



Public Document Pack STROUD DISTRICT COUNCIL

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11 July 2022

AUDIT AND STANDARDS COMMITTEE

A meeting of the Audit and Standards Committee will be held on **TUESDAY, 19 JULY 2022** in the Council Chamber, Ebley Mill, Ebley Wharf, Stroud at **7.00 pm**

Kathy O'Leary
Chief Executive

Please Note: The meeting is being held in the Council Chamber at Stroud District Council and will be streamed live on the Council's [YouTube Channel](#). A recording of the meeting will be published onto the [Council's website](#). The whole of the meeting will be recorded except where there are confidential or exempt items, which may need to be considered in the absence of press and public.

If you wish to attend this meeting, please contact democratic.services@stroud.gov.uk.
This is to ensure adequate seating is available in the Council Chamber.

AGENDA

1. **APOLOGIES**
To receive apologies of absence.
2. **DECLARATION OF INTERESTS**
To receive declarations of interest.
3. **MINUTES (Pages 5 - 12)**
To approve the minutes of the meeting held on 26 April 2022.
4. **PUBLIC QUESTION TIME**
The Chair of the Committee will answer questions from members of the public submitted in accordance with the Council's procedures.

DEADLINE FOR RECEIPT OF QUESTIONS Noon on Wednesday, 13 July 2022

Questions must be submitted to the Chief Executive, Democratic Services, Ebley Mill, Ebley Wharf, Stroud and can be sent by email to Democratic.services@stroud.gov.uk

5. **CORPORATE RISK REGISTER UPDATE (Pages 13 - 24)**
To consider the Corporate Risk Register, including recent updates.

6. **COUNTER FRAUD AND ENFORCEMENT UNIT REPORT AND REGULATION OF INVESTIGATORY POWERS ACT (RIPA) 2000 / INVESTIGATORY POWERS ACT (IPA) 2016 UPDATE (Pages 25 - 30)**

To provide the Audit and Standards Committee with assurance over the counter fraud activities of the Council in relation to the work undertaken by the Counter Fraud and Enforcement Unit.

The report also provides the Audit and Standards Committee with the annual update in relation to the Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 (IPA) and the Council's existing authorisation arrangements.

7. **USE OF THE INTERNET AND SOCIAL MEDIA IN INVESTIGATIONS AND ENFORCEMENT POLICY (Pages 31 - 40)**

To present the Audit and Standards Committee with a new Use of the Internet and Social Media in Investigations and Enforcement Policy, for approval and adoption, to reflect the Investigatory Powers Commissioner's Office guidance and recommendations that Councils should implement policies and procedures in this area.

8. **TREASURY MANAGEMENT OUTTURN 2021/2022 (Pages 41 - 68)**

To advise on the treasury management activities in 2021/2022, in accordance with the Council's Treasury Policy Statement. To report on actual 2021/2022 Prudential Indicators in accordance with the requirements of the Prudential Code.

9. **INFORMATION SHEET - PLANNING ENFORCEMENT (Pages 69 - 70)**

Supplementary information requested, to the report presented on 30th November 2021

10. **INTERNAL AUDIT ANNUAL REPORT 2021/22 (Pages 71 - 84)**

To provide the Committee with an annual report on Internal Audit Activity which fully meets the Head of Audit Risk Assurance's (ARA) annual reporting requirements, as set out in the Public Sector Internal Auditing Standards (PSIAS) 2017.

11. **AUDIT AND STANDARDS COMMITTEE ANNUAL REPORT 2021/22 (Pages 85 - 98)**

The Annual Report of the Chair of the Audit and Standards Committee (the Committee) summarises the Committee's activities during 2021-22 and sets out its plans for the next twelve months.

This report provides independent assurance that the Council has in place:

- I. Adequate and effective governance, risk management and internal control frameworks;
- II. Internal and External Audit services; and
- III. Financial reporting arrangements that can be relied upon and which contribute to the high corporate governance standards that this Council expects and maintains.

12. **ANNUAL GOVERNANCE STATEMENT 2021/22 (Pages 99 - 118)**

To summarise Stroud District Council's corporate governance arrangements in place during 2021/22, via the publication of an Annual Governance Statement.

13. **INTERNAL AUDIT PROGRESS REPORT 2021/22 (Pages 119 - 148)**
To inform Members of the Internal Audit activity progress against and final position on the approved Internal Audit Plan 2021/22.

LOCAL GOVERNMENT ACT 2000 – EXCLUSION OF PRESS AND PUBLIC

Appendix B for this item contains exempt information by virtue of Paragraphs 3 of Part 1 of Schedule 12a of the Local Government Act 1972 and a resolution may be passed to exclude the public during consideration of this item.

14. **STANDING ITEMS**
(a) To consider the Work Programme for 22 / 23 (Pages 149 - 150)

15. **MEMBER QUESTIONS**
See Agenda Item 4 for deadlines for submission.

Members of Audit and Standards Committee

Councillor Nigel Studdert-Kennedy (Chair)

Councillor Paula Baker
Councillor Stephen Davies
Councillor Nick Hurst
Councillor Norman Kay

Councillor Martin Percy (Vice-Chair)

Councillor Keith Pearson
Councillor Steve Robinson
Councillor Rich Wilsher

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AUDIT AND STANDARDS COMMITTEE

26 April 2022

7.05 - 9.01 pm

Council Chamber

Minutes

Membership

Councillor Nigel Studdert-Kennedy (Chair)

Councillor Paula Baker

Councillor Nick Hurst

Councillor Stephen Davies

Councillor Ashley Smith

*= Absent

Councillor Martin Percy (Vice-Chair)

Councillor Keith Pearson

Councillor Rich Wilsher

* Councillor Norman Kay *

*

Officers in Attendance

Strategic Director of Resources

Monitoring Officer

Head of Audit Risk Assurance

Principal Auditor

Head of Development Management

Interim Head of Housing Services

Development Team Manager

Senior Accountancy Officer

Revenue & Benefits Manager

Housing Manager

Democratic Services & Elections Officer

Other Member(s) in Attendance

Councillors Baxendale, Green and Ross

ASC.051 Apologies

Apologies for absence were received from Councillors Smith, Davies and Kay.

ASC.052 Declaration of Interests

There were none.

ASC.053 Minutes

Councillor Hurst requested a change on page 5 for the text to be amended from 'use of the word' to 'use of that word'

Councillor Percy questioned the progress of the policy register which was mentioned on page 8 of the reports pack. The Strategic Director of Resources agreed to get back to him with the information.

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The chair questioned whether the recalculation of the thresholds for the procurement figures minus the VAT had been provided. The Strategic Director of Resources agreed to get back to with the information.

The Chair pointed out an error on page 10 where it read 'differ' instead of 'defer'.

RESOLVED That the Minutes and the Exempt Minutes of the meeting held on 8 February 2022 were approved subject to the amendments above.

ASC.054 Public Question Time

There were none.

ASC.055 3rd Quarter Treasury Management Activity Report 2021/22

The Senior Accountancy Officer introduced the report and explained in detail the main points which included:

- Page 15 of the reports pack showed the two different types of investments.
 - Internal Managed investments – Consistent around 0.18% interest due to a low base rate, which was starting to increase.
 - Property Funds / Multi-asset funds – Similar interest rates to Internal Managed Investments however, they had dropped after Christmas due to inflation but had recovered from that by the end of the financial year.
- Page 16 of the reports pack showed the £6m property investment had increased by £379k and the £4m Multi-Asset investment had increased by £337k.
- Page 17 of the reports pack showed a total sum of £59,345 in temporary investments and an overall sum of £101,717 invested.
- Page 19 of the reports pack showed that the Capital Financing requirement had risen to £119,208.

Councillor Pearson queried the half year total on page 15 which looked like it was the total of all 3 quarters. The Senior Accountancy Officer confirmed that was a mistake and should have said third quarter total instead of half year total.

Councillor Percy questioned the low investments in Local Authorities as seen on page 17. The Senior Accountancy Officer explained that they would always try to get the best rates they could.

In response to Councillor Wilsher, it was confirmed that the ethical investment policy had been completed and had been agreed by Full Council in February. They also confirmed that Camdor Global Advisors had been commissioned but had not yet had their first assessment.

In response to Councillor Hurst, it was confirmed that all of the investments had been looked at thoroughly in light of the situation with Ukraine.

Councillor Pearson proposed and Councillor Wilsher seconded.

After being put to a vote, the Motion was carried unanimously.

RESOLVED To ACCEPT the treasury management activity third quarter report for 2021/22.

ASC.056 Internal Audit Progress Report 2021/22

The Head of Audit Risk Assurance introduced the report and explained that it included all activity up to the middle of March and counter fraud activity. He informed the committee of the 6 pieces of work that had been completed since the last update and confirmed that they were on schedule for completion of the audit plan for the end of the financial year.

The Head of Audit Risk Assurance informed the committee of the internal changes that they had made which included:

- A change in the format of the reports, they would be more focused.
- Any areas that needed to be addressed by management would be clearly highlighted.
- The risks identified in the reports would be categorised as high, medium and low.
- The internal Audit Progress report would be split into two sections.
- The summary of Internal Audit Activity would be Red, Amber and Green (RAG) rated to show progress.
- The Annual Report, The Chair's Annual Report and the Annual Governance Statement would all undergo a refresh to be more focused.

It was agreed to take questions on the Internal Audit Progress Report first and then discuss the Risk Management Review at appendix B afterwards.

In response to Councillor Pearson, the Head of Audit Risk Assurance explained that the levels of assurance had changed as part of the internal changes, to aid the transition period a key would be used as part of the future reports.

The Head of Audit Risk Assurance introduced the Risk Management Review and highlighted the following main points:

- The role of internal audit in relation to risk management was to help the council to achieve its objectives. This included identifying and managing risks appropriately.
- It was felt a review of risk management was required to establish where the council was and where efforts could be made to improve.
- Audit Risk Assurance (ARA) previously had a Risk Management Officer post which was no longer available, this furthered the need for the review to be completed externally.
- The report was a light touch review as opposed to an in depth full audit report.
- There were a number of recommendations and suggestions which ARA would be happy to assist Officers with implementing such as training.

The Head of Audit Risk Assurance gave the following answers in response to questions asked:

- Paragraph 3.17 on page 69 of the reports pack stated that the Committee was not fully achieving its role. This was partially due to not having sight of the council's risk register and therefore not being able to challenge management and internal audit regarding those risks and the mitigations put in place.
- The follow up of the Risk Management Review due in quarter 4 would be based around the recommendations from this report.

Councillor Baker raised a question with second homes not being charged a premium and whether there was anything in place to stop people calling their empty properties second homes in order to get out of the fees. It was agreed to take this away to find out the answer.

Councillor Baxendale joined the meeting.

In response to Councillor Pearson, the Strategic Director of Resources agreed that the risk register was used as part of the performance monitoring meetings. He also confirmed that they were looking to procure a new system for risk management, one where Members would have access.

Councillor Baker proposed and Councillor Percy seconded.

The Chair made a friendly amendment to accept the report.

After being put to a vote, the Motion was carried unanimously.

RESOLVED To ACCEPT:

- a) **The progress against the Internal Audit Plan 2021/22; and**
- b) **The assurance opinions provided in relation to the effectiveness of the Council's control environment.**

ASC.057 Covid-19 Business Support Grants - Post-Payment Assurance Update

The Strategic Director of Resources introduced the report and explained that it was requested by the Committee for assurance of the work completed. He informed the Committee of the following updates:

- Across the 2 years the revenue and benefits team had distributed just under £46m to 17,000 business.
- There was a separate piece of work completed on the first 2 grant schemes (which were not included in this report) which were post payment assurance checks. These had been signed off by the Department for Business, Energy and Industrial Strategy (BEIS) as being sufficient.
- There were a number of minor query referrals reviewed and resolved internally.
- There were a number of different grants, which could be found in appendix A.
- There were further grants issued around December 2021 which were still going through post payment assurance checks.
- A few cases had been opened with the Counter Fraud Team.

The Strategic Director of Resources gave the following answers in response to questions asked:

- BEIS had confirmed that as long as Councils were completing the appropriate assurance checks then they would not expect to reclaim any fraudulent claims from councils.
- Any money recovered from fraudulent claims would be sent back to Central Government.
- If Councillors required it, a further report could be brought back to update the Committee with the continued work on assurance of the grants.

Councillor Pearson commended the Revenue and Benefits team for all of the work that they had completed over the last few years.

The Chair questioned whether the cost of the investigations would be reimbursed. The Strategic Director of Resource explained that although they would not be reimbursed for

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the time spent on the investigations, they had received funding from Central Government to carry out the work surrounding the grant payments.

The Chair made a friendly amendment to accept the report.

After being put to a vote, the Motion was carried.

RESOLVED To ACCEPT to note the report.

ASC.058 Planning Enforcement Management Update

The Development Team Manager introduced the report and explained that it was an update following the audit report brought to committee in November 2021. The outcome of that report produced 5 high priority recommendations and 8 medium priority recommendations. Page 91 of the reports pack showed an overview of the progress and a brief summary on each recommendation. He drew the Committees attention to the challenges and successes of the project so far which included:

Successes

- A new Development Management Advisory Panel (D-MAP) had been established.
- A new draft revised planning enforcement policy and procedures.
- Ongoing IT system improvements
- Enforcement Team were now all affiliate members of the Royal Town and Planning Institute.
- A new training and development programme in review.

Challenges

- Difficult to recruit experienced members of staff.
- High turn over of staff and heavily reliant on agency staff.
- Staffing issues led to delay with the IT roll out.

The Development Team Manager further informed the committee of the upcoming work which included:

- Continued IT system improvements.
- Begin public consultation on the enforcement policy.
- Supporting staff with their development.
- Look into the resourcing of the department and complete a resource assessment.

In response to Councillor Pearson, the Head of Development Management explained that there was a national shortage of Planners and Enforcement Officers. She further explained that they required an experienced member of staff in order to train up the junior staff. They needed to complete a resource assessment to see what changes could be made to aid recruitment however, they had completed the review on the current advert for a senior Enforcement Officer which so far had still not generated any interest.

The Development Team Manager confirmed that as part of the Fit For the Future programme, they would be looking into corporate changes to pay in order to increase attractiveness as an employer.

In response to Councillor Percy, the Development Team Manager confirmed that he was the unofficial project manager for this project. He informed the Committee that he

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had undergone an open university course on project management to develop the required skills.

Councillor Hurst questioned whether the IT system improvements would be able to address most of the issues and how did it differ from the previous one. The Head of Development Management explained that the new IT system would have a case management system which would allow Officers to monitor the progress of an enforcement case which previously could not be done. This would allow for greater communication between the complainant and the planning team and Officers would have a greater knowledge of what stage each case was at.

The following answers were given in response to Councillors questions:

- The discharge of a planning condition would lie with the Planner however the work around the compliance of a condition would fall to the enforcement team.
- Any condition imposed on a planning application would need to meet the required tests and would not be added unless it was necessary.
- The level of communication would be far better with the new system in place especially if they were the complainant.

Councillor Pearson proposed and Councillor Wilsher seconded.

After being put to a vote, the Motion was carried.

RESOLVED To ACCEPT the progress report.

ASC.059 Draft Internal Audit Plan 2022/23

The Head of Audit Risk Assurance (ARA) introduced the report and explained that the planning methodology had been enhanced to provide an analytically driven process which measured and compared risks more accurately.

Councillor Pearcy asked for clarification whether ARA would be completing all of the reviews on the audit plan or whether they would just focus on the higher risks. The Head of Audit Risk Assurance explained that the plan was flexible as the council's risk were always changing however, those were the identified risks of the council at that time and they would try to address as many as they could. It allowed for discussion with Officers to prioritise risks throughout the year and continually evaluate them.

Councillor Pearcy further questioned what would happen if they reached the end of the audit year and then didn't have the time to complete the risks currently allocated to quarter 4, of which most were high. The Head of Audit Risk Assurance explained that because they do annual planning for the year they needed a list of identified work to be completed prior to the audit year. However it was still a continuous piece of work which would grow and change as and when new risks were identified and some risks were resolved.

Councillor Pearson questioned whether Officers expenses needed to be identified as Councillors expenses were listed in quarter 2. The Strategic Director of Resources explained that the independent remuneration panel was currently undertaking a review of Councillors expenses which is why it had been identified.

Councillor Hurst proposed and Councillor Pearcy seconded.

After being put to a vote, the Motion was carried.

RESOLVED To:

- a) Note that the Draft Internal Audit Plan 2022/23 reflects the current risk profile of the Council; and
- b) Agree the Draft Internal Audit Plan 2022/23 as detailed in Appendix A.

ASC.060 To consider any risk management issues

There were no questions or comments raised.

ASC.061 To consider the Work Programme

The Chair requested that the following items be added to the work programme for July:

- Statement of Accounts.
- Annual Governance Statement.

ASC.062 Member Questions

There were none.

The meeting closed at 9.01 pm

Chair

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STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

TUESDAY, 19 JULY 2022

Report Title	Corporate Risk Register Update			
Purpose of Report	To consider the Corporate Risk Register, including recent updates			
Decision(s)	The Committee RESOLVES to Accept and Note: a. The actions taken to update the Corporate Risk Register b. The Current Corporate Risk Register at Appendix B			
Consultation and Feedback	Audit and Standards Committee have previously considered the risk management review			
Report Author	Andrew Cummings, Strategic Director of Resources Email: andrew.cummings@stroud.gov.uk			
Options	No alternative options at the current stage			
Background Papers	None			
Appendices	Appendix A – Example Bow Tie Report Appendix B – Current Corporate Risk Register			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1. INTRODUCTION / BACKGROUND

- 1.1 At its meeting in April 2022 the Audit and Standards Committee considered a comprehensive review of the Council's risk management procedures. The outcome of that review were 5 medium priority recommendations and one low priority recommendation.
- 1.2 Included within the recommendations was a commitment to bring the Corporate Risk register in a meaningful form to each Audit and Standards Committee. This allows effective transparency and scrutiny of the Council's current risks and controls. This report is the first publication of the Corporate Risk Register since that report.
- 1.3 The Council's risk management procedures were well established in it's risk management toolkit and the Risk Register update. The risk toolkit is a comprehensive operational manual for officers for identifying, and appropriately managing, risks.
- 1.4 In light of its significance to the Committee, Risk Management is a standing item for the Audit and Standards Committee.

2. MAIN POINTS

- 2.1 In line with the recommendation to report the Corporate Risk Register to every committee the risk register has been comprehensively updated. This Register covers risks which affect the medium to long term strategic risks of the Council, and should be overseen by the Audit and Standards Committee.

