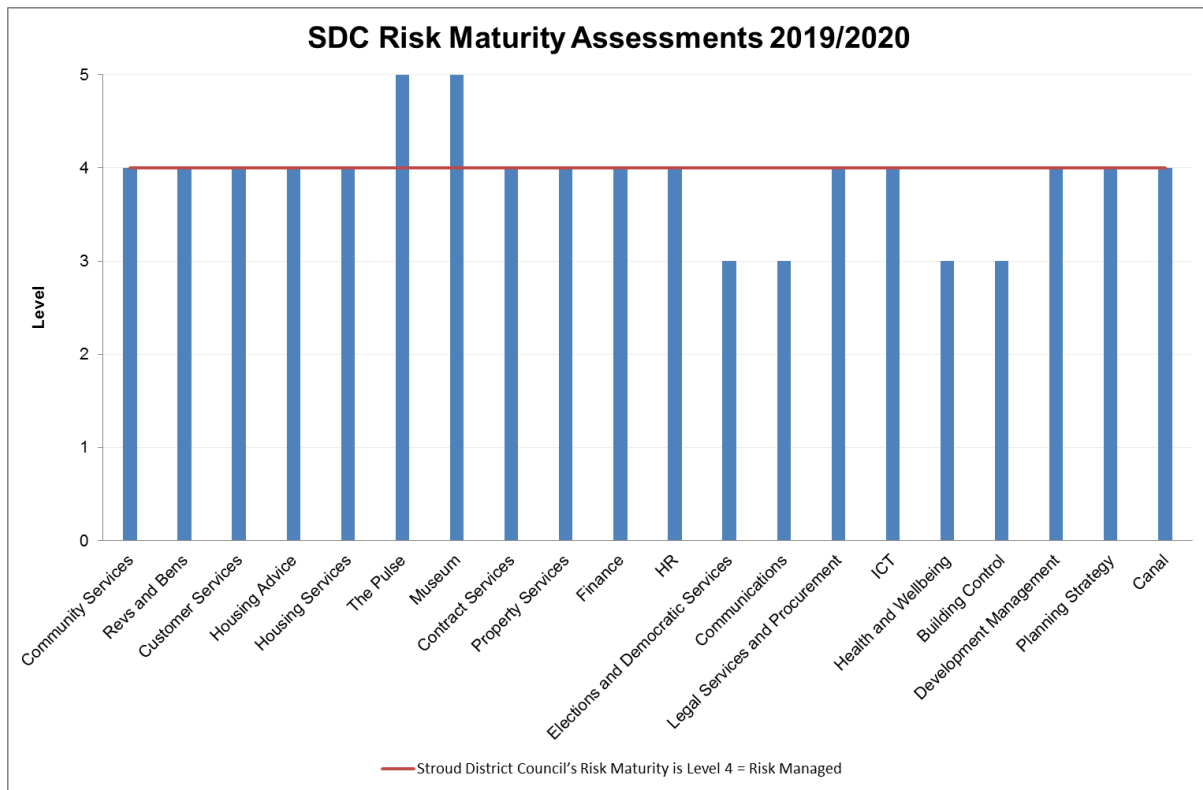
Risk Maturity Level	Level 1 Developing (Risk Naïve)	Level 2 Progressing (Risk Aware)	Level 3 Operational (Risk Defined)	Level 4 Embedded & Engaged (Risk Managed)	Level 5 Dynamic & Empowering (Risk Enabled)
	No formal approach to risk management.	Consulting and planning to implement risk management.	Early Stages of implementation.	Established risk management with planned extension /development.	Fully established and effective risk culture at all levels.

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

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

In April 2016, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authorities Chief Executives (SOLACE) published 'Delivering Good Governance in Local Government: Framework 2016' and this applies to annual governance statements prepared from the 2016/17 financial year onwards. Guidance notes were also published to assist Council Leaders and Chief Executives in reviewing and testing their governance arrangements against the seven principles for good governance.

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

➢ Reviewed the existing governance arrangements against the principles set out in the Framework;

➢ Developed and implemented a refreshed local Code of Corporate Governance, based on the principles, including an assurance framework for ensuring ongoing effectiveness; and

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

Stroud District Council's governance framework reflects the CIPFA/SOLACE key principles and has been summarised within a Local Code of Corporate Governance 2019/20. This local code comprises the Council's systems and processes, culture and values for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community.

The key 2019/20 governance matters identified related to:

➢ Future Financial Stability / Covid 19 impact;

➢ Covid 19 impact on governance; and

➢ Local Government Association (LGA) Corporate Peer Challenge (CPC).

The actions to be taken to address the above can be found within the Council's Annual Governance Statement 2019/20 and their implementation is monitored by the Audit and Standards Committee throughout the year.

Taking into consideration the above Internal Audit conclude that effective governance arrangements operate within the Council.

(7)   Summary of additional Internal Audit Activity

(7a)   Special Investigations/Counter Fraud Activities

Current Status

During 2019/20 (1st April 2019 to 31st March 2020) one potential (corporate) irregularity was referred to Audit Risk Assurance (ARA) (Internal Audit), which has been closed and previously reported to Audit and Standards Committee.