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- 2.2 The headline approach for managing our risks is set out in the toolkit as follows:
- 1) Clarify our objectives
 - 2) Identify/describe our risks
 - 3) Assess
 - 4) Control
 - 5) Monitor and report risks
- 2.3 The Council Plan, agreed in October 2021, represents the vital first stage of this process. Strategic Risks are those deemed to have an impact on the priorities within the Council Plan or other statutory function. The risk toolkit and approach taken by officers to control risks forms sections 2,3 and 4 of the approach. The Audit and Standards Committee plays a vital role in the last stage, where risks are reported to Committee where they can be appropriately monitored.
- 2.4 The risk toolkit sets out the process by which each risk should be assessed. This includes determining the risk triggers and risk impacts for each report. The risk triggers sets out what causes the risk to occur. The risk impacts set out what may happen should the risk occur. Controls can be either preventative or mitigation controls (or both), depending on whether they relate to triggers or impacts respectively.
- 2.5 Combined, the risks, controls, triggers and impacts represent a methodology known as the “bow tie” approach whereby a graphical representation of the risk can be created. As an example of this approach the bowtie for CCR1 is shown at Appendix A.
- 2.6 The controls for all risks have been reviewed in recent weeks to ensure the Risk Register is up to date. As an additional measure a RAG rating has been introduced for every control. This mechanism allows lead officers to give their view on the current effectiveness of all the controls relating to strategic risks.
- 2.7 It is vital as part of the risk management process to assess the “Risk Appetite” for each Strategic Risk. This sets out the level of risk that the Council is prepared to accept and tolerate and helps set out the level of resource which should be put in to control measures. As part of the process of renewing our approach to Risk Management the risk target has been reviewed for each and every Strategic Risk. The Appetite for each risk is included in the Risk Register as the “Risk Target”.
- 2.8 As well as the risk target a level is given to the current risk score representing the current level of risk. Put simply, the controls used by management should be used to bring the current risk score in line with the risk appetite. Where the current risk score is higher than the target further action is likely to be required.
- 2.9 The process of reviewing the risk register has resulted in a number of new Strategic Risks being added to the register, along with appropriate triggers, controls and impacts. These new risks are;
- CCR92 – High levels of inflation
 - CCR93 – Low staff wellbeing and mental health
 - CCR95 – Successful cyber attack
- 2.10 The process of reviewing the risk register is not regarded as a “one and done” system. The risk register must be a live document which is kept updated on a regular basis. The Council’s Strategic Leadership Team are tasked with refreshing the Risk Register,

including with appropriate horizon scanning. The Risk Register will be reported to each Audit and Standards Committee meeting, even if there have been no material changes. It is likely that at this early stage of refreshing risk management additional risks may be added to the Corporate Register in the coming months.

- 2.11 If the Committee choose to ask for a “Deep Dive” on a particular risk, the full Bowtie report will be presented to a future committee and a lead Officer will attend to ask any questions that the Committee may have.
- 2.12 It is expected that at the time of the Committee meeting procurement will be underway for a new software system for Performance and Risk Management, including a provision to allow members access directly to the system. This is likely to lead to some changes in the way risks are managed. It will certainly mean that risk register updates are visually different from the current form. The Committee will be kept updated on progress of the procurement.

3. CONCLUSION

- 3.1 The Corporate Risk Register has been fully reviewed. This has included setting a risk appetite for all risks as required by the Council’s Risk Management Policies. Appropriate controls have also been considered for all strategic risks.
- 3.2 The Risk Register will now be subject to continual review and will be reported as a standing item to the Audit and Standards Committee.

4. IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising from this decision.

Andrew Cummings, Strategic Director of Resources

Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk

4.2 Legal Implications

There are no specific legal implications arising from the report and/or its recommendations.

One Legal

Tel: 01684 272012 Email: legalservices@onelegal.org.uk

4.3 Equality Implications

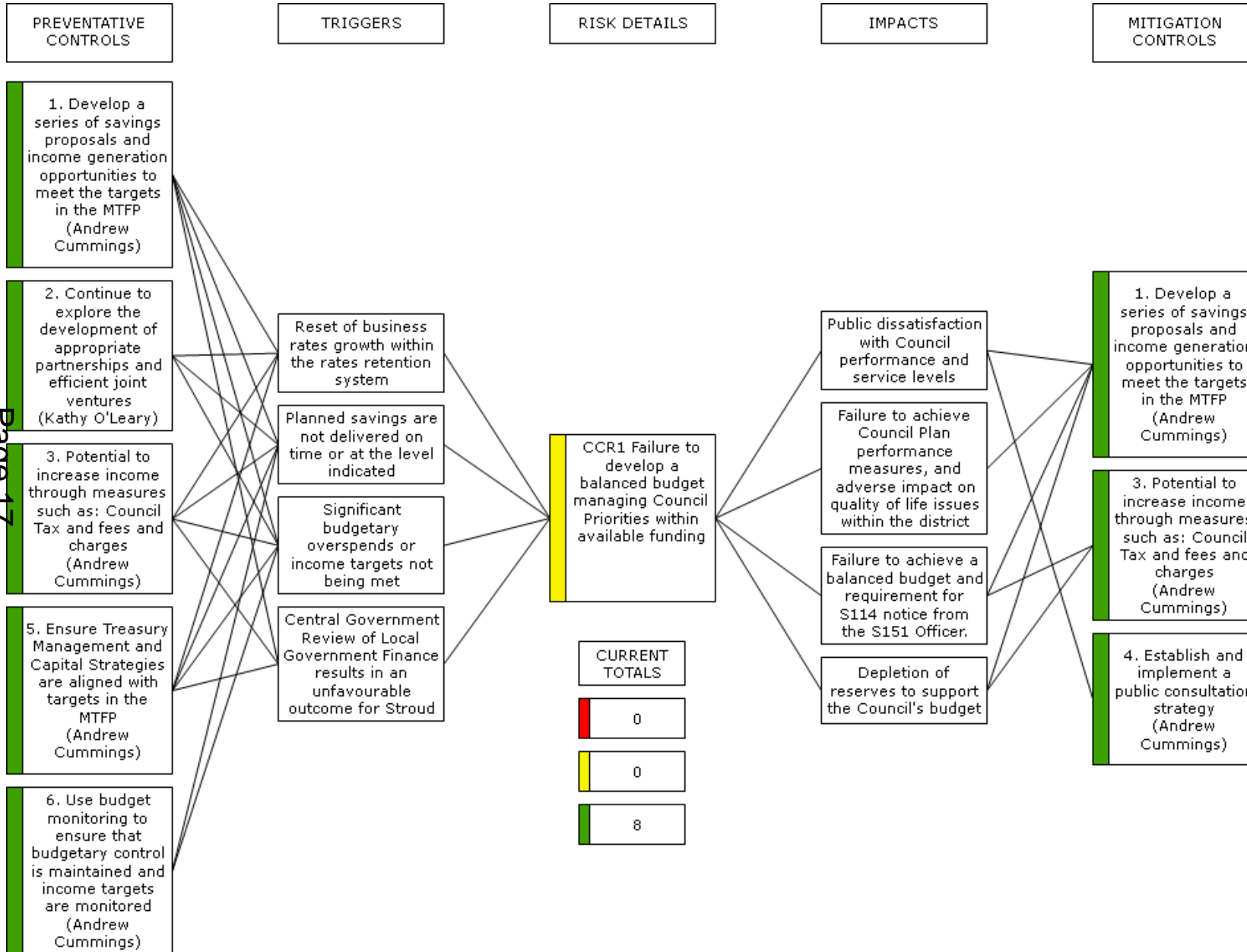
An EIA is not required because there are not any specific changes to service delivery proposed within this decision.

4.4 Environmental Implications

There are no significant implications within this category.

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Bow Tie



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Risk Register

Report Level: Cross Cutting Risks

Risk Code	Risk	Lead Officer	Probability	Severity	Score	Controls with RAG Status & Control Owner	Risk Target	Date For Review
CCR1	Failure to develop a balanced budget managing Council Priorities within available funding	Andrew Cummings	2	3	6	1. Develop a series of savings proposals and income generation opportunities to meet the targets in the MTFP Andrew Cummings	6	28/02/2023
						2. Continue to explore the development of appropriate partnerships and efficient joint ventures Kathy O'Leary		
						3. Potential to increase income through measures such as: Council Tax and fees and charges Andrew Cummings		
						4. Establish and implement a public consultation strategy Andrew Cummings		
						5. Ensure Treasury Management and Capital Strategies are aligned with targets in the MTFP Andrew Cummings		
						6. Use budget monitoring to ensure that budgetary control is maintained and income targets are monitored Andrew Cummings		
CCR2	Information Governance Compliance - The loss of control of data processed by the council	Owen Chandler	2	4	8	Develop consistent Data Sharing practices and agreements Owen Chandler	4	01/08/2022
						Develop Information Governance Champions Owen Chandler		

						Improved insight of iGov function through improved reporting and recording of service usage, trends and feedback.	Owen Chandler		
						Improved retention policy compliance	Owen Chandler		
						Improved use of automation in council retention	Owen Chandler		
						Up to date and accessible Training & Guidance	Owen Chandler		
CCR4	Unable to secure continuity of services during normal business hours ALSO RELATES TO CCR 16	Mike Hammond	3	3	9	1. Council to identify priorities, and required resources, as part of the MTFP process	Andrew Cummings	9	07/10/2022
						2. Ensure ICT hardware and software maintained at appropriate levels	Sean Ditchburn		
						3. Individual service continuity plans fit for purpose and adhered to	Mike Hammond		
						4. Workforce plan to secure expertise to avoid service failures	Lucy Powell		
						5. Ensure data backup system fit for purpose	Steve Colwill		
						6. Adequate resources on hand to respond to emergencies	Andrew Cummings		
						7. Communication strategy to keep stakeholders informed of service availability	Sean Ditchburn		
CCR8	The Council is required to increase its contributions to the Gloucestershire Pension Fund above the MTFP provision.	Andrew Cummings	2	2	4	1. Ensure service redesigns or other staffing changes takes account of financial impact of changed staffing levels on pension fund contributions	Andrew Cummings	4	31/10/2022
						2. Ensure MTFP accurately reflects contribution likely to be required based upon	Andrew Cummings		

						current funding levels and future projections			
						3. Ensure Treasury Management decisions take account of investment benefits potentially available from ad hoc payments to pension fund	Andrew Cummings		
CCR9	Cost of providing waste and recycling services to the district currently constitutes around a third of the organisations budget. As such any budgetary implication is of significant consequence to the MTFP. An emerging facet of this risk is the Environment Bill that could include legislative changes impacting our financial position.	Mike Towson	3	2	6	1. Monitor and manage new garden waste customer requests to maximise revenue from the service.	Mike Towson	2	28/09/2022
						2. Effective management of UBICO contract.	Mike Towson		
						3. Maximise effective use of existing resources.	Mike Towson		
						4. Keeping up to date with emerging legislative changes and good practice.	Mike Towson		
CCR10	Difficulty in recruiting and retaining staff with the right skills, values and behaviours	Lucy Powell	3	2	6	1. Adopt policies which promote staff development and retention, in line with the SDC people Strategy	Lucy Powell	2	30/09/2022
						2. Adoption and implementation of efficient and professional recruitment policies and practices	Lucy Powell		
						3. Purchase and implement HR software with effective recruitment modules	Lucy Powell		
						4. Where appropriate developing partnership arrangements with other public sector partners to share risk and build capacity	Lucy Powell		
						5. Transfer risk through outsourcing if appropriate	Lucy Powell		

						6. Review benefit package for staff, including financial and non-financial rewards measure	Andrew Cummings		
CCR18	The loss of income from recycling/incentive credits and the potential for increased costs of recycle processing.	Mike Towson	4	3	12	Effective management of the UBICO contract	Mike Towson	9	28/09/2022
					Keeping up to date with emerging legislative changes and good practice.	Mike Towson			
					MRF Contract - the value of recycles collected by the Council are determined by industry benchmarks, this may have an impact of the amount received (income) or the costs incurred of disposal	Mike Towson			
					To keep lines of communication open with the County Council to maximise the lead in time for any changes to payment received	Mike Towson			
CCR19	COVID-19 pandemic	Kathy O'Leary	3	3	9	Weekly Overview of all Covid-19 response work, business as usual, comms, staffing	Kathy O'Leary	6	27/04/2022
CCR20	Government white paper on levelling up results in changes to local government structure or funding	Kathy O'Leary	4	2	8	Active engagement with Gloucestershire County Council as they work towards their proposal for a County Deal	Kathy O'Leary	3	01/12/2022
					Assess impact of White Paper and work with neighbouring authorities	Kathy O'Leary			
					Medium Term Financial Planning process to include financial implications of levelling as they become known	Andrew Cummings			
CCR92	High levels of inflation impacting upon Council budgets and Service Delivery	Andrew Cummings	4	3	12	Capital Budgets must include sufficient contingency to allow for inflation and this should be	Andrew Cummings	4	31/10/2022

						<p>incorporated within the Budget Strategy.</p> <p>HR Policies and Advertising should include details of the wider benefits of working for SDC</p> <p>The Budget Strategy and Medium Term Financial Plan should include a medium term analysis of the level of inflation. This will incorporate wage inflation, contract inflation and inflation within the capital programme.</p> <p>Appropriate levels of increase on fees and charges as well as rents and Council Tax (within statutory limits) must also be incorporated.</p>	<p>Lucy Powell</p> <p>Andrew Cummings</p>		
CCR93	Low of levels of staff wellbeing and mental health	Andrew Cummings	3	2	6	<p>A comprehensive set of employee support tools which are also open to elected members. This is to include mental health first aiders and counselling services.</p> <p>Absence monitoring is used to track levels of mental health absences and corrective action taken where appropriate</p> <p>An annual staff survey, supplemented by more regular wellbeing surveys, is used to understand the current priorities for staff and respond accordingly.</p> <p>Creation and promotion of a set of Corporate Values and Behaviours to reflect the culture that we desire at SDC</p>	<p>Lucy Powell</p> <p>Lucy Powell</p> <p>Lucy Powell</p> <p>Lucy Powell</p>	1	30/09/2022

						<p>Introduction of wellbeing champions to engage with staff across the Council to talk openly about wellbeing and working with HR, SLT and LMT to share thoughts and recommendations on staff wellbeing</p> <p>Maintaining our workplace wellbeing award from Healthy Lifestyles Gloucestershire</p> <p>Member development group to consider development need of Councillors</p>	<p>Lucy Powell</p> <p>Lucy Powell</p> <p>Jenna Day</p>		
CCR95	Successful cyber attack on the Council	Steve Colwill	3	3	9	<p>1. Education of SDC network users</p> <p>2. Protecting SDC from penetration</p> <p>3. Reducing the extent of lateral movement across the SDC IT estate should a hack occur</p> <p>4. Purchase cyber insurance to partially cover costs of any successful cyber breach</p>	<p>Steve Colwill</p> <p>Steve Colwill</p> <p>Steve Colwill</p> <p>Lucy Clothier</p>	6	30/09/2022

STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

19 JULY 2022

Report Title	COUNTER FRAUD AND ENFORCEMENT UNIT REPORT			
Purpose of Report	To provide the Audit and Standards Committee with assurance over the counter fraud activities of the Council in relation to the work undertaken by the Counter Fraud and Enforcement Unit. The report also provides the Audit and Standards Committee with the annual update in relation to the Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 (IPA) and the Council's existing authorisation arrangements.			
Decision(s)	The Committee RESOLVES to Consider the report and comment as necessary.			
Consultation and Feedback	Work plans are agreed and reviewed regularly with the Strategic Director of Resources. Any Policies drafted or revised by the Counter Fraud and Enforcement Unit have been reviewed by One Legal and have been issued to the relevant Senior Officers, Management and Governance Officers for comment.			
Report Author	Emma Cathcart, Head of Service Counter Fraud and Enforcement Unit Email: Emma.Cathcart@cotswold.gov.uk			
Options	None. The service is a specialist criminal enforcement service working with the Gloucestershire Local Authorities, West Oxfordshire District Council and a number of other public sector bodies such as social housing providers.			
Background Papers	None.			
Appendices	None.			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	Yes	Yes	No

1. INTRODUCTION / BACKGROUND

- 1.1. The Audit and Standards Committee oversees the Council's counter fraud arrangements and it is therefore appropriate for the Committee to be updated in relation to counter fraud activity.
- 1.2. The Counter Fraud Partnership was the subject of a recent service review. One of the agreed proposals was that the name of the Unit be changed to the 'Counter Fraud and Enforcement Unit' (CFEU) to better reflect delivery. This will give colleagues, clients and members of the public a clearer indication of the remit of the team.

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- 1.3. A summary of the work undertaken is presented to the Audit and Standards Committee detailing progress and results for consideration and comment as the body charged with governance in this area.
- 1.4. The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds. The CFEU provides assurance in this area. Failure to undertake such activity would accordingly not be compliant and expose the authority to greater risk of fraud and/or corruption. If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.
- 1.5. The Regulation of Investigatory Powers Act and Investigatory Powers Act Policies set out the legislative framework and principles the Council will abide by to mitigate the risk of legal challenge in Court. They demonstrate the Council's consideration of necessity, proportionality and public interest when deciding on surveillance activity and requests for communication data. It also demonstrates openness and transparency for its customers.

2. MAIN POINTS

2.1. Counter Fraud and Enforcement Unit Update.

- 2.2. As a dedicated investigatory support service, the CFEU undertakes a wide range of enforcement and investigation work according to the requirements of each Council. This includes criminal investigation and prosecution support for enforcement teams, investigations into staff/member fraud and corruption, or tenancy and housing fraud investigation work.
- 2.3. The CFEU has been tasked with undertaking the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support), working closely with the Department for Work and Pensions in relation to Housing Benefit investigations.
- 2.4. During 2021/2022, the team received 6 referrals and closed 5 cases. This resulted in the following:
 - 2 successful prosecutions:
 - Case 1 – the defendant pleaded guilty and received a 12 month Community Order and is required to undertake 200 hours unpaid work. In addition £85 costs were awarded. The increased Council Tax revenue or fraudulently claimed Council Tax Support totalled £2,239.
 - Case 2 – the defendant pleaded guilty and received a £660 Fine. In addition £507 costs were awarded. The increased Council Tax revenue or fraudulently claimed Council Tax Support totalled £584. The defendant had been offered a Criminal Penalty as an alternative to prosecution but failed to cooperate.
 - The application of 1 Civil Penalty £50.
 - The team have processed 38 enquiries for DWP and referred 2 cases.
- 2.5. Since 1 April 2022 the team have received 1 referral, closed 1 case and have processed 5 enquiries for DWP.
- 2.6. All Local Authorities participate in the Cabinet Office's National Fraud Initiative, which is a data matching exercise to help prevent and detect fraud nationwide. The use of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under Data Protection Legislation.

- 2.7. The CFEU are assisting the Revenues and Benefits Department with the review of National Fraud Initiative (NFI) matches:
- The team reviewed 441 matches relating to single person discount anomalies. 181 accounts were identified as requiring further enquiries with the liable parties. 78 accounts have been referred to the Revenues Department requiring action. 42 accounts have been updated to date resulting in £36,608 increased revenue. In addition 19 Civil Penalties have been applied totalling £1,330. Some adjustments remain outstanding.
 - This year, the team have been asked to undertake the review of single person discount anomalies and matches relating to the Council Tax Reduction Scheme and Housing Benefit claims.
- 2.8. The CFEU continues to support the Council in tackling tenancy fraud. The overall remit is to prevent, detect and deter abuse of public funds and social housing. Housing and tenancy fraud remains as one of the top four areas of fraud and abuse within the public sector. This takes many forms but the two most significant areas are Right to Buy and Illegal Subletting. The CFEU will continue to work with the Council and social housing providers to tackle this effectively.
- 2.9. The Counter Fraud Officers are authorised under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014. This means they are authorised to obtain information relating to an individual from organisations such as financial institutions (banks, credit card companies), utility companies, communications providers and so on. The Act also created new offences in relation to housing fraud that can be prosecuted by Local Authorities acting on behalf of Social Landlords.
- 2.10. During 2021/2022, the team received 3 new case and closed 6 cases. One property has been recovered representing £93,000 in loss avoidance. Since 1 April 2022 the team have received 2 verification requests and closed 8 cases.
- 2.11. As a rough guide, the Cabinet Office estimated the following savings to Social Housing Providers:
- Tenancy Fraud - £93,000 per property recovered based on average four year fraudulent tenancy – this includes temporary accommodation for genuine applicants, legal costs to recover the property, re-let cost and rent foregone during the void period between tenancies.
 - Right to Buy - £65,000 per application withdrawn based on average house prices and minimum right to buy discount.
 - Housing Waiting List Misrepresentation - £10,000 per applicant removed based on 1 year local temporary accommodation cost for genuine applicants. The National Fraud Initiative apply a more conservative estimate of £3,240 per case for future losses prevented as a result of removing an applicant from council housing waiting list.
- 2.12. More recently the Fraud Advisory Panel, Charity Commission, Tenancy Fraud Forum and others have produced a new method using a standard formula to arrive at an average national cost to the taxpayer per detected tenancy fraud of £42,000. The formula considers:
- The annual average temporary accommodation cost per family for individual Councils (£12,100) multiplied by 3 being the typical duration of for one of these frauds = £36,300;

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- Add the average investigation costs (£1,300), average legal costs (£1,000) and the average void costs (£3,140)
 - = £41,740 approximated to £42,000.
- 2.13. The CFU undertakes Member Code of Conduct Investigations on behalf of the partnership and 1 case has been referred to the team relating to a Parish Council matter. This case has been referred for consideration by the Standards Sub-Committee.
- 2.14. **Regulation of Investigatory Powers Act (RIPA) 2000 and Investigatory Powers Act (IPA) 2016.**
- 2.15. The Council's policies are based on the legislative requirements of these Acts and the Codes of Practice relating to directed surveillance and the acquisition of communications data.
- 2.16. The Policies were reviewed and presented to the Audit and Standards Committee in April 2021.
- 2.17. The RIPA Surveillance and Covert Human Intelligence Source Policy was recently updated to reflect the new Covert Human Intelligence Sources (Criminal Conduct) Act 2021 which makes provision for those acting as covert agents to commit crime whilst undertaking their duties does not apply to the Council.
- 2.18. The Use of the Internet and Social Media in Investigations and Enforcement Policy is presented to the Audit and Standards Committee under a separate report at this meeting for adoption.
- 2.19. The Council underwent an inspection by the Investigatory Powers Commissioner's Office in January 2022. The inspection was completed remotely and the report confirms a high level of compliance by the Council.
- 2.20. The Inspector requested the introduction of a centralised register and the provision of training. The CFEU will manage the register as the RIPA Coordinator and will be delivering refresher training to all enforcement staff and the Authorising Officers.
- 2.21. All applications for communications data are made online via the National Anti-Fraud Network (NAFN) which acts as the single point of contact for Councils. There is a requirement for the Council to nominate a Designated Senior Officer who will confirm to NAFN that the Council is aware of any request and approves its submission. This role is undertaken by the Counter Fraud and Enforcement Unit.
- 2.22. The CFEU will be delivering refresher training to all enforcement staff and the Authorising Officers.
- 2.23. There have been no RIPA applications made by the Council during 2021/2022, and no applications for communications data have been submitted. The Council has not held data relating to Non-RIPA activity to date. This data will now be recorded, commencing 1 April 2022.
- 2.24. The Council takes responsibility for ensuring its procedures relating to surveillance and the acquisition of communications data are continuously improved and all activity is recorded.

3. CONCLUSION

- 3.1 The Council were fully supportive of the original Counter Fraud Unit project and funding bid and the CFEU is now delivering financial results in this area.

4. IMPLICATIONS

4.1 Financial Implications

The report details financial savings generated by the CFEU and the objectives in reducing crime and financial loss to the Local Authority.

Andrew Cummings, Strategic Director of Resources
Email: andrew.cummings@stroud.gov.uk

4.2 Legal Implications

- 4.2.1 In general terms, the existence and application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge.

- 4.2.2 The Council is required to ensure that it complies with the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016 and any other relevant/statutory legislation regarding investigations. It should also consider government guidance in this area.

- 4.2.3 The Council has a statutory obligation for enforcing a wide range of legislation, where it is necessary and proportionate to do so. Human rights implications are a consideration of this type of activity and this is included within the Policy.

- 4.2.4 Any requests for directed/covert surveillance or the acquisition of communications data to be undertaken should be necessary and proportionate, and authorised by the appropriate Officer. Both Policies provide information and advice to those seeking authorisation and those officers granting authorisation. Both policies confirm the process to be used and matters to be considered.

One Legal
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4.3 Equality Implications

- 4.3.1 The promotion of effective counter fraud controls and a zero tolerance approach to internal misconduct promotes a positive work environment.

- 4.3.2 The application of these Policies, to govern surveillance and the obtaining of personal communications data, ensures that there is less risk that an individual's human rights will be breached. Furthermore it protects the Council from allegations of the same.

4.4 Environmental Implications

- 4.4.1 There are no significant implications within this category.

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STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

19 JULY 2022

Report Title	Use of the Internet and Social Media in Investigations and Enforcement Policy			
Purpose of Report	To present the Audit and Standards Committee with a new Use of the Internet and Social Media in Investigations and Enforcement Policy, for approval and adoption, to reflect the Investigatory Powers Commissioner's Office guidance and recommendations that Councils should implement policies and procedures in this area.			
Decision(s)	The Committee RESOLVES to: a) Approve and adopt the Use of the Internet and Social Media in Investigations and Enforcement Policy as attached at Appendix 1; b) Authorise the Monitoring Officer to approve future minor amendments to the Policies in consultation with the Counter Fraud and Enforcement Unit.			
Consultation and Feedback	The Policy was subject to consultation with the Senior Leadership Team and One Legal.			
Report Author	Emma Cathcart, Head of Service Counter Fraud and Enforcement Unit Email: Emma.Cathcart@cotswold.gov.uk			
Options	None. The CFU is a specialist criminal enforcement service working with the Gloucestershire Local Authorities, West Oxfordshire District Council and a number of other public sector bodies such as social housing providers.			
Background Papers	Audit and Standards Committee - Regulation of Investigatory Powers Act (RIPA) 2000 / Investigatory Powers Act (IPA) 2016 Report April 2021.			
Appendices	Appendix A - Use of the Internet and Social Media in Investigations and Enforcement Policy.			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	Yes	Yes	No

1. INTRODUCTION / BACKGROUND

- 1.1. The Counter Fraud and Enforcement Unit was tasked with reviewing and developing the Council's policy and procedures on accessing the internet and social media for investigations and enforcement purposes.
- 1.2. The Council's Policies are based on the legislative requirements of the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016 and the Codes of Practice relating to directed surveillance, the use of covert human intelligence sources and the acquisition of communications data. Attached at Appendix 1 is a newly drafted Policy.

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2. MAIN POINTS

- 2.1. Whilst there has been a general decline in the use of covert surveillance activity, Councils have come under increased scrutiny in this area by Investigatory Powers Commissioner's Office (IPCO) during inspections and there are a number of recommendations in their annual reports, procedures and guidance.
- 2.2. IPCO confirms that, where inspections reveal activity - particularly with regard to intelligence gathering through the use of the internet and social media - evidence should demonstrate that consideration has been given to whether the activity could be considered surveillance and the appropriate authorisation sought.
- 2.3. Existing arrangements have been reviewed and the policy for ensuring compliance has been developed, attached at Appendix 1. The policy is generic and broad to ensure that the integrity of investigations and methods of detection are not revealed.
- 2.4. The procedure that derives from this policy is a confidential document available to members of staff involved in investigation work only who are authorised to undertake research and investigation using open source internet applications (as investigative tools) or other civil or criminal enforcement and recovery work.

3. CONCLUSION

- 3.1 This Policy, and the related RIPA and IPA Policies demonstrate the Council's consideration of necessity, proportionality and public interest when deciding on surveillance activity or the decision to obtain personal communication data. The application of the policies and procedures, to govern surveillance and the obtaining of personal communications data, minimises the risk that an individual's human rights will be breached. Furthermore, it protects the Council from allegations of the same.

4. IMPLICATIONS

4.1 Financial Implications

- 4.1.1 The adoption and approval of this Policy will support the Council's objectives in reducing crime and financial loss to the Local Authority.

Andrew Cummings, Strategic Director of Resources
Email: andrew.cummings@stroud.gov.uk

4.2 Legal Implications

- 4.2.1 The Council is required to ensure that it complies with the Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 (IPO) and any other relevant/statutory legislation regarding investigations.
- 4.2.2 The Council has a statutory obligation for enforcing a wide range of legislation, where it is necessary and proportionate to do so. Human rights implications are a consideration of this type of activity and this is included within the Policy.

- 4.2.3 Any requests for directed/covert surveillance or the acquisition of communications data to be undertaken should be necessary and proportionate, and authorised by the appropriate Officer.

One Legal

Email: legalservices@onelegal.org.uk

4.3 Equality Implications

- 4.3.1 The application of the RIPA and IPA Policies, to govern surveillance and the obtaining of personal communications data, ensures that there is less risk that an individual's human rights will be breached. Furthermore, it protects the Council from allegations of the same.

4.4 Environmental Implications

- 4.4.1 There are no significant implications within this category.

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Version Control	
Document Name:	Use of the Internet and Social Media for Investigations and Enforcement Policy
Version:	1
Responsible Officer:	Emma Cathcart, Counter Fraud and Enforcement Unit
Approved by:	Cabinet / Executive / Audit & Standards Committee
Next Review Date	May 2023
Retention Period:	N/A

Revision History

Revision date	Version	Description

Consultees

Internal	External
Enforcement Lead Officers Governance Groups One Legal / Legal Services Corporate / Executive / Senior Leadership Audit / Audit and Governance / Audit, Compliance and Governance Committee	

Distribution

Name	
Enforcement Officers	

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Use of the Internet and Social Media for Investigations and Enforcement Policy



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1. INTRODUCTION

- 1.1 Online open source research is widely regarded as the collection, evaluation and analysis of material from online sources available to the public, whether by payment or otherwise, to use as intelligence and evidence.
- 1.2 The use of online open source Internet and Social Media research is a method of obtaining information to assist the Council with its regulatory and enforcement functions. It can also assist with service delivery issues. However, the use of the Internet and Social Media is constantly evolving and with it the risks, particularly regarding breaches of privacy under Article 8 of the Human Rights Act (HRA) 1998 and other operational risks.
- 1.3 The Council is a Public Authority in law under the HRA, and as such, the staff of the Authority must always work within this legislation. This applies to research on the Internet.
- 1.4 Researching, recording, storing, and using open source information regarding a person or group of people must be both necessary and proportionate and take account of the level of intrusion against any person. The activity may also require authorisation and approval by a Magistrate under the Regulation of Investigatory Powers Act (RIPA) 2000. To ensure that any resultant interference with a person's Article 8 Right (respect for private and family life) is lawful, the material must be retained and processed in accordance with the principles of the General Data Protection Regulation (GDPR) 2016 and Data Protection legislation.

2. SCOPE OF POLICY

- 2.1 This Policy and associated Procedure establishes the Council's approach to ensuring that all online research and investigations are conducted lawfully and ethically to reduce risk. It provides guidance to all staff within the Council, about legislative framework and implications associated with online Internet and Social Media research, when engaged in their official capacity. It will also ensure that the activity undertaken, and any evidence obtained, will withstand scrutiny.
- 2.2 This Policy takes account of the HRA, RIPA, Criminal Procedures and Investigations Act (CPIA) 1996, Data Protection legislation and regulations and National Police Chiefs Council (NPCC) Guidance on Open Source Investigation/Research.
- 2.3 This Policy and associated Procedure will be followed at all times and should be read, where required, with the RIPA Codes of Practice and any other legislation

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Use of the Internet and Social Media for Investigations and Enforcement Policy



and relevant policies mentioned in this document. Should there be any queries advice can be sought from the RIPA Coordinator within the Counter Fraud Unit.

- 2.4 This Policy should not be exempt from disclosure under the Freedom of Information Act 2000.

3. RISK

- 3.1 Staff must be aware that any activity carried out using the Internet leaves a trace or footprint which can identify the device used, and, in some circumstances, the individual carrying out the activity. This may pose a legal and reputational risk to the Council if they are challenged by the subject of the research for breaching Article 8.1 of the HRA which states “Everyone has the right to respect for his private and family life, his home and his correspondence”.
- 3.2 Article 8.2 states “There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health or morals or for the protection of the rights and freedoms of others”. It is therefore important that the Council can demonstrate that such activity was necessary and proportionate.
- 3.3 Monitoring of an individual’s social media or other open source information on a repeated or continuous basis could constitute surveillance by a Public Authority and fall with the realms of RIPA.
- 3.4 Breach of an individual’s rights under the HRA leaves the Council open to claims for financial compensation and the consequential reputational damage.
- 3.5 Failure to implement and follow a policy could risk compromising the integrity of evidence and any associated investigation.

4. NECESSITY / JUSTIFICATION

- 4.1 To justify the intrusion and interference with an individual’s privacy there must be a clear and lawful reason for the activity. Therefore the necessity for the research such as the criminal conduct that it is aimed to prevent or detect must be identified and clearly described. This should be documented with clear objectives. Should the research fall within RIPA activity, the RIPA authorisation will deal with the criteria for it to be lawful intrusion.



5. PROPORTIONALITY

- 5.1 Proportionality involves balancing the level of intrusion of the research on the subject and other innocent third parties who might be affected by it (collateral intrusion) against the need for the activity in operational terms.
- 5.2 The Officer must consider and document the benefit to carrying out the activity and how the benefit will outweigh the intrusion.
- 5.3 The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means.
- 5.4 All such activity should be carefully managed to meet the objective in question and must not be arbitrary or unfair.

6. PRIVATE INFORMATION

- 6.1 Private information is defined in the RIPA Codes of Practice and states it “includes any information relating to a person’s private or family life. Private information should be taken generally to include any aspect of a person’s private or personal relationship with others, including family and professional or business relationships.”
- 6.2 Prior to, and during, any research Staff must take into account the privacy issues of any person associated with the research.
- 6.3 There are three broad categories of private information applicable here:
- 6.4 Category 1 - Viewing publically available postings or websites where the person viewing does not have to register a profile, answer a question, or enter any significant correspondence in order to view. For example, a typical trader’s website.
- 6.5 Category 2 - Viewing postings on social networks where the viewer has had to register a profile but otherwise there is no other restriction on access. This would include Facebook where there is no need to be accepted as a “friend” to view. For example a trader has a “shop window” on Facebook advertising a business and products.
- 6.6. Category 3 - Viewing postings on social networks which require a “friend” or similar status to view.

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Use of the Internet and Social Media for Investigations and Enforcement Policy



7. REVIEWING THE ACTIVITY

- 7.1 During the course of conducting the Internet open source research, the nature of the online activity may evolve. It is important that Staff continually assess and review their activity to ensure it remains lawful and compliant. Where it evolves into RIPA activity, the RIPA procedure should be followed. If in doubt, Staff should seek advice from the RIPA Coordinator within the Counter Fraud Unit.

8. USE OF MATERIAL

- 8.1 The material obtained from conducting open source Internet and Social Media research may be used as intelligence or evidence.
- 8.2 Any material gathered from the Internet during the course of a criminal investigation must be retained in compliance with the Criminal Procedure and Investigations Act (CPIA) Codes of Practice and all material stored in line with the General Data Protection Regulations (GDPR) data retention policies.

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

19 JULY 2022

Report Title	ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY AND ACTUAL PRUDENTIAL INDICATORS 2021/2022			
Purpose of Report	To advise on the treasury management activities in 2021/2022, in accordance with the Council's Treasury Policy Statement. To report on actual 2021/2022 Prudential Indicators in accordance with the requirements of the Prudential Code.			
Decision(s)	Audit & Standards Committee RECOMMENDS that Council approves the treasury management activity annual report for 2021/2022 and the actual Prudential Indicators.			
Consultation and Feedback	Link Asset Services (LAS).			
Report Author	Graham Bailey, Principal Accountant Tel: 01453 754133 Email: graham.bailey@stroud.gov.uk			
Options	None			
Background Papers	None			
Appendices	A – Temporary Investments 2021/2022 B – Actual Prudential Indicators 2021/2022 C – Explanation of the Prudential indicators D – The economy and interest rates 2021/2022 E – Borrowing and investment rates in 2021/2022			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

Background

- This Council fully complies with the CIPFA Treasury Management Code of Practice and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- For the financial year 2021/2022 the minimum reporting requirements were that the full Council should receive the following reports:
 - Annual treasury strategy (Council 25/02/2021)
 - Half year treasury management report (Audit & Standards 30/11/2021)
 - Annual treasury review (this report)
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body, which in this Council is the Audit & Standards Committee.

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Treasury Activity

4. A summary of treasury management activity for 2021/2022 is shown below:

Treasury Activity 2021-22				
	April 2021	Increase	Decrease	March 2022
	£000	£000	£000	£000
Debt				
Borrowing:				
Long-term	-102,717	-	-	-102,717
Short-term	-	-	-	-
Total debt	-102,717	-	-	-102,717
Investments				
Externally managed	-	-	-	-
Internally managed - Long term	9,870	884	-	10,754
Internally managed - Short term	48,013	10,886	-	58,899
Total investments	57,883	11,770	-	69,653
Net debt	-44,834	11,770	-	-33,064

Investment Strategy

5. Investment strategy for 2021/2022 was to give primary importance to security of capital and liquidity. This was achieved through having regard to government 'Guidance on Local Government Investment' issued in March 2004, and our own investment policy which set out permitted specified and non-specified investments. In addition, the Council received and followed weekly investment advice from Link Asset Services detailing counterparty credit ratings, which were also subjected to a credit default swap overlay. This was supplemented by daily update emails from Link Asset Services, economic briefings and monitoring the financial press.
6. The Council's Investment Strategy, set out in the report to Council in February 2021, stated that in 2021/2022 the Council would seek to improve average returns to help the Council's financial sustainability. Investment strategy was to broaden the range of longer term investments.
7. The expectation for interest rates within the strategy for 2021/2022 was for Bank Rate to remain at 0.1%. In actual fact, the rate has increased to 0.25% on 16 December 2021, 0.5% on 3 February 2022 and 0.75% on 17 March 2022.
8. The Council has £10m of property fund and multi-asset fund investments comprised of Lothbury property fund £4m, Hermes property fund £2m, Royal London Multi-Asset fund £3m and CCLA £1m. These are non-specified investments and they are intended to be long-term. Capital values are subject to change.
9. **Appendix A** has a summary of all investments during the year.

Borrowing Outturn for 2021/2022

10. The Council had total borrowing of £102.717m as at 31 March 2022. No new loans were taken out and no loans matured during the year. With a Capital Financing Requirement of £117.058m as at 31 March 2022, the Council has continued and extended an element of internal borrowing during the year to help offset low investment returns. As at 31 March 2022 there is internal borrowing of £14.341m (2020-21 £8.613m).