A number of Counter Fraud initiatives were promoted throughout the year including signing up to becoming a supporter of International Fraud Awareness Week. This is an annual event that takes place in November each year. During the week posters, social media and information flyers are used to raise counter-fraud awareness.

In addition, any fraud alerts received by Internal Audit from the National Anti Fraud Network (NAFN) and other professional bodies are passed onto the relevant service area within the Council, to alert staff to the potential fraud particularly in respect of the Covid 19 scams (locally and nationally) and advice on how to avoid breaches of cyber security arrangements during the pandemic.

Also, the Counter Fraud Unit (hosted by Cotswold District Council) has been commissioned by Stroud District Council during 2019/20 to investigate potential irregularities in respect of housing, tenancy and the council tax reduction scheme (CTRS) received in 2019/20 and cases carried forward from prior years. Counter fraud activity undertaken by the CFU has been agreed with the relevant Service Managers and the S151Officer. The outcomes of this work will be reported separately to the Audit and Standards Committee by the CFU and S151Officer.

To ensure completeness of data, the CFU investigations are included within the Local Government Transparency Code figures quoted within section 7b of this report.

Fraud Risk Assessment / Risk Register

The fraud risk register has been updated and provided to the Chief Financial Officer. The outcome of this assessment is used to inform future internal audit and counter-fraud activity.

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The next data matching exercise will begin with data up loads in October 2020, with matches released for review from January 2021 onwards. Examples of data sets include housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol.

Not all matches are investigated but where possible all recommended matches are reviewed by Internal Audit, the CFU or the appropriate service area.

Monitoring and Review

The Committee can also take assurance that all special investigations/counter fraud activities are reported to the Chief Executive, Monitoring Officer and Strategic Director of Resources (S151 Officer) as required, who challenge, monitor management actions, follow-up progress to date and approve all police referrals.

Counter Fraud and Corruption Policy Statement and Strategy

Effective governance requires the Council to promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour.

In March 2020 the Fighting Fraud and Corruption Locally (FFCL): A Strategy for the 2020's, A Response to Economic Crime and Fraud was released. The strategy outlines, a governance framework for continuing national and regional collaboration on counter fraud under the Fighting Fraud and Corruption Locally umbrella. It is the definitive guide for council leaders, chief executives, finance directors and all those with governance responsibilities. The strategy includes practical steps for fighting fraud, shares best practice and brings clarity to the changing counter-fraud and corruption landscape.

The Council's Counter Fraud and Corruption Policy Statement and Strategy 2020-23 has been produced, the contents of which reflect the latest version of the FFCL policy and strategy. This strategy will be presented to the Audit and Standards Committee at its meeting on 29th July 2020.

The Chief Internal Auditor continues to benchmark the Council's response to counter fraud and corruption reflecting any key changes identified in the strategy.

Serious and Organised Crime Strategic partnership led by Gloucestershire Police

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

Gloucestershire SOCSP feeds into the South West Regional Organised Crime Unit (ROCU), providing a regional response to serious and organised crime.

(7b)   Local Government Transparency Code 2015

Introduction

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

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

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

Tackling fraud is an integral part of ensuring that tax payers' money is used to protect resources for frontline services. The cost of fraud to local government was estimated within the FFCL strategy in 2013 as £2.1 billion a year although it was thought to be underestimated at the time. In 2017 the Annual Fraud Indicator produced by Crowe Clark Whitehill, in collaboration with Experian and the Centre for Counter Fraud studies at the University of Portsmouth, estimated that the true figure may be as high as £7.8bn from a total of £40.4bn for the public sector as a whole. Every pound lost to fraud is a pound not spent on supporting local communities and is money that can be better used to support the delivery of front line services and make savings for local tax payers.

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

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

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

Council wide fraud and irregularity activity relating to 2019/2020 including Internal Audit activity

Question	Stroud District Council Response
Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.	11
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.	The Council has access to 2.6 FTE fraud investigators as part of the Internal Audit shared service arrangement with Gloucestershire County Council and Gloucester City Council (ARA – Audit Risk Assurance) together with access to the Counter Fraud Unit (CFU).
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.	The Council has access to 2.6 FTE fraud investigators as part of the Internal Audit shared service arrangement as above together with access to the CFU staff who use accredited counter fraud specialists.
Total amount spent by the authority on the investigation and prosecution of fraud.	Approximately £18,951 in staff time from ARA/CFU. This figure excludes costs for staff employed by SDC.
Total number of fraud cases investigated.	24

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

Question	Stroud District Council Response
Total number of cases of irregularity investigated.	25
Total number of occasions on which a) fraud and b) irregularity was identified.	(a) 3 (b) 91
Total monetary value of a) the fraud and b) the irregularity that was detected.	(a) £10,586 plus 2 Right to Buy (RTB) applications withdrawn as a result of investigation. (b) £4,871 (excludes ongoing cases where value is currently not known). In addition 91 cases of single person discount irregularities uncovered through NFI were identified where penalties were recommended at £70 per case.
Total monetary value of a) the fraud and b) the irregularity that was recovered	(a) Estimated £130,000 (being the value of discount saved from preventing two properties being sold under the RTB scheme). (b) Not evaluated although SPD and CTRS irregularities is estimated would increase council tax liability by approximately £57k. Excludes ongoing cases where value is currently not known.