Lender	Principal	Type	Interest Rate	Years to Maturity	Maturity Date	New 20-21
PWLB	£2m	Fixed Interest Rate	1.93%	1 years	11/02/2023	
PWLB	£6m	Fixed Interest Rate	3.32%	10 years	31/03/2032	
PWLB	£10m	Fixed Interest Rate	3.45%	15 years	31/03/2037	
PWLB	£7m	Fixed Interest Rate	3.51%	20 years	31/03/2042	
PWLB	£7m	Fixed Interest Rate	3.51%	20 years	31/03/2042	
PWLB	£7m	Fixed Interest Rate	3.53%	25 years	31/03/2047	
PWLB	£7m	Fixed Interest Rate	3.53%	25 years	31/03/2047	
PWLB	£7m	Fixed Interest Rate	3.52%	30 years	31/03/2052	
PWLB	£7m	Fixed Interest Rate	3.52%	30 years	31/03/2052	
PWLB	£7m	Fixed Interest Rate	3.51%	35 years	31/03/2057	
PWLB	£7m	Fixed Interest Rate	3.51%	35 years	31/03/2057	
PWLB	£10m	Fixed Interest Rate	3.48%	39 years	31/03/2061	
PWLB	£9.717m	Fixed Interest Rate	3.48%	39 years	31/03/2061	
PWLB	£1m	Fixed Interest Rate	2.51%	41 years	21/06/2063	
PWLB	£2m	Fixed Interest Rate	3.16%	41 years	20/08/2063	
PWLB	£1m	Fixed Interest Rate	3.55%	43 years	28/11/2064	
PWLB	£2m	Fixed Interest Rate	3.20%	43 years	18/08/2065	
PWLB	£2m	Fixed Interest Rate	2.96%	44 years	11/02/2066	
PWLB	£1m	Fixed Interest Rate	2.65%	44 years	14/06/2066	
Total Loans	£102.717m					

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The Economy and Interest Rates

11. An analysis of UK economic performance and interest rates and the world economic context during 2021/2022 is in **Appendix D**.

Performance Measurement

12. **Appendix A** has details of the investments made during the year. All of these were 'approved investments' with counterparties included on the Council's lending list, and within permitted limits as regards time and amount, except for the Barclays 95-day notice account which exceeded the £8m limit by £2k for a period of time due to automatically re-invested interest.
13. The average level of internally managed investments held was £57.944 million and the average return on these investments was 0.22%. The interest earned was £129k.
14. The average invested in Property and Multi-Asset Funds was £10 million and the average return on these investments was 2.79%. Interest earned was £279k. Capital values had increased as during 2021/2022 by £0.893m. A statutory override for the accounting treatment for local authorities means the change in capital value is taken to the balance sheet, rather than the 2021/2022 revenue account. The Council has an earmarked investment risk reserve of £0.310m set aside.
15. Interest earned in 2021/2022 on specified and non-specified investments was £408k compared with a budget of £398k.

	Average Investment	Rate of Return
Internally Managed Specified	£57,944,055	0.22%
Property Fund / Multi-Asset	£10,000,000	2.79%
Externally Managed	N/A	N/A

16. Stroud is a member of a Link Asset Services Benchmarking group. The group is comprised of North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Oxford City Council, Oxfordshire County Council, Rugby Borough Council, Warwick District Council, Warwickshire County Council, West Midlands Combined Authority, Worcestershire County Council and Wyre Forest District Council. A primary aim of the group is to evaluate and compare return on investment taking into account the level of risk for the investment portfolio. During 2021/2022 Stroud has again compared well with the benchmark group in terms of return achieved, whilst maintaining a predominantly low risk portfolio.
17. In line with the budget strategy and the 2021/2022 Treasury and Investment Strategies approved by Council in February 2021 the Council is continuing to target an increase the return on investments through an increased risk appetite and permitting a wider range of investments.

Prudential Indicators and Compliance with Borrowing Limits

- 18. The Council is required by the Prudential Code to report actual prudential indicators after the year end. These are shown in **Appendix B**.
- 19. The Council had maximum loans totalling £102.717m during 2021/2022. This amount of borrowing was well within both the authorised and operational borrowing limits of £143m and £138m respectively.

Borrowing limits 2021/2022	Approved Limit	Actual
Authorised limit for external debt	£143m	£102.7m
Operational boundary for external debt	£138m	£102.7m

Member Training

- 20. Training for members was provided by Link on 17 January 2022, when members were also consulted on the draft Ethical Investment Policy. Further training for Members will be scheduled later in 2022/2023.

4. IMPLICATIONS

4.1 Financial Implications

The report sets out the financial results of the Council’s Treasury management activities in 2021/22.

The Council has an investment risk reserve of £310k to cover any fall in value of the long term funds from their original investment of £10m. As the report sets out the funds are currently significantly above that level. However, the reserve will be held in place as a measure of caution against market uncertainty in the current financial year.

Andrew Cummings, Strategic Director of Resources
 andrew.cummings@stroud.gov.uk

4.2 Legal Implications

There are no significant legal implications in respect of the recommendations in this report. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services, the ODPM Local Government Investment Guidance provides assurance that investments are, and will continue to be, within its legal powers.

One Legal
 Tel: 01684 272012

Agenda Item 8

Email: legalservices@onelegal.org.uk

4.3 Equality Implications

An EIA is not required because there are not any specific changes to service delivery proposed within this decision

4.4 Environmental Implications

There are no environmental implications from the decisions in this report.

Council has agreed an ethical investments policy which applies from the 2022/23 onwards. Future Treasury Management reports will incorporate reporting against that policy, including on environmental criteria.

Temporary Investments - Summary Activity 2021/2022				
Borrower	Type	Average Principal Invested £	Interest £	Average Rate
Aberdeen	MMF	2,995,588.05	1,753.49	0.06%
Deutsche	MMF	207,391.78	100.32	0.05%
Federated Prime	MMF	2,726,631.96	1,243.67	0.05%
Goldman Sachs	MMF	792,301.91	199.70	0.03%
Dudley Metropolitan Council	FD	1,000,000.00	14,500.00	1.45%
National Bank of Canada	FD	5,479.45	33.97	0.62%
North Lanarkshire Council	FD	1,898,630.14	3,987.12	0.21%
Qatar National Bank	FD	756,164.38	1,814.79	0.24%
Stirling Council	FD	224,657.53	112.33	0.05%
Barclays	Call	171,365.41	17.14	0.01%
Barclays 95	Notice	7,773,979.26	18,886.01	0.24%
Barclays Total		7,945,344.67	18,903.14	0.24%
Bayerische Landesbank	FD	564,383.56	790.14	0.14%
Bayerische Landesbank	FD	317,808.22	921.64	0.29%
Bayerische Landesbank	FD	10,958.90	69.04	0.63%
Bayerische LB Total		893,150.68	1,780.82	0.20%
Coventry B S	FD	4,076,712.33	2,038.37	0.05%
Coventry B S	FD	279,452.05	167.67	0.06%
Coventry B S	FD	153,424.66	184.11	0.12%
Coventry B S	FD	944,109.59	1,321.76	0.14%
Coventry B S	FD	167,671.23	519.79	0.31%
Coventry B S	FD	21,917.81	111.78	0.51%
Coventry B S Total		5,643,287.67	4,343.48	0.08%
DMO	FD	242,487.67	24.25	0.01%
DMO	FD	38,356.16	84.38	0.22%
DMO	FD	95,890.41	287.67	0.30%
DMO	FD	109,589.04	509.59	0.47%
DMO	FD	117,808.22	647.94	0.55%
DMO Total		604,131.51	1,553.83	0.26%
Goldman Sachs	FD	991,780.82	1,289.32	0.13%
Goldman Sachs	FD	564,383.56	846.58	0.15%
Goldman Sachs	FD	1,260,273.97	2,016.43	0.16%
Goldman Sachs	FD	953,424.66	2,002.19	0.21%
Goldman Sachs	FD	997,260.27	2,692.60	0.27%
Goldman Sachs Total		4,767,123.29	8,847.12	0.19%
Lloyds 32	Notice	1,870,311.91	561.09	0.03%
Lloyds 95	Notice	2,048,936.09	985.16	0.05%
Lloyds Total		3,919,248.00	1,546.26	0.04%

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Appendix A

Temporary Investments

National Counties B S	FD	701,369.86	1,332.60	0.19%
National Counties B S	FD	295,890.41	591.78	0.20%
National Counties B S Total		997,260.27	1,924.38	0.19%
NW RFB	FD	1,849,315.07	3,513.70	0.19%
NW RFB	CD	1,150,684.93	2,876.71	0.25%
NW RFB	CD	421,917.81	3,459.73	0.82%
NW TR	Call	456,919.08	45.69	0.01%
RBS TR	Call	2,978.40	0.30	0.01%
NW RFB Total		3,881,815.29	9,896.13	0.25%
Principality B S	FD	679,452.05	611.51	0.09%
Principality B S	FD	263,013.70	447.12	0.17%
Principality B S Total		942,465.75	1,058.63	0.11%
Svenska	Call	694,885.00	578.76	0.08%
Svenska 35	Notice	13,000.00	7.85	0.06%
Svenska Total		707,885.00	586.60	0.08%
Standard Chartered	FD	2,136,986.30	1,709.59	0.08%
Standard Chartered	FD	997,260.27	1,096.99	0.11%
Standard Chartered	FD	93,150.68	326.03	0.35%
Standard Chartered	FD	60,273.97	488.22	0.81%
Standard Chartered	FD	5,479.45	61.37	1.12%
S Chart 95	Notice	2,000,000.00	8,992.65	0.45%
Standard Chartered Total		5,293,150.68	12,674.85	0.24%
Santander 95	Notice	7,997,086.67	33,653.96	0.42%
Santander 180	Notice	54.97	0.33	0.59%
Santander Total		7,997,141.63	33,654.28	0.42%
Toronto Dominion	CD	2,147,945.21	4,295.89	0.20%
Toronto Dominion	CD	73,972.60	1,405.48	1.90%
Toronto Dominion Total		2,221,917.81	5,701.37	0.26%
Thurrock District Council	FD	750,684.93	1,126.03	0.15%
Thurrock District Council	FD	772,602.74	1,931.51	0.25%
Thurrock D C Total		1,523,287.67	3,057.53	0.20%
Grand Total		57,944,055.14	129,273.82	0.22%

Types of investment

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

CD - Certificate of Deposit which are tradeable financial investments.

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

FIBCA - Fixed Interest Bearing Current Account

Fixed - fixed term investments at fixed interest rates.

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

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

Long Term Investments - Summary Activity 2021/2022

Investment	Type	Initial Investment £	Capital Value as at 31 March 2021	Capital Value as at 31 March 2022	2021/2022 Gain/Loss (-)	Income £	Return %
Lothbury	Property	4,000,000	3,841,020	4,400,550	559,530	108,548	2.71%
Hermes	Property	2,000,000	1,954,353	2,285,285	330,932	72,298	3.61%
Royal London	Multi-Asset	3,000,000	3,065,472	3,011,810	-53,662	73,118	2.44%
CCLA	Multi-Asset	1,000,000	1,009,816	1,056,613	56,613	25,232	2.52%
Long term investment Total		10,000,000	9,870,661	10,754,258	893,413	279,196	2.79%

Types of investment

Property - purchase of units in a property fund.

Multi-Asset - purchase of units in a fund that invests in a range of financial assets.

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ACTUAL PRUDENTIAL INDICATORS 2021/2022

	2020/21	2021/22	2021/22
	£'000	£'000	£'000
Prudential Indicators	actual	original	actual
	outturn	indicator	outturn
Capital Expenditure			
General Fund	5,513	23,359	14,817
HRA	7,171	10,448	9,333
TOTAL	£12,684	£33,807	£24,150
Ratio of financing costs to net revenue stream			
Non- HRA	-2.14%	-1.95%	-2.01%
HRA	15.80%	14.69%	15.52%
Net borrowing requirement			
brought forward 1 April	110,014	111,821	111,330
carried forward 31 March	111,330	121,834	117,058
in year borrowing requirement	£1,316	£10,013	£5,728
In-year Capital Financing Requirement			
General Fund	555	262	1,861
HRA	761	9,751	3,867
TOTAL	£1,316	£10,013	£5,728
Capital Financing Requirement as at 31 March			
General Fund	15,202	17,270	17,063
HRA	96,128	104,564	99,995
TOTAL	£111,330	£121,834	£117,058
Authorised limit for external debt			
borrowing	102,717	143,000	102,717
other long term liabilities	-	-	-
TOTAL	102,717	143,000	102,717
Operational boundary for external debt			
borrowing	102,717	138,000	102,717
other long term liabilities	-	-	-
TOTAL	102,717	138,000	102,717
Upper limit for total principal sums invested for over 365 days	11,000	15,000	10,000

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EXPLANATION OF THE PRUDENTIAL INDICATORS**Explanation of prudential indicators**

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

Capital expenditure – compares the 2021/2022 original capital estimates with the actual outturn. Actual 2020/2021 outturn is shown for comparison.

Ratio of financing costs to net revenue stream – this indicator shows the effect of HRA self-financing debt, with the cost of servicing debt accounting for 15.52% of rental income. Interest on reserves and balances still make a small positive contribution to General Fund finances.

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

In year capital financing requirement – this shows that in 2021/2022 there was a net additional borrowing (internal or external) of £5.728m because Minimum Revenue Provision and Voluntary Revenue Provision of £1.020m was less than capital expenditure of £6.748m financed by borrowing. Capital spend during the year was financed by the Council's capital resources such as grants, capital receipts and revenue contributions. The comparative figure for 2020/2021 was a net additional borrowing of £1.316m.

Capital financing requirement (CFR) as at 31 March – the capital financing requirement shows the underlying need of the Council to borrow for capital purposes as determined from the balance sheet. The overall positive CFR of £117.058m provides the Council with the opportunity to borrow if appropriate. The Council has £102.717m in long term borrowing. This indicates Council is internally borrowing £14.341m.

Authorised limit for external debt - this is the “affordable borrowing limit” for external temporary borrowing. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cash flows. The Council does not have the power to borrow above this level. The Authorised Limit was set at £143m in February 2021.

Operational boundary for external debt – this is set as the more likely amount required for day to day cash flow purposes. It is acceptable to be above or below this level as long as the Authorised Limit is not breached. The Operational Boundary was set at £138m in February 2021.

Upper limit for total principal sums invested for over 365 days – the amount of £15m is what it is considered can be prudently invested for a period in excess of a year. In 2021/2022 £10m was invested in property and multi-asset funds (2020/2021 £11m – including £1m invested with another Council).

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The Economy and Interest Rates 2021-2022

UK. Economy. Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022.

The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1st April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

Average inflation targeting. This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

USA. The flurry of comments from Fed officials following the mid-March FOMC meeting – including from Chair Jerome Powell himself – hammering home the hawkish message from the mid-March meeting, has had markets pricing in a further 225bps of interest rate increases in 2022 on top of the initial move to an interest rate range of 0.25% - 0.5%.

In addition, the Fed is expected to start to run down its balance sheet. Powell noted that the rundown could come as soon as the next meeting in May.

The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (CPI is estimated at 7.8% across Q1), but the hit to real disposable incomes and the additional uncertainty points in the opposite direction.

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Appendix D

More recently, the inversion of the 10y-2y Treasury yield spread at the end of March led to predictable speculation that the Fed's interest rate hikes would quickly push the US economy into recession. Q1 GDP growth is likely to be only between 1.0% and 1.5% annualised (down from 7% in Q4 2021). But, on a positive note, the economy created more than 550,000 jobs per month in Q1, a number unchanged from the post-pandemic 2021 average. Unemployment is only 3.8%.

EU. With euro-zone inflation having jumped to 7.5% in March it seems increasingly likely that the ECB will accelerate its plans to tighten monetary policy. It is likely to end net asset purchases in June – i.e., earlier than the Q3 date which the ECB targeted in March. And the market is now anticipating possibly three 25bp rate hikes later this year followed by more in 2023. Policymakers have also hinted strongly that they would re-start asset purchases if required. In a recent speech, Christine Lagarde said “we can design and deploy new instruments to secure monetary policy transmission as we move along the path of policy normalisation.”

While inflation has hit the headlines recently, the risk of recession has also been rising. Among the bigger countries, Germany is most likely to experience a “technical” recession because its GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone is expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain. Finishing on a bright note, unemployment fell to only 6.8% in February.

China. After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; however, 2021 has seen the economy negatively impacted by political policies that have focussed on constraining digital services, restricting individual freedoms, and re-establishing the power of the One-Party state. With the recent outbreak of Covid-19 in large cities, such as Shanghai, near-term economic performance is likely to be subdued. Official GDP numbers suggest growth of c4% y/y, but other data measures suggest this may be an overstatement.

Japan. The Japanese economic performance through 2021/22 is best described as tepid. With a succession of local lockdowns throughout the course of the year, GDP is expected to have risen only 0.5% y/y with Q4 seeing a minor contraction. The policy rate has remained at -0.1%, unemployment is currently only 2.7% and inflation is sub 1%, although cost pressures are mounting.

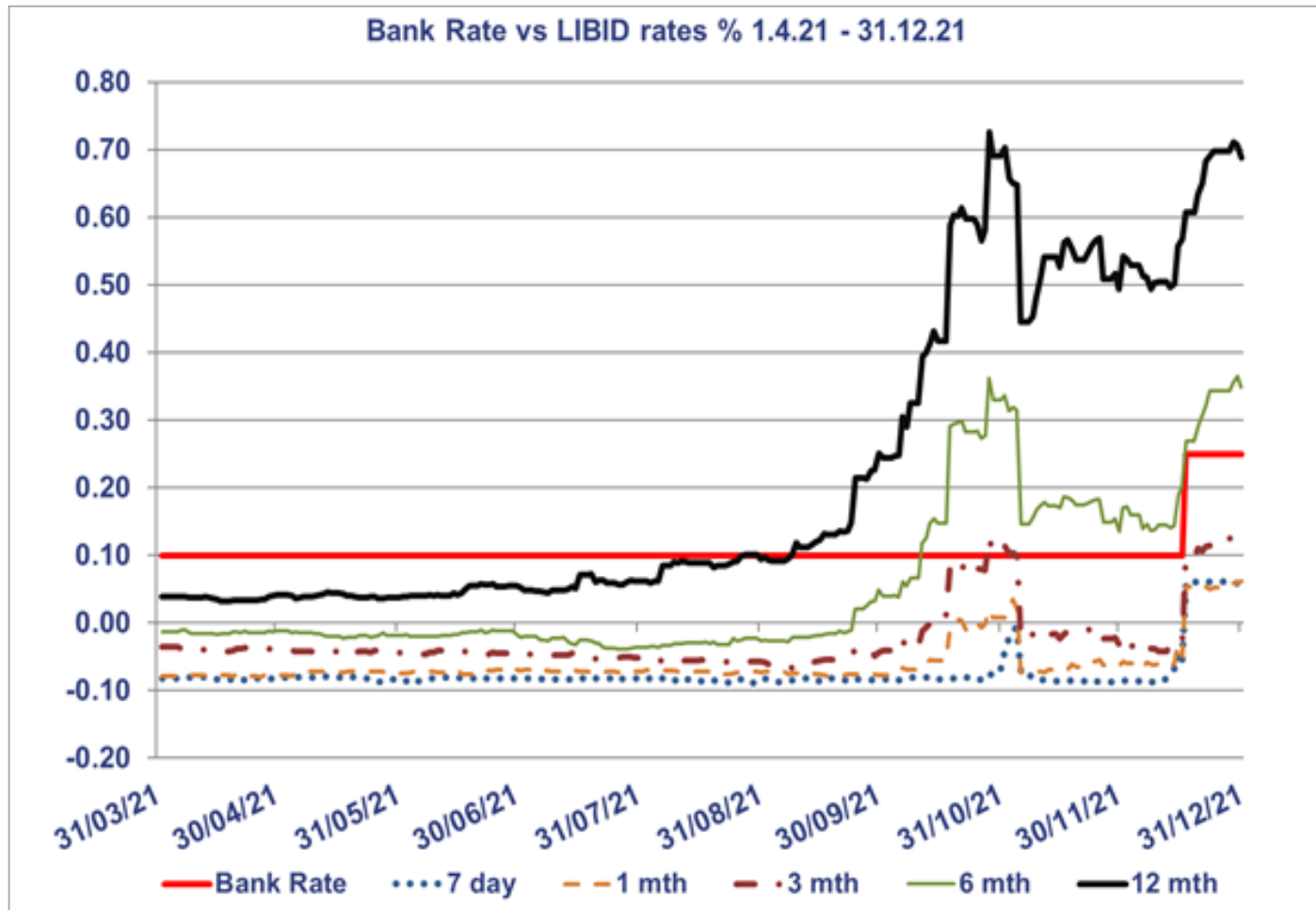
World growth. World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