Question	Stroud District Council Response
	As a local authority there is an obligation to refer our Housing Benefit fraud allegations to DWP for their consideration as to whether an investigation should take place.

Full details about the code and its requirements can be found at:
https://www.gov.uk/government/publications/local-government-transparency-code-2015

(8)   Internal Audit Effectiveness

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

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

Public Sector Internal Audit Standards (PSIAS)

These standards have four key objectives:

➢ Define the nature of internal auditing within the UK public sector;

➢ Set basic principles for carrying out internal audit in the UK public sector;

➢ Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and

➢ Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

The Internal Audit Strategies, Charter, Quality Assurance and Improvement Programme (QAIP), Code of Ethics and the Audit and Standards Committee's Terms of Reference all reflect the requirements of the standards.

External Assessment of the effectiveness of Internal Audit

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

➢ The form of external assessment; and

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

The latest review was undertaken during May 2020 by the Chartered Institute of Internal Auditors (CIIA). The EQA assessment concluded that:

"We are pleased to report that the ARA team meet each of the 64 Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing There are no formal recommendations for improvement".

To summarise, we are delighted to report that the ARA team are excellent in their:

➢ *Reflection of the Standards;*

➢ *Focus on performance, risk and adding value; and*

➢ *Quality Assurance and Improvement Programme*

We believe that the ARA team are good in their:

➢ *Operating with efficiency.*

Finally, like many internal audit functions at the present time, we consider that the ARA team is satisfactory in:

➢ *Coordinating and maximising assurance.*

The need to consider how best to rely on and coordinate with other assurance providers remains an emerging area of internal audit, and assurance practice. It depends as much on the other assurance providers as it does on internal audit.

In conclusion, this is an excellent result and the CIA and the ARA team as a whole should be justifiably proud of their service, its approach, working practices and how key stakeholders' value it.

It is therefore appropriate for the function to say in reports and other literature 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'."

The full EQA report and outcome are a separate item on the 29th July 2020 Audit and Standards Committee agenda.

Internal Assessment - Customer Satisfaction Survey results 2019/20

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

A target of 80% was set where overall, audit was assessed as good or better. The latest results as summarised below, shows that the target has been exceeded, with the score of **82.4%** reflecting Internal Audit as being a positive support to their service.

Satisfaction Survey Results 2019/20
Compared to 2017/18 and 2018/29
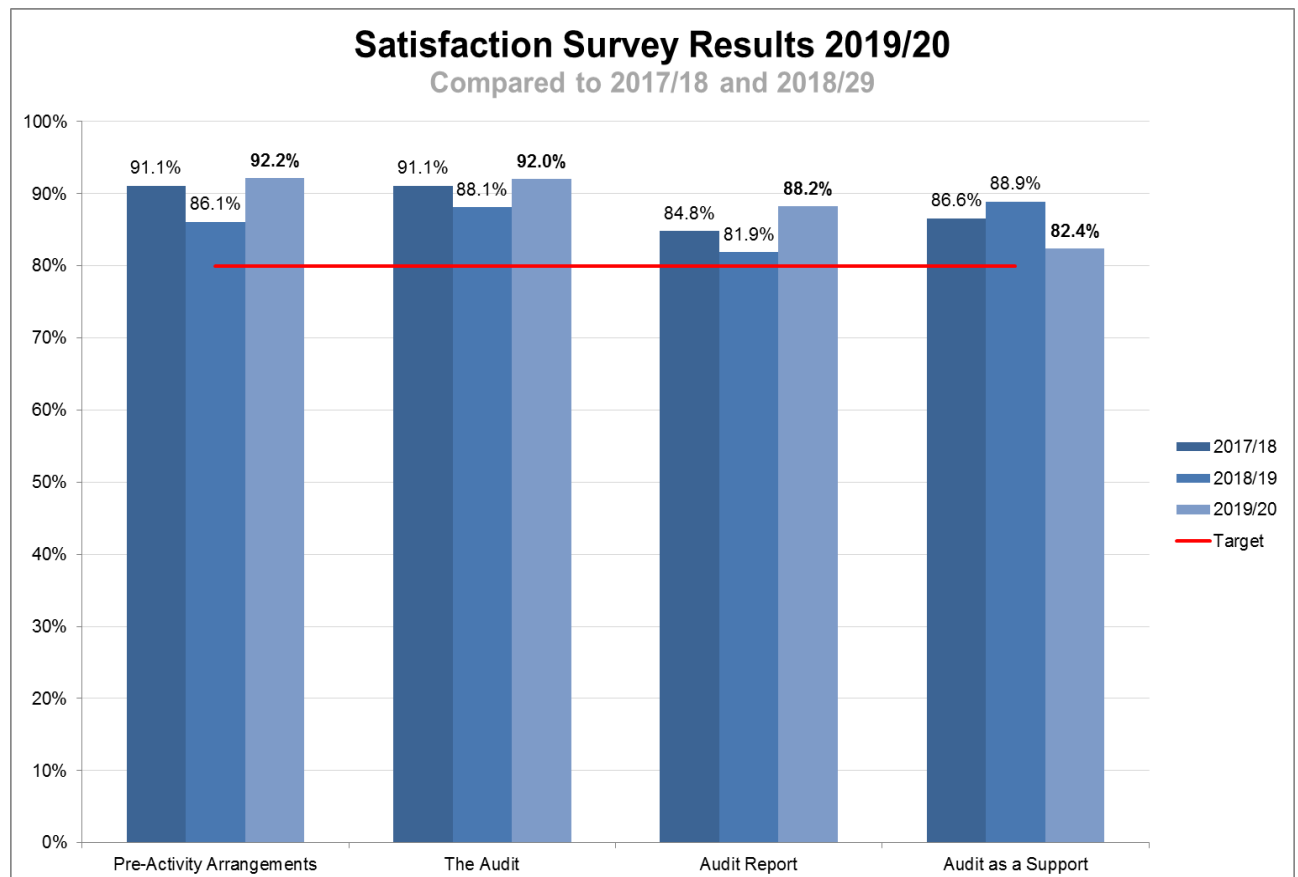
In addition, the following positive comments have been received from our customers:

> *"The recommendations from this audit have been particularly helpful to us in establishing an action plan to deal with the areas of improvement identified"*

> *"As always the auditor's attention to detail, and clarity was appreciated. I'm always reassured that outcomes reached have been thoroughly reviewed."*

> *"The audit picked up some useful issues, and they were reported in a constructive manner"*

> *"This was a very thorough follow up audit and I appreciated that the auditor was, as always, open to some very robust discussions around the findings"*

> *"The auditor is very approachable and as a service we feel comfortable asking questions"*

> *"The professional and personal approach taken, interaction with officers and managers was excellent and the communication was clear, concise and measured. I am very pleased on behalf of the service regarding the quality, depth and excellent standards shown"*

Lessons Learned from customer feedback and actions taken by Internal Audit

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

During 2019/20 one feedback survey raised concern over the time taken from audit start to finish and that a more rapid response would enable recommended changes to be put in place in a timelier manner.

The ARA Group Manager discussed the concern with the relevant Service Manager, where it was confirmed the ARA Quality Assurance and Improvement Programme Action Plan includes an action regarding service time management. An element of this action will include review of 'elapsed time on internal audit engagements' to understand the root cause of delays and pilot solutions.

ARA Learning and Development

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

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

ARA is committed to offering a structured trainee auditor programme, to attract people to the Council and to the profession. ARA currently supports two trainee auditor posts within the team structure. Within 2019/20 one Trainee Auditor has completed their IIA qualification and progressed to a Senior Auditor post, which is a positive achievement for both the individual and the service – evidencing the success of the ARA trainee auditor programme to date.

ARA Partner Dividend

During 2019/20 ARA has been in a position to be able to provide a dividend to the Council in the sum of £10,568. This is due to efficiencies achieved by the shared service during this period.

Internal Audit's relationship with the Audit and Standards Committee

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

The Chartered Institute of Public Finance and Accountancy, CIPFA, have recently produced revised guidance on the function and operation of audit committees; "Audit Committees in Local Authorities and Police, 2018 edition". The guidance represents CIPFA's view of best practice for Audit Committees in local authorities throughout the UK. In the guidance, CIPFA provide a suggested self-assessment against recommended practice.

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

Internal Audit led on a review of their effectiveness which enabled members of the Committee to undertake a self assessment against the good practice principles.

An action plan has been developed which summarises the next steps to further enhance the Committees effectiveness.

Green Impact Award

Green Impact is a sustainability accreditation scheme with an awards element. Green Impact supports organisations in meeting the reduction in energy and fuel use, cost and resulting C02 emissions. ARA achieved a bronze award in 2017 demonstrating and evidencing change across the team and its activities making improvements in managing waste and recycling, reduction of energy use, reduction in water usage including preventing water wastage, reusing before procuring new, alternative travel use and improving overall team health and well-being.

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

In 2018 ARA has further demonstrated its commitment in meeting this objective and received the gold award, the highest award within the scheme. In 2019/20 ARA continued to operate in accordance with the activities set out by Green Impact program.

Completed Internal Audit Activity during the period April – June 2020

Summary of Limited Assurance Opinions on Control

Service Area:	**Development Services**
Audit Activity:	**Private Sector Housing: Empty Homes**

Background

Stroud District Council's Private Sector Housing Renewal team works towards warm, safe, healthy homes for all homeowners and private tenants.

Free advice is offered to home owners including those with empty properties for whom the team encourage, enable and assist owners by offering advice, signposting, and may also offer financial assistance in the form of a loan. If they continue to remain empty despite intervention from officers then there are enforcement powers that may be enacted.

In July 2019 there were 53,158 dwellings (source: government council tax valuation list) in the Stroud district (excluding those owned by the council) of these:

➢ 1,040 (1.96% of total dwellings) are classed as empty;

➢ 416 properties (0.78% of total dwellings) have been empty for more than one year; and

➢ 29 (0.05% of total dwellings) have been empty for 10 years or more.