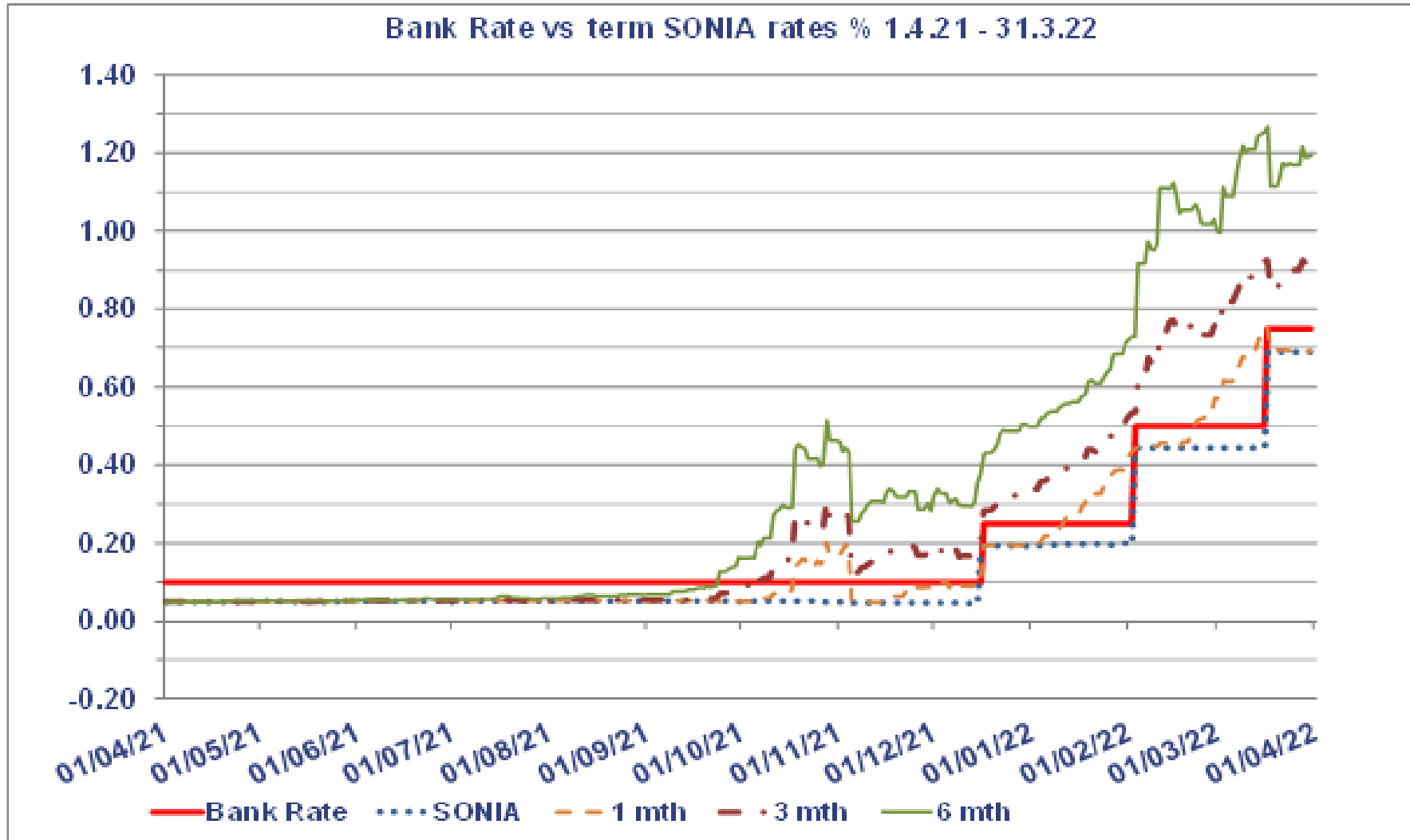
Deglobalisation. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for 18% of total world GDP (the USA accounts for 24%), and Russia's recent invasion of Ukraine, has unbalanced the world economy. In addition, after the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China (and to a much lesser extent Russia) to supply products and vice versa. This is likely to reduce world growth rates.

Central banks' monetary policy. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

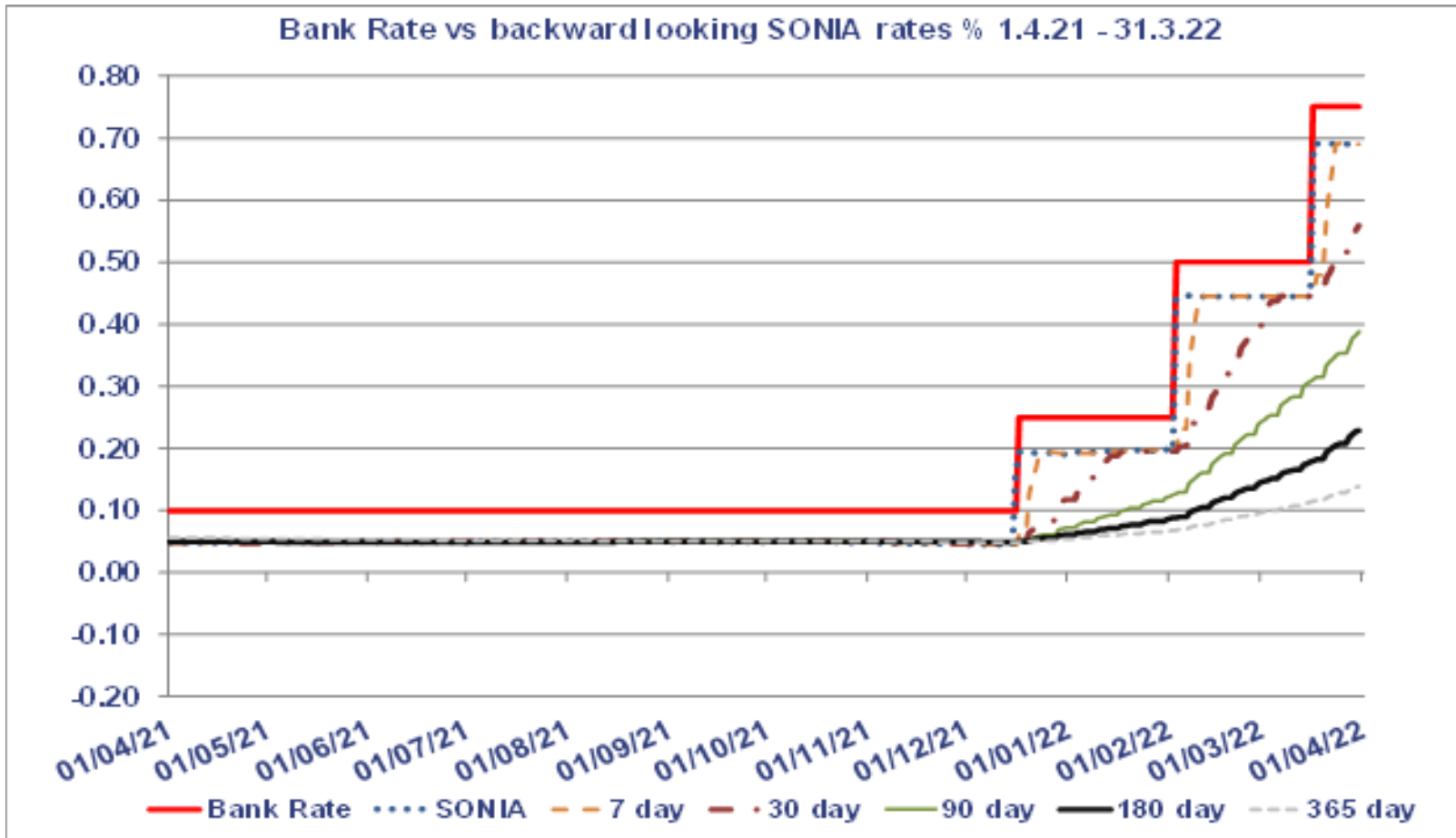
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INVESTMENT AND BORROWING RATES 2021-2022





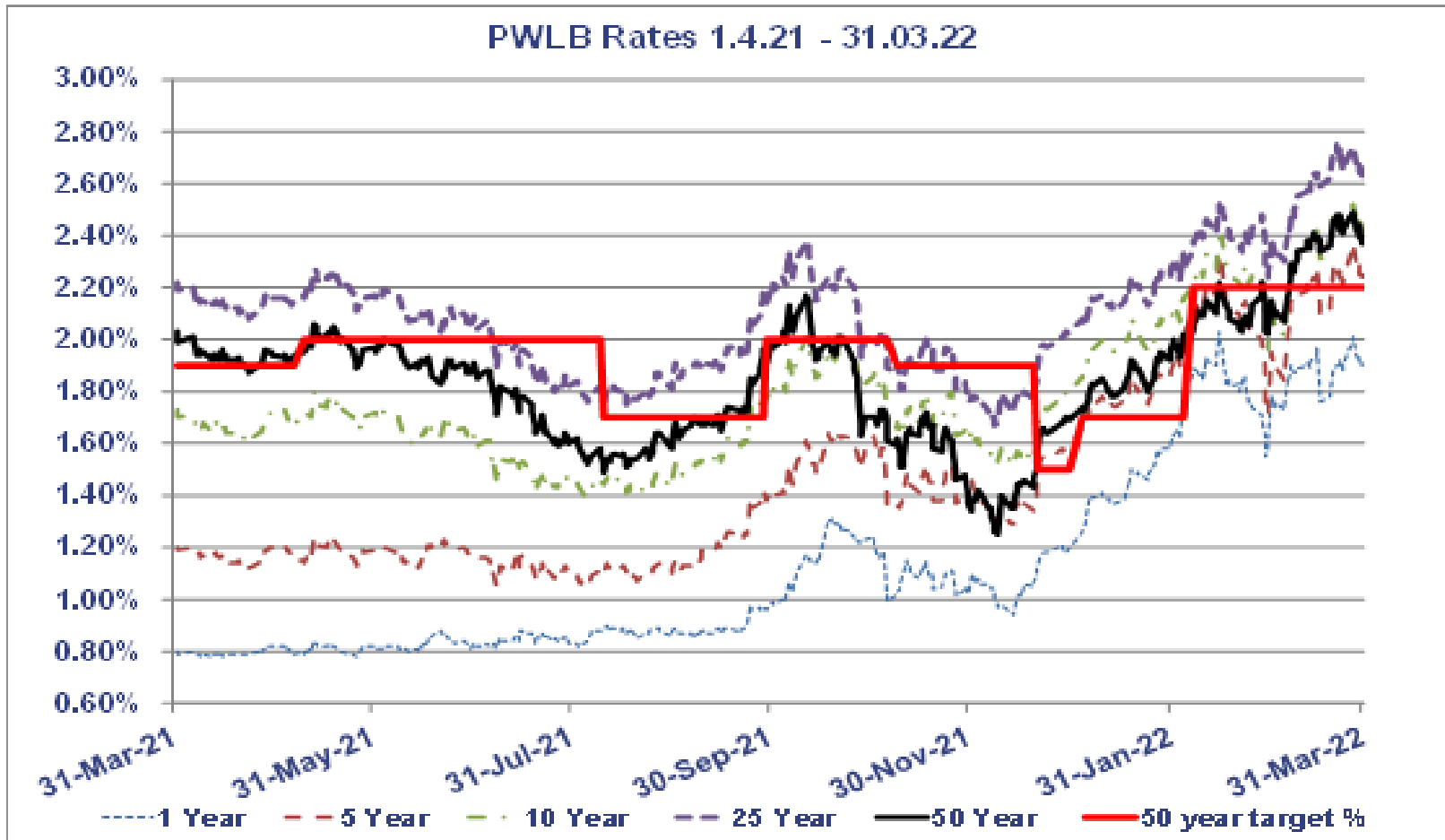
	Bank Rate	SONIA	1 mth	3 mth	6 mth
High	0.75	0.69	0.75	0.93	1.27
High Date	17/03/2022	18/03/2022	16/03/2022	28/03/2022	17/03/2022
Low	0.10	0.05	0.05	0.05	0.05
Low Date	01/04/2021	15/12/2021	10/11/2021	14/04/2021	09/04/2021
Average	0.19	0.14	0.17	0.24	0.34
Spread	0.65	0.65	0.71	0.88	1.22



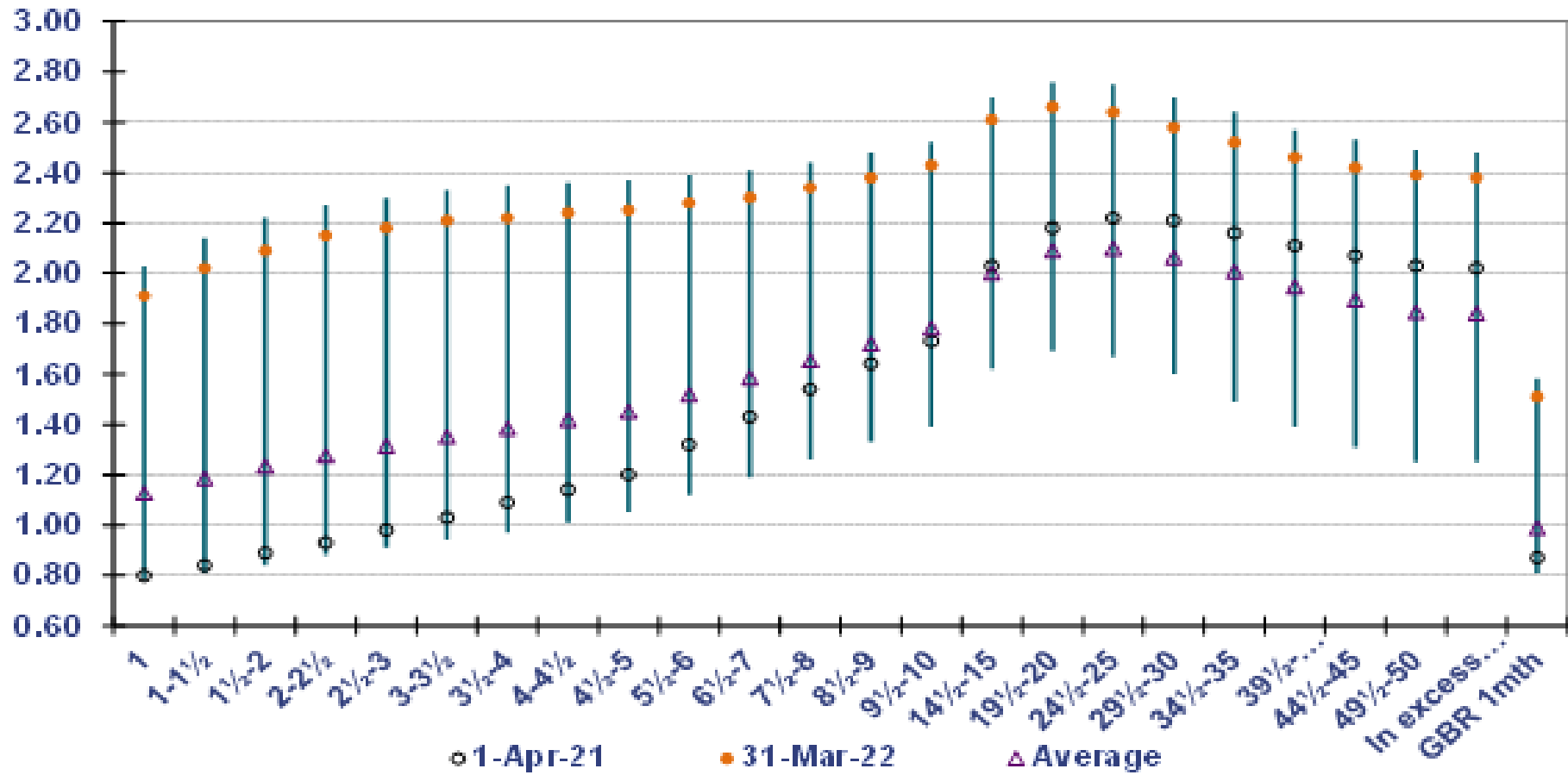
	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	0.75	0.69	0.69	0.56	0.39	0.23	0.14
High Date	17/03/2022	18/03/2022	25/03/2022	31/03/2022	31/03/2022	31/03/2022	31/03/2022
Low	0.10	0.05	0.05	0.05	0.05	0.05	0.05
Low Date	01/04/2021	15/12/2021	16/12/2021	16/12/2021	16/12/2021	07/06/2021	13/12/2021
Average	0.19	0.14	0.13	0.12	0.09	0.07	0.06
Spread	0.65	0.65	0.65	0.51	0.34	0.18	0.09

PWLB RATES 2021-2022

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2021	0.80%	1.20%	1.73%	2.22%	2.03%
31/03/2022	1.91%	2.25%	2.43%	2.64%	2.39%
Low	0.78%	1.05%	1.39%	1.67%	1.25%
Low date	08/04/2021	08/07/2021	05/08/2021	08/12/2021	09/12/2021
High	2.03%	2.37%	2.52%	2.75%	2.49%
High date	15/02/2022	28/03/2022	28/03/2022	23/03/2022	28/03/2022
Average	1.13%	1.45%	1.78%	2.10%	1.85%
Spread	1.25%	1.32%	1.13%	1.08%	1.24%



PWLB Certainty Rate Variations 1.4.21 to 31.3.2022



Money market investment rates 2021/22

	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.25	0.06	0.06	0.14	0.36	0.73
High Date	17/12/2021	29/12/2021	31/12/2021	31/12/2021	30/12/2021	28/10/2021
Low	0.10	-0.09	-0.08	-0.07	-0.04	0.04
Low Date	01/07/2021	27/08/2021	17/09/2021	08/09/2021	27/07/2021	08/07/2021
Average	0.11	-0.07	-0.05	-0.01	0.09	0.31
Spread	0.15	0.15	0.14	0.20	0.40	0.68

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Planning Enforcement - Supplementary information requested, to the report presented on 30th November 2021.