It is evident from these figures that approximately 60% of empty properties have been brought back into use within the first 12 months.

Scope

This audit review sought to determine whether there are effective arrangements in place to identify empty properties and encourage owners to bring these properties back into use.

Risk Assurance – Satisfactory

Control Assurance – Limited

Key Findings

➢ The council has a Private Sector Housing Renewal Policy which details the assistance made available by the council for housing renewal in the private sector including how the council will take appropriate action to bring empty dwellings back in to use. It was adopted by the council's Housing Committee on 11th September 2018.

➢ The Private Sector Housing Renewal team has a clear Empty Property Procedure to enable good proactive management of empty properties however, during the audit it was identified that this needs to be reviewed and refreshed. There is also adequate guidance and factsheets in place to enable the support of owners with empty homes, and accurate empty home data is obtained.

➢ The Empty Property Procedure stipulates that once an empty home has been empty for 12 months the home owner will be corresponded with every six months (for up to three and half years) and encouraged to bring the empty property back into residential use.

➢ Internal Audit was informed by the Housing Renewal Manager that a peer review of the service area had led to a delay in recruitment resulting in staff shortages and this has had an impact upon the management and monitoring arrangements of the private sector empty homes. Moving forward the team is currently recruiting a Private Sector Housing Officer, when appointed this resource should provide more capacity to undertake these duties.

➢ It is evident that some proactive work has been undertaken by the team and home owners (whose properties became empty between February 2018 and July 2018) were written to in September 2019 and support offered. However audit testing identified that owners whose properties had become empty prior to February 2018 are still to be corresponded with.

➢ Empty Dwelling Management Orders (EDMO) and Compulsory Purchase Orders (CPO) are two enforcement actions used in England and Wales, which enable local authorities to put an unoccupied property back into use as housing. Both these enforcement actions are complex, for example a few of the requirements for consideration of an EDMO are:

- A property has been empty for a minimum of two years;

- The EDMO would be in the interests of the community; and

- There has been specific authorisation from a residential property tribunal.

➤ Any work required on the property following an enforcement action, to bring it to habitable standards, would have to be approved by members, paid for by the council and then recovered from social rent income.

➤ The Housing Renewal Manager advised Internal Audit that due to staff shortages there has been a lapse in the application of the Empty Property Procedure and it was deemed unfair to immediately start looking at EDMO's and CPO's without offering home owners the same support that owners of newly empty homes would receive. Thus all properties were treated as newly empty as at 2018 which meant that in line with the Empty Property Procedure an enforcement action for any property would now not be considered until 2021.

Conclusion

There is an adequate framework in place to identify empty properties and encourage owners to bring these properties back into use. These arrangements are supported by a sound policy, and overall adequate systems and procedures, albeit a refresh of the Empty Property Procedure would be of benefit. This said there has been a significant lapse in the application of the procedures over several years impacting upon the proactive work that could be undertaken to encourage and support home owners to bring empty properties back into use and therefore the control environment is not operating as intended. Going forward, this is an area that requires focus to ensure adherence with council policy, and achievement of the council's corporate objective 'reduce the number of empty homes in all tenures'.

Management Actions

Management have responded positively to the recommendations made, in regard to:

➤ Ensuring owners of empty properties receive letters and factsheets every six months, in line with council policy and procedures;

➤ Review and refresh of the Empty Property Procedure, with regard to when properties should be entered onto the Uniform system and consideration of enforcement actions; and

> ➢ Update of the Uniform system to ensure that it evidences correspondence and support given to owners of empty properties that would meet the requirements of the Housing Act 2004 for EDMO and CPO enforcement actions.

Summary of Limited/Satisfactory Assurance Split Opinions on Control

Service Area:	**Finance and Customer Services**
Audit Activity:	**Creditors**

Background

Stroud District Council (the Council) Creditors (accounts payable) function is maintained by the Revenue and Benefits Service area, however, the Section 151 Officer has overall responsibility for ensuring proper administration of the financial affairs of the Council.

The Workforce Plan review of Finance, which was performed by Business Service Planning, resulted in the Creditors team and function being moved to Revenue and Benefits during the second half of 2018-19.

The objective of the accounts payable function is to pay valid supplier invoices in respect of goods or services received within agreed payment terms. In 2018-19 Creditors were responsible for circa £24.9m payments (inclusive of Value Added Tax). It is therefore important to have robust and effective controls.

Scope

The review sought to determine the effectiveness of the arrangement for setting up new suppliers, supplier changes and invoice control.

The scope was split across nine detailed objectives, which are reflected in the Key Findings summary.

Risk Assurance – Satisfactory/Limited

Control Assurance – Satisfactory/Limited

Key Findings

Policy and Procedures

➢ At the point of transfer, and to date, the relationship, roles and responsibilities and communications between Finance and Revenue and Benefits concerning the accounts payable operating control environment have not been clarified / or aligned.

- The Creditors team procedures manual requires a review and refresh to ensure that it is up to date and going forward that it is subject to periodic review or maintained on an ongoing basis.