1. As part of the agreed 2021/22 Internal Audit Plan, the Audit and Standards Committee (the Committee) requested ARA undertake a review of the Planning Enforcement service. The report was presented to the November 2021 Committee. At the meeting, the Committee requested additional information, not included in the report presented, to be subsequently provided. It was agreed that this would be delivered as part of the 2022/23 Internal Audit Plan.
2. Pre-engagement planning included a meeting held with the Principal Auditor, Senior Auditor, and the respective Cllr, to discuss and agree the additional information required. At the meeting, confirmation was sought that the information presented within this Information Sheet concluded the outstanding matter, and that no additional new Internal Audit work was needed.
3. Paragraph 8.16 of the initial report confirmed that 2021 complaints received up to the beginning of August 2021 totalled 433 cases. The Enforcement team investigated and closed 316 cases by the beginning of August 2021.
4. Audit testing was completed with the objective of confirming that the key procedures and controls had been correctly followed, in compliance with the Enforcement Policy and Procedure. A stratified representative sample of 30 enforcement complaints, including, open, pending consideration, and closed comprised; i) five from Parish Councils; ii) two from Town Councils; iii) twenty from members of the public; and iv) three from other sources. The sample approach was to choose ten each from the 2019-20; 2020-2021; and 2021-22 years.
5. The key results from the sample of 30 complaints was as follows:
 - Twelve complaints were fully compliant with the Enforcement Policy and Procedure;
 - Eighteen complaints had a gap in being compliant, categorised as follows:
 - for eleven complaints, the Council had not communicated with the complainant at the relevant stage in the enforcement process;
 - for eleven complaints, the Development Management Uniform enforcement system had not been kept up to date;
 - for eight complaints, inadequate evidence of supporting records held on the I- Docx system to support Uniform entries, and
 - for five complaints, suitable and timely follow up, and or investigation enforcement procedures, had not been completed by staff.
6. In addition, a sample of six Planning Enforcement complaints from Councillors was reviewed, to assess compliance with the Enforcement Policy and Procedure. The sample for open and closed complaints covered the period 2019-20 to 2021-22.

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**AUDIT AND STANDARDS COMMITTEE
INFORMATION SHEET (NO.1)
19 JULY 2022**

7. The audit findings demonstrated that; i) five cases were materially compliant; and ii) for one complaint, there had been a failure to communicate written findings on progress to the relevant ward Councillor.
8. Further Internal Audit work was completed looking at the time taken to close a 2021 complaint case for those received up to the beginning of August for that year. Six complaints taking greater than one hundred days¹ to close, were selected for review. The results are as follows:
 - Four were as a result of the retrospective planning approval process;
 - Two were assessed as non-material development breaches, and due to staff resource priorities were delayed in closing the case; and
 - No unfavourable performance issues were identified.
9. The results from the sample of 30 complaints which are referred to in paragraph 3, confirmed that four were subject to the Enforcement Notice process. Testing, checked for compliance with the Policy and Procedures. The results from the review of the four Enforcement Notice cases, was as follows:
 - Two were at the enforcement draft expediency report stage;
 - One served notice was the subject of a retrospective planning application which was granted; and
 - One served notice was confirmed to have been complied with after a site inspection visit by a Planning Enforcement Officer.
10. The actual time taken for the four cases at the Enforcement Notice stage was checked to the existing Policy and Procedure. Where appropriate, the Enforcement Notice case in paragraph 7 was dealt with within timescales for retrospective planning application receipts as per the Policy and Procedure. One case at the enforcement decision stage, experienced a seven-week delay in being proposed for a notice due to staff resourcing issues.
11. Due to vacancies in the team, enquiries were made into its short and medium -term resourcing, and it was established that temporary appointments had been made to best handle the existing caseload. The recent interview process for the vacant Senior Enforcement Officer post was successful and the new permanent officer should join in the autumn.
12. As documented in the Planning Enforcement report, paragraph 6.4 “The service has identified many of the operating processes that need development and improvement and these form part of the Business Improvement Plan Goals 2 and 3”. Much of the Business Improvement Plan revolves around the planned IT software improvements, and appropriate staff resource to test and implement the “Enterprise” IT for complaint case management. The team is still carrying one vacancy (Compliance Technician).

¹ Greater than one hundred days was chosen to identify any performance issues which resulted in elongating the investigation and closure of the case.

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STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

19TH JULY 2022

Report Title	ANNUAL REPORT OF THE HEAD OF AUDIT RISK ASSURANCE (ARA) 2021/22			
Purpose of Report	To provide the Committee with an annual report on Internal Audit Activity which fully meets the Head of ARA's annual reporting requirements, as set out in the Public Sector Internal Auditing Standards (PSIAS) 2017.			
Decision(s)	<p>The Committee RESOLVES to:</p> <p>a) Assess, from the findings set out in this Annual Report, whether it can take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively;</p> <p>b) Note that the performance of Internal Audit meets the required standards; and</p> <p>c) Note the Council wide counter fraud activity during 2021/22.</p>			
Consultation and Feedback	Internal Audit findings are discussed with Service Heads/Managers and Directors (where relevant). Management responses to recommendations are included in each activity report.			
Report Author	Piyush Fatania, Head of ARA Tel: 01452 328883 Email: piyush.fatania@gloucestershire.gov.uk			
Options	There are no alternative options that are relevant to this matter.			
Background Papers	<p>The CIPFA Local Government Application Note for the UK PSIAS. Web links to published background papers are contained within the covering report.</p> <p>The year end Internal Audit Progress Report 2021/22, as presented to 19th July 2022 Audit and Standards Committee.</p>			
Appendices	Appendix 1 - Annual Report of the Head of ARA 2021/22			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1. INTRODUCTION / BACKGROUND

- 1.1 The [Accounts and Audit Regulations 2015](#) state that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance'. During 2021/22, Internal Audit work was carried out in accordance with the [Public Sector Internal Audit Standards \(PSIAS\) 2017](#) and the CIPFA Local Government Application Note for the UK PSIAS.

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- 1.2 The PSIAS define Internal Audit as 'an independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.
- 1.3 To achieve full effectiveness, the scope of the Internal Audit service should provide an unrestricted range of coverage of the Council's operations and have sufficient authority to access such records, assets and personnel as are necessary for the proper fulfilment of responsibilities. These access rights are specified in the Internal Audit Charter and Code of Ethics, which have been approved by Members.
- 1.4 The PSIAS requires the Head of ARA to 'provide a written report to those charged with governance timed to support the Annual Governance Statement'. The content of the report is prescribed by the PSIAS which specifically requires Internal Audit to:
 - I. 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;
 - II. 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;
 - III. Summarise the performance of the Internal Audit service against its performance measures and targets; and
 - IV. Comment on compliance with the PSIAS.
- 1.5 A separate report containing the Annual Governance Statement is included on the agenda for the Audit and Standards Committee on 19th July 2022.

2. MAIN POINTS

- 2.1 The role of the ARA Shared Service is to examine, evaluate and provide an independent, objective opinion on the adequacy and effectiveness of the Council's internal control environment, comprising risk management, control and governance. Where weaknesses have been identified, recommendations have been made to improve the control environment.
- 2.2 The PSIAS state that the Head of ARA should report on the outcomes of Internal Audit work, in sufficient detail, to allow the Committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address.
- 2.3 Consideration of reports from the Head of ARA on Internal Audit's performance during the year, including updates on the work of Internal Audit, is also a requirement of the Audit and Standards Committee terms of reference.

- 2.4 The **Appendix 1** Annual Report of the Head of ARA 2021/22 has been drafted to meet PSIAS requirements (as referred to in paragraphs 1.4 and 2.2) and comply with the Audit and Standards Committee terms of reference.

3. CONCLUSION

- 3.1 The purpose of the Annual Report of the Head of ARA 2021/22 is to support the Committee in its role to gain and provide independent assurance to Council on the adequacy of the risk management framework and the internal control environment.
- 3.2 Non completion of the Annual Report of the Head of ARA would lead to non-compliance with the PSIAS, the Audit and Standards Committee terms of reference and the [Council Constitution](#) (which confirms the Audit and Standards Committee role to oversee the audit service of the Council).

4. IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising directly from this report.

Andrew Cummings – Strategic Director of Resources

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Risk Assessment:

Failure to deliver an effective Internal Audit service will prevent an independent, objective assurance opinion from being provided to those charged with governance that the key risks associated with the achievement of the Council's objectives are being adequately controlled.

4.2 Legal Implications

There are no specific legal implications in addition to those mentioned in the report.

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Tel: 01684 272691

4.3 Equality Implications

There are not any specific changes to service delivery proposed within this decision.

4.4 Environmental Implications

There are no significant implications within this category.

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ANNUAL REPORT OF THE HEAD OF AUDIT RISK ASSURANCE FOR 2021-22

JUNE 2022

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1. Introduction

- 1.1 The Chartered Institute for Public Finance Accountants (CIPFA) and the Chartered Institute of Internal Auditors – UK and Ireland (CIIA) issued The Public Sector Internal Audit Standards (PSIAS).
- 1.2 The PSIAS define Internal Audit as “an independent, objective, assurance and consulting activity designed to add value and improve the Council’s operations. Internal Audit helps the Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.
- 1.3 Alongside the PSIAS, a Local Government Application Note was also developed as sector-specific guidance for local government organisations. This provides practical guidance on how to apply the PSIAS in local government.
- 1.4 Internal Audit is a statutory service required by section 5 of the Accounts and Audit Regulations 2015 (the Regulations). The Internal Audit service for Stroud District Council (the Council) is provided by Audit Risk Assurance (ARA), and complies with the above definition.
- 1.5 Internal Audit helps the Council to manage its risks and achieve its objectives. This includes reviewing processes and governance arrangements involved in producing the Council’s Statutory Accounts and the Annual Governance Statement (AGS). We report on these to management and the Audit and Standards Committee (the Committee).
- 1.6 The PSIAS require the Head of ARA to report annually to those charged with governance, Internal Audit’s opinion on the Council’s overall internal control, governance and risk environment arrangements. The opinion is based on the work undertaken by Internal Audit.
- 1.7 This report’s contents are prescribed by the PSIAS which requires Internal Audit to:
 - i. 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;
 - ii. Compare planned work to that delivered and present a summary of the audit activity from which the opinion was derived, drawing attention to any issues of particular relevance;
 - iii. Summarise the performance of the Internal Audit service against its performance measures and targets; and
 - iv. Comment on compliance with the PSIAS.
- 1.8 By accepting the Annual Report of the Head of ARA, the Committee contributes to the fulfilment of its corporate governance responsibilities through the following:
 - i. Recognition of the overall adequacy and effectiveness of the management arrangements which safeguard the Council from significant business risks;

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- ii. Providing a source of assurance for those charged with governance to produce a fair and representative AGS in the Statutory Accounts; and
 - iii. Ensuring Internal Audit assists the Council to maintain and develop its internal control and governance environment and improve the management of its risks.
- 1.9 Internal Audit in local government is required to operate in accordance with the PSIAS. In 2020 Internal Audit were externally assessed as being in “General Compliance” with the PSIAS. This is the highest level of compliance possible. We can confirm that Internal Audit has complied with the PSIAS during 2021-22.
- 1.10 This Annual Report is produced in accordance with, and conforms to, the core principles of the PSIAS.

2. Overall Opinion

- 2.1 My opinion is that overall, an Acceptable Level of assurance can be provided in connection with the Council’s internal control, governance and risk environment. The findings that have contributed to the level of assurance are those that have been reported to the Committee during 2021-22. These are summarised in the year end Internal Audit Progress Report 2021-22 presented to the July 2022 Committee.
- 2.2 This opinion can be assessed using the following scale:
- i. “Substantial” assurance – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;
 - ii. “Acceptable” assurance – all key controls in place and working effectively. There are reservations in connection with the operational effectiveness of some key controls. The Council has a low to medium exposure to business risk;
 - iii. “Limited” assurance – not all key controls are in place or are working effectively. The Council has a medium to high exposure to business risk; and
 - iv. “No” assurance – key controls are either not in place or are not working effectively. The Council has a high exposure to business risk.
- 2.3 In providing this opinion it should be noted that assurance can never be absolute. We can provide a reasonable level of assurance that there are no major weaknesses in risk management, control or governance arrangements. The matters raised in this report and our quarterly progress reports, are only those that were identified during our work. They are not necessarily a comprehensive statement of all the weaknesses that may exist or represent all the improvements required.
- 2.4 In arriving at this opinion, account has been taken of:
- i. The results of all Internal Audit work undertaken during 2021-22;
 - ii. Matters arising from the quarterly Internal Audit Progress Reports or other assurance providers to the Committee;

- iii. The effects of any material changes in the Council's risk profile, objectives or activities;
 - iv. Whether any limitations have been placed on the scope of our work; and
 - v. Whether there have been any resource constraints which may have impacted on our ability to meet the needs of the Council.
- 2.5 In all cases, Internal Audit and officers develop actions to improve the management of risk and internal control. The effective implementation of these actions will be assessed as part of our follow-up work in 2022-23 and reported to the Committee.
- 2.6 We can confirm that there has been no actual or potential impairment to our independence and objectivity during the year. Our independence is safeguarded by the Head of ARA having full and unfettered access to the Chief Executive and the Chair of the Committee.
- 2.7 Internal Audit has been free from interference in determining the scope of our work, performing it or communicating the results.
- 2.8 Internal Audit have had unfettered access to all of the Council's systems, operations, records and officers.
- 2.9 Internal Audit officers do not have any other roles in the Council.
- 2.10 The overall opinion on the internal control, governance and risk environment is based on our assessment of the key management arrangements and internal controls. This is the framework of internal controls required to provide management with confidence that the processes to achieve business objectives are:
- i. Adequate and effective for their purpose; and
 - ii. Minimise material business risk, both financial and non-financial.
- 3. Code of Ethics**
- 3.1 The PSIAS requires Internal Auditors in local government to conform to the CIIA's Code of Ethics as set out below. If individual Internal Auditors have membership of another professional body then they must also comply with the relevant requirements of that organisation.
- 3.2 The purpose of the CIIA's Code of Ethics is to promote an ethical culture in the profession of Internal Auditing. This is necessary and appropriate for the profession of Internal Auditing, founded as it is, on the trust placed in its objective assurance about risk management, control and governance.
- 3.3 The Institute's Code of Ethics includes two essential components:
- i. Principles that are relevant to the profession and practice of Internal Auditing; and

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- ii. Rules of Conduct that describe behavioural standards expected of Internal Auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of Internal Auditors.

3.4 The components of the Code of Ethics are:

- i. Integrity – this establishes trust and thus provides the basis for reliance on the judgement of Internal Auditors;
- ii. Objectivity – Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements;
- iii. Confidentiality – Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so; and
- iv. Competency – Internal Auditors apply the knowledge, skills and experience needed in the performance of Internal Auditing services.

3.5 Internal Audit complied with the Code of Ethics and the Seven Principles of Public Life as defined by the Nolan Committee, at all times during 2021-22. The Principles are:

- i. Selflessness – holders of public office should act solely in terms of the public interest;
- ii. Integrity – holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships;
- iii. Objectivity – holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias;
- iv. Accountability – holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this;
- v. Openness – holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing;
- vi. Honesty – holders of public office should be truthful; and
- vii. Leadership – holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

4. 2021-22

- 4.1 Our work during 2021-22 identified areas that have not affected the overall opinion above, but which the Council should be aware of and monitor.
- 4.2 The Council entered the new financial year in the midst of the ongoing COVID-19 pandemic and continued to follow guidance from the government. This has included enabling staff to have the option to work from home or in the Council offices in a safe, socially distanced manner.
- 4.3 An internal audit of Planning Enforcement was requested by the Committee. This identified a number of areas for improvement around resourcing, Member oversight and training, review of policy and procedure and investment in new IT. We also identified there was a need for a corporate approach to service planning, performance and risk management around planning enforcement.
- 4.4 An internal audit of the Out of Hours service found non-compliance with the Council's Contract and Procurement Procedure Rules. There was also scope for improvements around contract and risk management as well as business continuity arrangements.
- 4.5 An internal audit of Voids found there was non-compliance with the Tenant Involvement and Empowerment Standard (Annual Reporting). There was also a need for more robust policy and guidance as well as limitations on the quality of data and key performance indicators.
- 4.6 An independent review of the Council's risk management processes was undertaken in 2021-22 by TIAA, who also undertake the Council's IT audits.

Risk Maturity Level	Level 1 Developing (Risk Naïve) No formal approach to risk management.	Level 2 Progressing (Risk Aware) Consulting and planning to implement risk management.	Level 3 Operational (Risk Defined) Early Stages of implementation.	Level 4 Embedded & Engaged (Risk Managed) Established risk management with planned extension /development.	Level 5 Dynamic & Empowering (Risk Enabled) Fully established and effective risk culture at all levels.
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- 4.7 One of the outcomes of the TIAA review has been to identify that, on the above risk maturity scale, the Council is realistically at a Level 3. In previous AGSs, it had been reported that the Council was at a Level 4.
- 4.8 The implementation of the TIAA suggested improvements will assist the Council to work towards being a Level 4.
- 4.9 The Council invited the Local Government Association to undertake a Peer review. The Peer Review team's report was positive about both the Council's progress since 2019 as well as further planned developments included in the Council Plan 2021-26. The report made some recommendations for further improvements. ARA can assist to implement the recommendations as required.
- 4.10 There are a number of challenges that the Council will need to be mindful of during 2022-23 and beyond.

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- 4.11 Financial resilience will need to be monitored closely, in light of the challenges posed by the volatility of inflation, utility prices and interest rates. The Council continues to effectively manage its finances in order to minimise the risks from financial pressures. The risk of the Council issuing a Section 114 notice is low.
- 4.12 The recruitment and retention of staff is becoming an area of higher risk across local government. This is being exacerbated by increasing levels of sickness, particularly from stress related issues. The Council will need to monitor this issue to ensure that it has sufficient resource to successfully deliver its services.
- 4.13 Management should ensure that internal controls are maintained when there are staff changes, for example sickness, annual leave or when staff leave.
- 4.14 The risk of fraud is ever prevalent and nationally councils remain a target. Management should ensure that risk registers continue to address this risk for their departments and services.
- 4.15 Risk registers should be updated with risks as they are identified, and internal controls should be developed to minimise these. Risk registers should be reviewed following the issue of an Internal Audit report. This is to ensure that any pertinent risks identified in the report are reflected in the risk register.
- 4.16 It should be noted that for all of the issues reported to the Committee in Internal Audit Reports, management agreed actions to address concerns raised.
- 4.17 The Strategic Leadership Team (SLT) is proactive in monitoring the Council's risks on a regular basis. Risk management and health and safety are standing items on the SLT agenda. Any emerging risks and health and safety issues can be raised here enabling management to formulate appropriate and timely actions to manage these.

5. Counter Fraud Work

- 5.1 The Counter Fraud Team (CFT) is a dedicated ARA resource that enhances the Council's resilience against fraud. During 2021-22 the CFT undertook work to investigate fraud and irregularity.
- 5.2 All the members of the team hold the Accredited Counter Fraud Specialist (ACFS) qualification. This accreditation ensures that a high degree of professionalism and expertise is applied to our counter fraud work.
- 5.3 The CFT can provide tailored counter fraud training for officers and Members at all levels. A Fraud Awareness Session with LMT has already been arranged for August with further sessions expected to be rolled out from September. This can be for new staff and beginners up to providing training for more experienced officers. Examples of the training available includes:
 - i. General counter fraud awareness training covers the areas where fraud could occur and what to look out for;

- ii. Training to support staff undertaking interviews in accordance with the Police and Criminal Evidence Act 1984 (PACE). This training helps officers to plan and undertake these interviews with more confidence or where time has elapsed since they were trained. It is essential that staff undertaking Interviews under caution (IUC) are familiar with current legislation to better ensure that the evidence obtained at interview can be used to support a successful outcome;
- iii. The CFT can provide further training to officers on preparing documentation for trials including the preparation of court bundles and giving evidence; and
- iv. Training on specific areas such as contract and procurement fraud can also be provided. Due to the values involved, this is potentially a high risk area for the Council

5.4 The CFT manages the 24-hour whistleblowing hotline. In addition, to further enhance the process, the CFT is currently developing a whistleblowing referral process. This will provide the Council with a more secure, transparent record of all whistleblowing allegations, not just the ones received by the Monitoring Officer. The new process is currently going through testing.

5.5 As well as the above, the CFT provided assistance and support for with reviewing the Council's National Fraud Initiative (NFI) matches.

5.6 The CFT reviewed over 360 NFI matches. Matches were selected based on priorities resulting from the NFI's fraud risk assessment. The CFT was able to 'close with no issue' all but a handful of matches. The matches requiring a more in-depth review were referred back to the appropriate team for their knowledge of the individuals or properties.

5.7 A review and refresh of the Council's Counter Fraud Statement and Strategy and Policy is currently under review and will be issued shortly. Once issued this will be available on the Council's intranet and internet web pages

6. Conclusion

6.1 This report provides an independent opinion on the adequacy and effectiveness of the internal control, governance and risk management processes.

6.2 Management are responsible for establishing, maintaining and owning appropriate risk management, internal control and governance arrangements.

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

6.4 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. These are set out in the Council's Local Code of Corporate Governance and its AGS.

6.5 ARA are delighted to report that 90% of the revised Internal Audit Plan for 2021-22 was delivered, against a target of 85%.

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- 6.6 Furthermore, following each Internal Audit, a customer satisfaction questionnaire is sent to the Strategic Director, Head of Service or nominated officer. This is to gauge satisfaction of the service provided such as timeliness, quality and professionalism. Officers are asked to rate the service between Excellent, Good, Fair and Poor.
- 6.7 Internal Audit have a target of 80% of questionnaire responses to be assessed as “Good” or better. For 2021-22 this target was exceeded with a score of 100% of questionnaire responses reflecting Internal Audit as being a positive support to their service.
- 6.8 The above confirm that ARA continues to be provide an excellent service to the Council. Improvements to the way in which ARA will work from 2022-23 onwards are highlighted in the AGS. These changes will further enhance the service that we provide to the Council.

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

19 JULY 2022

Report Title	DRAFT ANNUAL REPORT OF THE CHAIR OF THE AUDIT AND STANDARDS COMMITTEE 2021/22			
Purpose of Report	<p>The Annual Report of the Chair of the Audit and Standards Committee (the Committee) summarises the Committee's activities during 2021/22 and sets out its plans for the next twelve months.</p> <p>This report provides independent assurance that the Council has in place:</p> <ol style="list-style-type: none"> I. Adequate and effective governance, risk management and internal control frameworks; II. Internal and External Audit services; and III. Financial reporting arrangements that can be relied upon and which contribute to the high corporate governance standards that this Council expects and maintains. 			
Decision(s)	<p>The Committee:</p> <p>a) RESOLVES to agree the Annual Report of the Chair of the Audit and Standards Committee 2021/22; and</p> <p>b) RECOMMENDS to Council that the Annual Report 2021/22 be approved.</p>			
Consultation and Feedback	Audit and Standards Committee have been consulted on the report content.			
Report Author	Piyush Fatania Head of Audit Risk Assurance (ARA) Tel: 01452 328883 Email: piyush.fatania@gloucestershire.gov.uk			
Options	Consideration has been given to not producing an Annual Report. However this has been discounted due to the Chartered Institute of Public Finance and Accountancy (CIPFA) requirements, as confirmed below.			
Background Papers	Relevant public reports presented to the Audit and Standards Committee during 2021/22 and minutes of those meetings can be found via the following link .			
Appendices	Appendix 1 – Annual Report of the Chair of the Audit and Standards Committee 2021/22			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

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1.0 INTRODUCTION/BACKGROUND

- 1.1 Stroud District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this overall responsibility, the Council is responsible for putting in place the proper arrangements for the governance of its affairs.
- 1.2 A sound corporate governance framework involves accountability to service users, stakeholders and the wider community. Within this, the Council takes decisions and leads and controls its functions to achieve stated objectives and priorities. It thereby provides an opportunity to demonstrate the positive elements of the Council's business and to promote public confidence.
- 1.3 Audit committees are widely recognised as a core component of effective governance. Their key role is independently overseeing and assessing the internal control environment (comprising governance, risk management and control) and advising the Council on the adequacy and effectiveness of these arrangements.
- 1.4 The Stroud District Council Audit and Standards Committee was established in September 2009 in line with guidance issued by CIPFA. The guidance recommends that audit committees should prepare an annual report to the full Council, which sets out the Committee's work on how they have discharged their responsibilities.
- 1.5 The Annual Report of the Chair of the Audit and Standards Committee 2021/22 fulfils the above requirement.

2.0 MAIN POINTS

- 2.1 The Audit and Standards Committee undertake a substantial range of activities. The group work closely with the Chief Financial Officer, the Monitoring Officer and both the Internal and External Auditors, in achieving the Council's aims and objectives.
- 2.2 The Committee has developed and implemented a work programme for the year to enable key tasks to be considered, undertaken and delivered. Through the 2021/22 work programme, the Committee has:
 - I. Provided independent assurance on the adequacy of the Council's governance, risk management framework and associated control environment;
 - II. Provided independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment; and
 - III. Overseen the statutory financial reporting process.

3.0 CONCLUSION

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

- 3.2 The Committee's work programme is dynamic. The programme will continue to be reviewed to ensure the Committee maximise its contribution to the governance and control framework, while managing agendas to ensure that all meetings are focused on the Council's key risks and issues.

4.0 IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising directly from this report.

Andrew Cummings, Strategic Director of Resources
Email: andrew.cummings@stroud.gov.uk

Risk Assessment:

Failure to deliver effective governance will negatively impact on the achievement of the Council's objectives and priorities.

4.2 Legal Implications

There are no specific legal implications arising from this report.

Contact: One Legal
Email: legalservices@onelegal.org.uk
Tel: 01684 272691

4.3 Equality Implications

There are no equality implications as a result of the recommendations made within this report.

4.4 Environmental Implications

There are no environmental implications as a result of the recommendations made within this report.

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ANNUAL REPORT OF THE CHAIR OF THE AUDIT AND STANDARDS COMMITTEE – DRAFT 2021-22

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Foreword

As Chair of the Audit and Standards Committee, I am pleased to present this report on our contribution to the Council's oversight of risk and governance for 2021-22.

Effective management and governance are important to ensure that the Council successfully delivers crucial services to our community, improves performance and reduces the risk of not achieving our objectives.

The Audit and Standards Committee (the Committee) is a core component of effective governance. Our role is to independently oversee and assess the internal control, governance and risk management environment and to constructively advise the Council on the adequacy and effectiveness of these arrangements.

The Committee considers and monitors internal and external reports and recommends actions to the Council to address any deficiencies.

We undertake a substantial range of activities and work closely with the Strategic Director of Resources (Section 151 Officer), the Monitoring Officer, Internal and External Audit.

Our work programme is structured around the Committee's main areas of responsibility. It is reviewed and agreed at each meeting to enable key tasks to be considered and delivered.

Through our work programme, we have provided independent assurance on the adequacy of the governance, risk management and control environment. This includes assurance on the Council's performance where this affects exposure to risk and weakens the control environment. We have also overseen the statutory financial reporting process.

Members have requested additional detailed reports from officers on particular areas where we felt this to be helpful for assurance purposes. In addition to the annual cycle, the committee requested major reviews of Planning, Planning Enforcement and Procurement (including Project Management and Contract Variation). These reports lay a sound foundation for future service provision and will be subject to follow-up reports in the coming year. The committee acknowledges the major work, by officers of the council and Internal Audit, undertaken to produce these reports.

The External Auditor gave an unqualified opinion on the 2020-21 annual accounts. They also stated that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The work of the Committee has contributed to this conclusion.

This report is to inform Council of the Committee's work in 2021-22 and to note our opinion on the standard of governance, risk management and the audit arrangements in place.

The Committee has made a positive contribution to the Council's overall governance, control and risk arrangements and has been successful in fulfilling its terms of reference. I am satisfied that the Council has maintained an adequate and effective internal control framework through the period covered by this report.

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The Committee has considered regular reports on Treasury Management, Risk Management, Procurement, Fraud, Internal Audit Progress, the Annual Statement of Accounts and Annual Governance Statement.

Finally, I would like to convey my thanks to all the members of the Committee and to the officers for all the work done during the past year. While the work was performed under somewhat challenging circumstances the results have justified the effort.

Councillor Nigel Studdert-Kennedy

Chair of the Audit and Standards Committee

1. Background

- 1.1 Stroud District Council (the Council) is responsible for ensuring that its business is conducted lawfully and to proper standards. This includes ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this responsibility, the Council must ensure that it has proper arrangements for the governance of its affairs in place.
- 1.2 A sound corporate governance framework requires accountability to service users, stakeholders and the wider community. Within this, the Council takes decisions, leads and controls its functions to achieve stated objectives and priorities. It thereby provides an opportunity to demonstrate the positive elements of the Council's business and promote public confidence. Audit Committees are widely recognised as a core component of effective governance.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) confirm that "Audit Committees are a vital part of any organisation". The Council's Audit and Governance Committee (the Committee) is responsible for overseeing corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement (AGS). The Committee's specific powers and duties are set out in the Council's Constitution.
- 1.4 The key benefits of the Committee are:
 - i. Maintaining public confidence in the objectivity and fairness of financial and other reporting. This includes providing a focus on financial reporting throughout the year, leading to confidence in the objectivity and fairness of the financial governance arrangements operating within the Council;
 - ii. Reinforcing the importance and independence of Internal and External Audit and any other similar review process;
 - iii. Considering assurance from various sources and holding management to account;
 - iv. Providing assurance through a process of independent and objective review, via the Internal Audit service provided by Audit Risk Assurance (ARA);
 - v. Raising the Council's awareness of the need for governance, ethical behaviour, internal control and the implementation of audit recommendations; and
 - vi. Providing assurance on the adequacy of the Council's risk management arrangements, including the risk of fraud and irregularity.
- 1.5 The Committee is established in accordance with CIPFA's "Audit Committees – Practical Guidance for Local Authorities and Police – 2018". It has a direct reporting line to full Council, and the Chair also has direct access to the Chief Executive and the Leader, as required.
- 1.6 Despite the challenges faced by the Council in 2021-22, the Committee maintained a detailed work programme for its main areas of activity which it considered and updated at each meeting.

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1.7 The Committee met five times during the year and each meeting had a full and wide-ranging agenda, reflecting its broad role.

2. Committee Role and Responsibilities

2.1 The core functions of the Committee are incorporated in its terms of reference. They are presented under the main areas of activity, which are to oversee:

- i. Audit activity (Internal, External and any Inspections);
- ii. Regulatory framework; and
- iii. The Statutory Accounts and AGS.

2.2 The Committee raises awareness of the need for sound internal control and risk management arrangements. The Committee's presence and effective operation provide assurance to the Council and stakeholders about these important aspects of governance.

3. Audit Committee Membership

3.1 The Committee's membership of nine elected Councillors for 2021-22 was:

- i. Councillor Nigel Studdert-Kennedy (Chair)
- ii. Councillor Martin Pearcy (Vice Chair)
- iii. Councillor Paula Baker
- iv. Councillor Stephen Davies
- v. Councillor Nick Hurst
- vi. Councillor Norman Kay
- vii. Councillor Keith Pearson
- viii. Councillor Ashley Smith (from September 2021 after replacing Councillor Chris Brine) and
- ix. Councillor Rich Wilsher

3.2 The Council's officers and External Auditors (Deloitte) support the Committee. Key officer engagement is principally via the Strategic Director of Resources (S151 Officer), the Monitoring Officer and the Head of ARA.

4. 2021-22 Committee Achievements

4.1 The Council entered the new financial year still being in the midst of the COVID-19 pandemic. The Council continued to follow government guidance, which included asking the majority of staff to work from home.

4.2 The Committee has continued throughout the pandemic to oversee the Council's work on risk management, treasury management and counter fraud. The Committee held in-person meetings from May 2021 onwards.

- 4.3 The outcomes of the Committee's work in relation to its core functions are summarised below.
- 4.4 **Internal Audit** – the Council's Internal Audit is provided by ARA. The Committee reviewed and considered:
- i. The Internal Audit Annual Plan for 2021-22. The Committee contributed towards the formulation of the Internal Audit Plan. The plan helps Internal Audit to target resources to those areas considered to be the highest risks, or which contribute most to the achievement of the Council's corporate objectives. Based on ARA's work in 2021-22, the Committee asked for further work to be included in the Internal Audit Plan for 2022-23.
 - ii. The Head of ARA's Annual Report and opinion for 2020-21. This provided a Satisfactory opinion on the effectiveness of the Council's internal control environment and summarised the activity upon which that opinion was based. The Committee can therefore take reasonable assurance that there is a sound system of internal control in place at the Council;
 - iii. Internal Audit reports – this included receiving responses from officers and Members;
 - iv. Reports on Internal Audit's progress against the Annual Audit Plan through regular update reports presented by the Head of ARA;
 - v. Information on the ARA Improvement Journey, including updates on working and reporting arrangements. This positively builds on the successful outcomes from the 2020-21 External Quality Assessment of the Effectiveness of Internal Audit;
 - vi. Management progress to address control weaknesses identified in Internal Audit reports where a limited opinion on the control environment has been provided; and
 - vii. The outcomes of special investigations undertaken by the Internal Audit Counter Fraud team. This included progress made in the investigation of queries arising as a result of the National Fraud Initiative (NFI) data matching exercise.
- 4.5 **External Audit** – the Local Audit and Accountability Act 2014 confirms that a Council must appoint an External Auditor to audit the Council's annual Statement of Accounts and value for money arrangements. Under the Public Sector Audit Appointments (PSAA), Deloitte LLP were the appointed External Auditor for the Council for the period 2018-19 to 2022-23.
- 4.6 The Committee (or the Chair via delegated responsibility) have monitored the work of the External Auditor and have:
- i. Considered and accepted the Annual Audit Letter for 2020-21. This summarises the outcomes from External Audit work during this period;
 - ii. Considered the Internal Audit and External Audit joint working arrangements;
 - iii. Received and considered regular External Audit progress reports;

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- iv. Considered and approved the draft Statement of Accounts for 2020-21 of the Council, with regular updates on the position received from External Audit;
 - v. Considered and accepted the Audit Results Report;
 - vi. Considered and approved the Letter of Representation; and
 - vii. Considered and accepted the External Auditor's Plan for 2021-22.
- 4.7 The term of the current External Auditor ends on 31st March 2023. A report on External Auditor procurement was submitted to the Committee. Following consideration, the Committee recommended that the Council opt-in to the PSAA for the appointment of the Council's External Auditors from 2023-24. Council approved the above recommendation.
- 4.8 **Risk Management – the Committee:**
- i. Received regular risk management update reports (including the review of the Strategic Risk Register); and
 - ii. Considered risk and opportunity management implications within Internal Audit reports;
- 4.9 Risk management is a key component of effective governance. The Committee and senior management supported an independent review of the Council's risk management arrangements. This will ensure that risk management continues to be embedded within the Council's key business processes.
- 4.10 **Regulatory and Governance – the Committee:**
- i. Reviewed the Council's Local Code of Governance (the Code) and Annual Governance Statement. The Code will be kept under review and be subject to Internal Audit inspection to verify supporting evidence; and
 - ii. Reviewed the progress made by management to address the required actions identified in the 2020-21 AGS Improvement Plan.
- 4.11 CIPFA are due to issue refreshed Audit Committee guidance in 2022-23. The Committee will ensure robust self-assessment against the new guidance and identify improvement actions as required.
- 4.12 **Treasury Management – is a key area for the Committee to monitor and they continue to consider and recommend to full Council for approval amendments to the investment strategy in response to changing market conditions. For example, the 2019-20 Investment Strategy recommended by Committee included new investment options as the Council adapted its risk appetite. The Committee continues to monitor the £10m of longer-term investments in property funds and multi-asset funds arising from that change. During the year, the Committee has:**
- i. Received and accepted the quarterly and half yearly Treasury Management activity reports which monitor treasury activity against the 2021-22 strategy; and

- ii. Considered and recommended to full Council the annual report setting out the Treasury Management Strategy, the Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2022/23. This report also set the Council's prudential indicators for 2022-23 and includes a new Ethical Investment Policy which seeks to increase Environment, Social and Governance factors in investment decision making.

4.13 Annual Statement of Accounts and the AGS – the Committee:

- i. Held a special meeting to scrutinise the draft annual Statement of Accounts for 2020-21;
- ii. Ensured appropriate accounting policies had been followed and considered whether there were any concerns that needed the attention of Council. Following scrutiny, the Committee approved the annual Statement of Accounts; and
- iii. Considered and approved the AGS for 2020-21.

5. Work Programme

- 5.1 The Audit Committee can report that the majority of governance functions and processes are well-controlled and delivered.
- 5.2 Where Internal Audit reports revealed risks of concern, the Committee have asked questions to management to explain their plans to rectify any areas of weakness.
- 5.3 Recent reports to the Committee have indicated that further work is needed on some areas around counter fraud and risk management arrangements.

6. Training

- 6.1 A breadth of mandatory training sessions and wider training opportunities have been offered to all Council Members within the 2021/22 Civic Year. These have included (but are not exclusive to) sessions on the following training themes:
 - i. Treasury Management and the Ethical Investment Policy;
 - ii. Risk Management; Project Management; Data Protection; and
 - iii. Covid-19: Response, Recovery and the Role of Stroud District Council.
- 6.2 In addition to the above, the following training was specifically made available to members of the Committee in 2021-22 to support them in discharging their responsibilities:
 - i. Homelessness and Introductory Tenancy Review Hearings Training 6th July 2021 – Compulsory for all Audit and Standards Committee Members;
 - ii. Audit and Standards Risk Based Internal Audit Annual Plan Workshop 8th February 2022 – Advisory for all Audit and Standards Committee Members; and
 - iii. Role of Internal Audit training 26th April 2022 – Advisory for all Audit and Standards Committee Members.

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7. Conclusions

- 7.1 The Committee has been successful in maintaining oversight of the Council's governance, risk management and internal control framework throughout 2021-22 and providing constructive challenge.
- 7.2 The Committee's work programme is dynamic. The programme is regularly reviewed to ensure the Committee maximises its contribution to the governance and control framework, while ensuring that the agenda for meetings are focused on key issues.
- 7.3 The Committee is committed to ensuring high governance standards are maintained.
- 7.4 During 2022-23, the Committee will continue to be an important source of assurance over the Council's risk management and control environments, and the financial and performance reporting arrangements.
- 7.5 In particular, the Committee will continue to:
 - i. Support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations;
 - ii. Monitor actions arising from the AGS Action Plan for 2021-22, to ensure the Council's governance arrangements are effective; and
 - iii. Monitor actions arising from the Risk Management Annual Report 2021-22 Action Plan and support their implementation.

STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

19 JULY 2022

Report Title	ANNUAL GOVERNANCE STATEMENT 2021/22			
Purpose of Report	To summarise Stroud District Council's corporate governance arrangements in place during 2021/22, via the publication of an Annual Governance Statement.			
Decision(s)	<p>The Committee RESOLVES to:</p> <p>I. Review and approve the Annual Governance Statement and the actions planned by the Council to further enhance good governance arrangements; and</p> <p>II. Agree that an update on actions taken to address the governance issues identified will be provided to the February 2023 Audit and Standards Committee meeting.</p>			
Consultation and Feedback	Strategic Leadership Team.			
Report Author	Piyush Fatania Head of Audit Risk Assurance (ARA) Tel: 01452 328883 Email: piyush.fatania@gloucestershire.gov.uk			
Options	There are no alternative options that are relevant to this matter.			
Background Papers	Reference and Council website links to supporting strategies, reports and documentation are made within the Annual Governance Statement.			
Appendices	Appendix 1 – Draft Annual Governance Statement 2021/22			
Implications (details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1.0 INTRODUCTION/BACKGROUND

- 1.1 There is a requirement under the Accounts and Audit Regulations 2015 to conduct an annual review of the effectiveness of the system of internal control and prepare an Annual Governance Statement.
- 1.2 As part of the Council's Constitution, it is the responsibility of the Audit and Standards Committee to approve this Statement.