- Accounts payable forms are available to service areas on the Council's intranet to support process completion. However there is no procedures manual / guidance for the accounts payable process, which would aid service areas and payment authorisers to fully understand their roles and responsibilities.

- Only one operational risk relating to the accounts payable process (risk R&B13) has been identified and reported on the Council's risk and performance management system Excelsis. R&B13 is defined as '*If creditors are paid incorrect amounts or not on a timely basis then potential for loss through duplicate / incorrect payments.*' This reported risk has not correctly identified the Control Lead Officers.

New Suppliers

- A review by Internal Audit of a sample of 25 new suppliers highlighted non-compliance or weaknesses in the agreed processes as follows:

  o Supplier supporting documentation not retained by the service (four cases);

  o Lack of documentary evidence to confirm supplier details were reviewed and approved by a different service area officer (all cases) – separation of duties is good practice to reduce the risk of fraud/error; and

  o Service area submitted incomplete or incorrect supplier address or contact details to the Creditors team (increasing fraud risk when change of supplier details is required, as invoice details could be relied on).

Change of supplier payment and contact details

- A review by Internal Audit of a sample of 15 changes to supplier payment and contact details highlighted that:

  o Lack of documentary evidence to confirm the supplier payment detail changes had been checked and verified by a different Creditors officer (three suppliers) – separation of duties is good practice; and

    o Errors or omissions with the supplier's address or contact details updated to their record on the Business World financial system (three suppliers).

Purchase orders

➢ Purchase orders are not being used in all cases, with the exception of approved case / categories, by service areas in accordance with Financial Regulations.

➢ For the current financial year to September 2019 and for the last two years the percentage of purchase orders raised against the total number of invoices received has been less than 30%. This position does not support delivery of a commitment accounting approach or enable full transparency over purchases (to evidence that due process has been followed and ensure Value for Money).

➢ Finance and the Revenue and Benefits Manager have advised Internal Audit that there are currently ongoing discussions with the service areas to encourage more significant use of purchase orders.

Separation of duties (an internal control designed to reduce the risk of error and fraud by ensuring that at least two individuals are responsible for the separate parts of a task/process)

➢ Some service area invoice authorisers have been assigned Business World systems access to also process invoices to enable sufficient resource coverage in this area. This weakens the control environment as it enables these invoice authorisers to also process and approve the same invoice. Internal Audit is able to confirm based on the findings of sample testing of 15 invoices that no instances of the same officer processing and approving an invoice were identified.

➢ Five Finance officers have been assigned the Business World 'super user' systems access, which enables virtually unlimited privileges to the system. As at the point of this audit the controls over the 'super user' function is limited to 'long stop' controls such as service area budget monitoring, system audit logs (not currently reviewed), supplier notification of non-payment, etc to identify any potential unauthorised activity.

Commitments and invoice management

- There are a six key exception reports generated from Business World to aid officers in the identification of issues within the accounts payable process. A review, by Internal Audit, of these exception reports highlighted the following:

  - One weekly report to identify invoices that had been entered into Business World that had not been processed or authorised for payment after 28 days had stopped in July 2019 due to a systems issue. At the point of this audit the report was last reviewed on 21st August 2018 by the Creditors team. The report recommenced in November 2019 following Internal Audit intervention;

  - There was a lack of documentary evidence to confirm that three out of the four different types of duplicate invoice / payment exception reports had been subject to appropriate timely checks; and

  - Creditors do not receive a copy of the outstanding purchase order report that is sent to appropriate service officers and therefore are unable to ensure appropriate actions have been undertaken.

Payments Process

- The Council has set itself a performance measure to pay 97% of all invoices within 30 days of receipt of the supplier invoice or within the agreed supplier payment terms.

- The Council supplier payment performance has been reported on Excelsis for 2015-16 to June 2018, after this date no statistics have been recorded. A report obtained by Internal Audit from the System Accountant from Business World for the financial year 2018-19 shows that the Council has paid 93.46% of invoices (9,353) within 30 days following receipt of the supplier invoice; 655 invoices were paid after this period.

- The Council has not annually published its payment performance on the Council website in accordance with the Crown Commercial Service Procurement Policy Note (PPN – Action Note 03/16).

Payments process

- A walkthrough by Internal Audit of the payments process and the results of fieldwork tests confirmed that the checks performed by payment authorisers were adequate and operating effectively.

Creditor control and suspense reconciliations

- Monthly creditor control and suspense reconciliations are undertaken, which are subject to a detailed and evidenced check at the financial year-end by an independent officer.

- A review of the June and September 2019 reconciliations by Internal Audit confirmed that the creditor control reconciliations had been promptly and correctly performed. However, the suspense reconciliation for September 2019 highlighted 13 outstanding transactions totalling approximately £55,000 gross with the oldest dated 26th March 2018 that had not been cleared and posted to the correct general ledger accounts.

Conclusion

Suppliers are being promptly paid, albeit not all within the Council's or Crown Commercial Services performance target. In addition there has been no reported unauthorised activity during the audit period.

Internal Audit's review and sample testing of the accounts payable processes has found that the majority of recognised processes and controls that would be expected by Internal Audit are in place. However, these were found to not always being fully applied or operating effectively and improvements / enhancements are required to strengthen the overall control framework.

As a result Internal Audit has provided a split opinion for the control environment as follows:

- Satisfactory assurance – suitable controls for the accounts payable process have been introduced; and

- Limited assurance – controls have not been fully applied or are operating effectively.

As noted above management have introduced a range of controls in the accounts payable process that indicates that they have considered the risks to the Council and established their risk appetite. However, these operational risks and risk appetite have not been formally documented on Excelsis and also there is a lack of evidence to confirm they are being regularly managed. Therefore Internal Audit has also provided a split opinion on risk maturity as follows:

- Satisfactory assurance – adequate awareness of the risks relating to the accounts payable process; and

> ➤ Limited assurance – absence of accurate and regular risk reporting and monitoring.

Management Actions

Two high and twelve medium priority recommendations have been raised to strengthen and improve the control framework and to ensure existing controls operate effectively.

The Strategic Director of Resources and Revenue and Benefits Manager have confirmed that they will work together to revise the accounts payable working procedures to ensure they are effective and adequately manage the known inherent risks in the process.

Summary of Satisfactory Assurance Opinions on Control

Service Area:	**Resources**
Audit Activity:	**Leavers Process**

Background

Employment may be ended for a variety of reasons and if handled effectively, can reduce any negative impact caused by such actions whether the ending of employment is initiated by the employee or the Council. It is important that a consistent and proactive approach to managing the process of ending employment contracts is in place for staff leaving the Council, ensuring compliance with legislation.

Scope

This review examined the current control environment for when personnel leave employment; and included a series of audit tests to determine whether the controls are effective and operating as intended as follows:

> ➤ Establish the roles and responsibilities for processing leavers within Human Resources (HR) and Finance; Identity and Access Management (IAM)

controls, specifically in the removal of access to general IT systems, IT applications and electronic physical access badges (off-boarding processes);

> Payroll records and systems access are updated promptly and accurately;

> The calculation of final salary payments or repayments (including redundancy, holiday pay, Payment in Lieu of Notice and the recovery of any salary overpayments, training fees, or loans); and

> Council assets are recovered from employees prior to leaving the Council.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

Service area managers within the Council are responsible for maintaining their organisational structure, which includes notifying / working with HR to provide required information to ensure employees are correctly processed when leaving the Council.

Internal Audit reviewed the process for removing leavers from the payroll system, physical location access and network ICT access and found that processes are not streamlined with multiple inputs from service area managers required to process a leaver.

As a result of this, there have been occasions (three out of 10 leavers sample tested) in which not all elements of the leavers process have been completed in a timely fashion, with instances of short-term delays in informing ICT of leavers of up to approximately two weeks, causing ICT network access to be active past the leaving date of the worker. In all three cases the ICT Team had removed the network access once it had been confirmed the employee had left the Council.

The responsibility for updating payroll records is split across HR and Finance, with leaving dates entered by HR and payment and calculations completed by Finance. A sample of 10 payroll leavers leaving 12 positions (two leavers held two positions each due to part time/zero hours posts) was tested and it was found that the necessary processes had been promptly completed, with suitable controls in place to ensure details are entered correctly into the system and calculations of final salary payments are accurate.

IT application / system owners that sit outside of ICT are responsible for managing the access to the application. For applications that are cross-cutting / council-wide,

application owners do not have visibility of employees leaving the Council and therefore access can remain past the date of the leaver which presents a significant risk concerning ongoing unauthorised access to the application.

IT Asset Management aims to drive business value by avoiding unnecessary asset purchases and making the best use of current resources and is a key element of Business Continuity Management and vulnerability management. The Council has two device management systems to manage and secure mobile devices which are also being used as an IT asset register with information on the current holder of that device. However there is not an overall IT Asset Management System / asset register and therefore it cannot be easily established what IT assets the Council has and what assets are required to be to be recovered from leavers.

The responsibility / current process for recovering assets sits with service areas. IT assets that are recovered from leavers are held within service areas to be redistributed to new starters. There is no formal process for resetting / wiping the data held on these devices before they are re-issued to new starters. These assets could hold sensitive data that may not be appropriate for the next user's role.

The Information and Communication Technology Manager informed Internal Audit that an Asset Management System is going to be put in place as part of the new Service Desk service, with wider IT Service Management (ITSM) processes encompassed within this. This will centralise the asset management process and enable assets to be managed by IT including the recovery of assets from leavers.

Customer Services are responsible for managing identification badges and building access within the Council. HR informs Customer Services of each leaver after the completion of a leaver form.
Sample testing for the removal of identification and access badges for 10 leavers found that access had been removed for all 10 leavers. However, it was noted by Internal Audit that no record was maintain for the return of badges and therefore it could not be established if the badge had been recovered.

Conclusion

The results from audit testing demonstrate that there are effective arrangements in place for the final payment and removal from the payroll system for leavers, in accordance with Council policies. However, formal processes are not in place for the removal of access to IT applications and the management / recovery of IT assets from leavers.

Internal Audit has made four recommendations to strengthen the control environment in respect of:

- ➢ Streamlining the process for initiating the off-boarding processes for leavers;

- ➢ Centralising identity and access management processes, specifically for IT applications;

- ➢ Establishing and clarifying IT asset management processes, including asset inventory registers and the recovery and management of IT assets from leavers; and

- ➢ The implementation of a manager's checklist to ensure that all leavers processes are completed prior to an employee leaving the Council.

Management Actions

Management have responded positively to the four recommendations.

Summary of Consulting Activity and support provision where no opinions are provided

Service Area:	**Transformation**
Audit Activity:	**Local Government Association Peer Review**

Background

Peer Challenge is a core element of the Local Government Association's (LGA) sector-led improvement offer to local authorities. The basis of the offer is that councils have a corporate peer challenge every four to five years. The peer challenge offers an opportunity to validate the direction of travel and approach being taken by the Council, and test, stretch and further evolve thinking for the future.

The Council's Corporate Peer Challenge took place between 26th and 29th March 2019. It was conducted by a team of elected members and senior officers from other local authorities together with LGA advisors. The feedback report set out eight recommendations in respect of areas for development and improvement. The Council's intention is to make continual improvement and substantial progress on the agreed Action Plan within the next 18 months.

Scope

This audit will seek to determine the effectiveness of the governance arrangements for driving forward any key improvement actions / plans emanating from the peer review.

Key Findings (Position Statement)

The scope for the review has been agreed with the Chief Executive and fieldwork has commenced. Due to the significance, and breadth of the delivery programme to address the recommendations, application of an agile audit approach to delivering the objective is being taken, thus ensuring that should any suggested improvement areas be identified these can be raised with management at the earliest opportunity.

At this stage of the review Internal Audit has established:

➢ There is a Senior Responsible Owner and appointed Action Owners who are of suitable seniority and responsible for implementation of the identified actions to address the recommendations emanating from the LGA Peer Review.

➢ At present there is not a LGA Peer Review defined board in place. Collective discussion concerning progress/actions to implement the recommendations to date is taking place as necessary during weekly Senior Leadership Team meetings. The meetings are minuted. Going forward consideration of any changes required for the future format is to be determined now that all Strategic Directors are in place.

➢ Members of the Strategy and Resources Committee have received updates on the progress made against the recommendations at each committee meeting held since the date of the LGA Peer Review.

➢ The actions emanating from the LGA Peer Review has been captured within the Council's Performance Management system (Excelsis), as has those pertaining to the Corporate Delivery Plan however it is evident that further work is needed to ensure that the entries are accurate and up to date and are inclusive of key information to ensure an effective system is operating for the associated risk and performance management and monitoring of the recommendations/actions.

From the current information held within Excelsis it is evident that:

LGA Peer Review

➢ During 2019/20 updates for each quarter to quarter three have been made for all recommendations, with the exception of CRD 1, this requires an entry for quarter three to reflect the latest position.

- As at 18th February 2020, one of the eight recommendations is classified as 'Completed', this relates to Recommendation 2 (CRD2): 'Agree short term priorities and actions for the period to May 2020'. Internal Audit has verified that the Corporate Delivery Plan with key actions 2019/20 was approved by Council on 16th May 2019.

- For the seven open recommendations, the overarching status all record that these are 'On Target', with the 'Outcome Deadline' date range being between 31/10/2019-30/06/2020, thus some of the target dates have now lapsed.

- Milestones (actions) within each of the seven open recommendations has been entered, and these further define the area of work, % complete, commentary on progress, next steps, and target dates. It is noted that the % complete for a number of these actions is low in relation to the current stated target date, and four actions are recorded as 'Not started', with the recorded target dates for completion being due in the next few months April-June.

- Associated risks to the achievement of the recommendations have not been captured / or linked within Excelsis where these are already identified i.e. corporate risks.

Corporate Delivery Plan

- CDP Actions have been entered into the system. As at 18th March 2020 there are 54 Actions recorded, 21 of these were recorded as completed, the remaining 33, either as on target, not started, or overdue, with the last monitored date recorded as either Quarter three, Quarter two or as not applicable.

- A sample of 16 actions was selected for review to ascertain if the associated risks to the achievement of the action had been captured within the system. The results showed that risks had only been identified and captured for six of these.

Next Steps

Internal Audit will continue with fieldwork to achieve the objective of the review. Once the review is concluded the key findings will be reported to Committee within 2020/21.

Service Area:	Council Wide

Audit Activity: Business Continuity

The Civil Contingencies Act 2004 requires all local authorities to have Business Continuity Management (BCM) arrangements in place, designed to ensure that as far as possible it can continue to operate the critical elements of the service in the event of disruption such as power loss, flooded premises or high staff absence.

Stroud District Council's BCM is managed by the Senior Community Services Officer who has overseen and supported all business areas with the identification and prioritisation of business critical systems and resources. This has included liaising between IT, Premises and the business areas to manage expectations for service restoration.

Internal Audit has provided the Senior Community Services Officer and business area managers with professional advice, with the aim of designing out risk and ensuring that there are effective mitigating controls to support the delivery of the project's aims and objectives.