2.0 MAIN POINTS

- 2.1 In April 2016, the Chartered Institute of Public Finance and Accountancy (CIPFA) and 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 2018/19 financial year. Guidance notes were

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also published to assist Council Leaders and Chief Executives in reviewing and testing their governance arrangements against the revised seven principles for good governance.

2.2 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.

2.3 In response to the above, we therefore:

- I. Reviewed the existing governance arrangements against the revised principles set out in the Framework;
- II. Developed and implemented a refreshed local code of corporate governance, based on the principles, including an assurance framework for ensuring ongoing effectiveness; and
- III. Will report publicly, via the Annual Governance Statement on compliance with our code on an annual basis, how we have monitored the effectiveness of our governance arrangements in the year and on planned improvement areas.

2.4 The Annual Governance Statement is signed by the Leader, Chief Executive (Head of Paid Service) and the Section 151 Officer. The Statement must accompany the Annual Statement of Accounts.

3.0 CONCLUSION

3.1 The Audit and Standards Committee are to consider and approve the Annual Governance Statement, to gain reasonable assurance that the governance arrangements are operating effectively within the Council and that the improvement actions identified will be implemented and monitored accordingly.

4.0 IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising directly from this report.

Andrew Cummings, Strategic Director of Resources

Email: andrew.cummings@stroud.gov.uk

Risk Assessment:

Failure to deliver effective governance will impact on the ability of the Council to achieve its vision, outcomes and priorities.

4.2 Legal Implications

There are no specific legal implications in addition to those mentioned in the report.

Contact: One Legal

Email: legalservices@onelegal.org.uk

Tel: 01684 272691

4.3 Equality Implications

There are no equality implications arising from the recommendations made in this report.

4.4 Environmental Implications

There are no environmental implications arising from the recommendations made within this report.

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ANNUAL GOVERNANCE REPORT – DRAFT

2021-22

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Stroud District Council – Annual Governance Statement 2021-22**1. Scope of Responsibility**

- 1.1 Stroud District Council (the Council) is responsible for ensuring that its business is conducted lawfully, that public money is safeguarded and properly accounted for. The Council has a duty under the Local Government Act 1999 to continuously improve its functions, having regard to best practice, economy, efficiency and effectiveness.
- 1.2 In discharging this duty, the Council acknowledges its responsibility for appropriately governing its affairs, the effective exercise of its functions and the management of its risks. The Council has developed a Code of Corporate Governance (the Code) which defines the principles and practices that underpin our governance arrangements.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) produced the “Delivering Good Governance in Local Government framework (2016)”. This emphasises sustainability and the need to focus on the economic, social and environmental impacts that actions may have on future generations.
- 1.4 The Code is reviewed annually and is consistent with the seven core principles of the CIPFA-SOLACE framework.
- 1.5 The Annual Governance Statement (AGS) has been prepared in accordance with the CIPFA-SOLACE framework. For the year ended 31 March 2022, the AGS shows our compliance to the Code and the Accounts and Audit Regulations 2015, regulation 6(1).
- 1.6 The AGS describes how the effectiveness of the governance arrangements has been monitored and evaluated during 2021-22 and any changes planned for 2022-23.
- 1.7 The Council’s Statutory Officers are the Chief Executive (Head of Paid Service), the Strategic Director of Resources (Section 151 or S151 Officer) and the Monitoring Officer (the MO). They direct the annual reviews of the effectiveness of the Council’s governance arrangements against the Code, providing oversight and robust challenge. When completed, the findings are reported to the Audit and Standards Committee (ASC), which identifies and monitors any improvement actions.

2. The Corporate Governance Framework

- 2.1 Corporate governance refers to how the Council is led, controlled and held to account.
- 2.2 Appendix A below shows the Council’s Governance, Risk and Control Framework pictorially.
- 2.3 The Council’s governance framework aims to ensure that in conducting its business it:
- i. Operates in a lawful, open, inclusive and honest manner;
 - ii. Ensures that public money is safeguarded, properly accounted for and used economically, efficiently and effectively;

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- iii. Has effective arrangements for the management of risk; and
 - iv. Secures continuous improvement in the way that it operates.
- 2.4 The governance framework comprises the culture, values, systems and processes by which the Council is managed. It enables the Council to monitor its objectives and consider whether these have led to the delivery of effective services and value for money. It enables the Council to monitor the achievement of its objectives.
- 2.5 The framework brings together legislative requirements, best practice principles and management processes.
- 2.6 The system of internal control is a significant part of the framework and is designed to manage the Council's risks to a reasonable level. It cannot eliminate all risk of failure to achieve corporate objectives and can, therefore, only provide reasonable and not absolute assurance. The system of internal control helps the Council to:
- i. Operate in a lawful, transparent, inclusive and honest manner;
 - ii. Ensure that public money and assets are safeguarded from misuse, loss or fraud, are accounted for and used economically, efficiently and effectively;
 - iii. Have effective arrangements for the management of risk;
 - iv. Secure continuous improvement in the way that it operates;
 - v. Enable human, financial, environmental and other resources to be managed efficiently and effectively;
 - vi. Properly maintain records and information; and
 - vii. Ensure its values and ethical standards are met.
- 2.7 The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).
- 2.8 The Code recognises that effective governance is achieved through the following seven CIPFA-SOLACE principles:
- i. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - ii. Ensuring openness and comprehensive stakeholder engagement;
 - iii. Defining outcomes in terms of sustainable economic, social and environmental benefits;
 - iv. Determining the interventions necessary to optimise the achievement of intended outcomes;
 - v. Developing the Council's capacity, including the capability of its leadership and the individuals within it;

- vi. Managing risks and performance through robust internal control and strong public financial management; and
- vii. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

2.9 Key features of the Council's governance framework during 2021-22 included:

- i. Council – this is the ultimate decision-making body for all matters and approves the annual budget, the Constitution, key policies and the composition and terms of reference for Committees;
- ii. Committees – support the work of the Council. There are four Committees aligned to the Council's corporate priorities (excluding ASC and the Development Control Committee). They scrutinise the performance of officers and the Council. Two Members of each committee meet on a quarterly basis with senior management in non-decision making, informal meetings. They report back on an exception basis to their Committees any key issues;
- iii. Audit and Standards Committee – provides independent assurance to Council on the effectiveness of the internal control, risk and governance environment. The ASC promotes high standards of Member conduct, receives reports from Internal and External Audit and approves the Council's statutory accounts and AGS;
- iv. The Chief Executive (CE – Head of Paid Service) – advises on the formulation and implementation of Council policy and the budgetary framework. The CE influences and promotes a corporate culture of high ethical standards and integrity;
- v. The Strategic Director of Resources – promotes effective financial management, ensuring that public money is safeguarded and used economically, efficiently and effectively. The S151 Officer develops and maintains the Council's governance, risk and control framework and contributes to the effective management and governance of the Council;
- vi. The Monitoring Officer – ensures that the Council's decisions are lawful, fair, promote high ethical standards and comply with the Code. The MO has overall responsibility for the operation of the Confidential Reporting Procedure (Whistleblowing) and contributes to the effective management and governance of the Council;
- vii. Internal Audit – deliver a programme of risk based audit activity, counter fraud and investigation services. They provide an annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework and recommend improvements in the management of risk;
- viii. External Audit – provide an opinion on the accounts, the AGS and arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion);
- ix. Strategic Directors and Managers – are responsible for developing, maintaining, implementing and owning the Council's governance, risk and control framework. They contribute to the effective management and governance of the Council;

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- x. The Strategic Risk Register – reflects the objectives of the Council Plan and identifies the implications for the Council’s governance arrangements;
 - xi. The Constitution – sets out the Council’s decision-making framework and is regularly updated. It defines the responsibilities of Members, committees, and the statutory officers (Head of the Paid Service, S151 Officer and the MO). It includes a scheme of delegation, financial regulations and contract standing orders. The Constitution defines codes of conduct for Members and officers; and
 - xii. Whistleblowing Policy and process - along with the anti-fraud, bribery and corruption strategy outlines the Council’s zero tolerance approach to fraud, bribery and corruption.
- 2.10 The Council’s governance framework has operated effectively throughout 2021-22 and up to the date of approval of the annual statement of accounts and the AGS.
- 2.11 The Code is consistent with the principles set out in the CIPFA-SOLACE Framework, and is reviewed on an annual basis. The table below is a summary of the Council’s compliance to the CIPFA-SOLACE Framework:

Principal A
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Behaving with integrity The ASC and the MO promote high standards of Member conduct. The Member Code of Conduct and guidance strengthen the Council’s ethical framework. Any investigation into Member standards is reported to the ASC and the independent standards panel. Officers abide by the Employees’ Code of Conduct which expresses acceptable standards of behaviour. External service providers engaged by the Council must comply with the Code of Conduct.
Demonstrating strong commitment to ethical values Arrangements to minimise the risk of Members and officers being influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders include: <ul style="list-style-type: none">- A statutory register of interests;- Requirements to declare conflict of interests; and- Employee Registers of gifts and hospitality.
The Complaints Policy specifies how any complaints will be addressed.
Respecting the Rule of Law The Constitution sets out the decision making powers of Members, Committees and officers. One Legal advise the Council on the application of the law and provides training and guidance notes. All committee reports include legal implications.

Principal B

Ensuring openness and comprehensive stakeholder engagement

Openness

The [Council Plan 2021-26](#) sets out key objectives, actions, projects, measures and targets.

Member and significant officer decisions are reported on the Council's website.

The Council publishes data in accordance with [the Local Government Transparency Code](#) which enables residents to contribute to local decision making.

Engaging Effectively with Stakeholders

Members are democratically accountable and this provides a clear leadership role in building sustainable communities.

The Council's planning and decision-making processes include consultation with stakeholders.

Alternative service delivery models are considered to allow for resources to be used more efficiently and effectively.

[Annual resident and business satisfaction surveys](#) are received from the local community.

The [Councillor Call for Action](#) helps Members to make improvements for their local areas. Members can address issues affecting their communities by engaging with the Council or a relevant committee.

A web-based [consultation hub](#) consultations are held with residents on policies, plans and proposals affecting our communities.

Principal C

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

Defining outcomes

The Council's vision and priorities are set out in the [Council Plan 2021-26](#).

A [Budget and Medium Term Financial Plan](#), Capital Programme and annual budget process ensure that financial resources are directed to the Council's priorities.

The Council collaborates with partners where there are shared objectives and clear economic benefits from joint working.

The Council has a co-ordinated and structured approach to developing services and defining outcomes.

Contract management and monitoring arrangements are in place to ensure that services are delivered to a high standard.

The Council's business planning, performance and risk management framework enables the monitoring of progress against objectives, key performance indicators and targets.

Sustainable economic, social and environmental benefits

The Council ensures the purchase of goods, services or works required to deliver services is acquired under Best Value terms.

The Council's business continuity plans ensure that critical services can be maintained and recovered during an emergency.

The Council's considers political, environmental, societal, technological, legislative, economic and efficiency risks, opportunities and value for money when taking decisions about service provision.

Principal D

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

Determining interventions

Decision makers objectively and robustly analyse a variety of options. This includes information on the risks and opportunities of various options and help to inform decisions.

Consultation with residents ensures their views are fully considered when making decisions about service changes.

The [Council Plan 2021-26](#) helps the district to grow - shaping it into a vibrant and welcoming place to live, work and study.

The Council has a performance management and monitoring process in place.

Performance reports analysing trends and latest budget position are monitored by management and the relevant Committees.

Optimising achievement of intended outcomes

The Council has implemented a Budget and Medium Term Financial Plan (MTFP) which shows the level of Council resources and how these are allocated between services.

The financial plans demonstrate how the Council's resources will be deployed to deliver its aims and priorities.

The Council considers the achievement of 'social value' (how scarce resources are used) when planning and commissioning services. The Council has a Social Value Policy and in 2021-22 has signed up to the Social Value Portal.

Principal E

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

Developing the Council's capacity

SDC uses benchmarking exercises and [the Local Government Association \(LGA\) Corporate Peer Challenge \(CPC\)](#) to explore the effectiveness of service delivery and strengthen the Council's accountability. One such exercise was carried out in year.

Collaborative working and alternative service delivery models are considered to meet our priorities.

To expand skill sets and gain insights into other services, a learning and development offer is in place for all staff, and includes secondment opportunities.

The Council's Constitution defines the statutory and distinctive roles of the Leader and the Chief Executive and sets out decision making powers.

A Training and Development Programme supports continued Member development.

121's and the Council's corporate competency framework for officers assesses their performance, what works well and where further development may be need.

Council "Values and Behaviours" develop the skills required to deliver our key priorities, savings targets, and form part of our commitment to personal and professional development.

Principal F

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

Managing Risk

The [Risk Management Policy and Strategy](#) defines roles and responsibilities for managing risk. It confirms that risk management is an integral part of all our business planning, option appraisal and decision making activities.

The Council's business continuity arrangements ensure critical services can be maintained and recovered during an emergency.

The [ASC](#) monitor the adequacy of risk management and the effectiveness of the S151 Officer in ensuring an adequate internal and financial control environment within the Council.

Managing Performance

The [Council Plan 2021-26](#) outlines our vision to lead a community that is making Stroud district a better place to live, work and visit. The plan outlines how this will be achieved around three key themes: "Environment and Climate Change", "Economy, Recovery and Regeneration" and "Community Resilience and Wellbeing".

Our business planning framework ensures that strategic and service plans align with the [Council Plan](#), and set out our priorities and risks. Priorities are monitored through our performance, programme and project management framework.

Robust Internal Control

The Council takes fraud, corruption and maladministration very seriously and [the Counter Fraud and Corruption Policy](#) Statement and Strategy and [Whistleblowing Policy](#) prevent or deal with such occurrences

Managing Data

Data is lawfully managed in accordance with the [freedom of information](#) and [data protection](#) Policies. The Council has an Information Governance Officer and information champions who help to promote effective management of information across the Council.

Information Sharing protocols are in place with third parties.

Strong public financial management

Robust budget management arrangements are in place including monitoring and review by all Committees.

[External Audit](#) report on the Council's accounts, the [AGS and the Code](#). They provide an opinion on the accounts and arrangements for securing economy, efficiency and effectiveness in the use of resources (value for money).

Principal G

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

Transparency

[Agenda and minutes](#) of Council and Committee meetings are publicly available on the Council's website.

The [Freedom of Information Act publication scheme](#) ensures residents have access to information held by the Council.

The [Local Government Data Transparency Code](#) lists data that is published by the Council. This includes expenditure over £500, grants to community bodies and senior salaries. This enables residents to contribute to local decision making.

Reporting

The [Annual Statement of Accounts](#) provide information on the Council's stewardship of public money for the year.

The [AGS](#) reports on the effectiveness of our governance arrangements against the key principles set out within the Code.

The [ASC](#) review and approve the Annual Statement of Accounts and AGS.

Assurance and effective accountability

Accountability and decision making arrangements are defined in the Council's Constitution, including arrangements for the delivery of services with our key partners.

The [ASC provides independent assurance to the Council](#) on the adequacy and effectiveness of the governance arrangements and internal control environment.

[Peer reviews](#) and benchmarking undertaken to ascertain good practice and implement improvements as identified.

3. Review of Effectiveness

- 3.1 The Council has a responsibility for annually conducting a review of the effectiveness of its governance framework including the system of internal audit. The review of effectiveness is informed by the various sources below who contribute to the development and maintenance of the governance environment:
- i. The Chair of the ASC formally reports on its work to Council;
 - ii. Assurance statements from senior management provide evidence that key elements of the system of internal control are operating effectively;
 - iii. The work of Internal Audit, including the Annual Report of the Head of Internal Audit is overseen by the ASC;
 - iv. The work of the External Auditor – including the annual Audit Results and other reports in relation to financial and other aspects of the Council's governance;
 - v. A comprehensive risk management process captures the Council's strategic and operational risks which are reported to senior managers and the ASC; and
 - vi. Consideration of this AGS by the Section 151 Officer and the CE with reference to the wider aspects of governance.

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4. Update On Governance Issues From 2020-21

4.1 In the AGS for 2020-21, the following governance issues were highlighted:

Governance Issue	Actions taken in 2021-22
<p>Future Financial Sustainability and Efficiency Savings.</p> <p>Lead Officer – The Strategic Director of Resources.</p> <p>Target Date – Ongoing.</p>	<p>The Medium Term Financial Plan (MTFP) included savings related to the Fit for the Future programme, and created by investing in modern service delivery methods and improved community engagement.</p> <p>Funding was identified and linked to priority Council projects. This integrated the financial plan and the Council Plan.</p> <p>Strategy and Resources Committee receives regular financial monitoring updates. The budget strategy in Autumn 2021 considered factors relating to changes in funding streams, including government reforms, which were updated as part of the MTFP planning process.</p>
<p>Local Government Association (LGA) Corporate Peer Challenge (CPC)</p> <p>Lead Officer – The Chief Executive.</p> <p>Target Date – 31st March 2022.</p>	<p>This is the Peer Review that was undertaken in 2019. The actions from this have all been implemented.</p> <p>A more recent Peer Review was undertaken in March 2022 – please see below.</p>

5. Overall Opinion of Stroud District Council's Governance Arrangements

- 5.1 Despite the Covid-19 pandemic, inflation and utility price volatility, the Council has maintained effective service delivery and governance arrangements. There has been no significant detriment on the Council's ability to deliver its statutory services.
- 5.2 Risk registers will be refreshed to reflect the findings of the Review of Risk Management (see below) to ensure they accurately capture the Council's risks. These will be reviewed and regularly monitored by the SLT and be presented for scrutiny by the ASC as appropriate.
- 5.3 Council staff have embraced hybrid working patterns and the risks to cyber security, electronic document sharing and data protection (GDPR) legislation continue to be monitored. This is supported with regular staff awareness and training programmes.

6. Governance Issues Requiring Attention in 2022-23

6.1 In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for attention:

Issue	Action to be taken in 2022-23												
LGA Peer Review March 2022	<p>The report from the Peer Review team was positive regarding the Council's progress since 2019, and made recommendations for further improvements.</p> <p>ARA can assist to implement the recommendations as required.</p>												
Procurement – Non-compliance with Internal Regulations	<p>Management implemented the actions during 2022.</p> <p>ARA will undertake follow up work and report progress on implementation to the ASC.</p>												
Financial Resilience	<p>Financial resilience will need to be monitored closely, given the challenges posed by inflation and utility price volatility.</p> <p>The Council continues to effectively manage its finances in order to minimise the risks from financial pressures.</p> <p>The risk of the Council issuing a Section 114 notice is low.</p>												
Risk Management	<p>A review of risk management was undertaken during 2021-22 by TIAA. This found that there were opportunities for the Council improve its management of risk.</p> <p>One conclusion of the Risk Management Report is that, on the risk maturity scale (below), the Council is a Level 3 rather than a Level 4 as reported in previous AGS's.</p> <p>Audit Risk Assurance (ARA) will look to collaborate with the Council to improve risk management.</p> <p>This will include a review of the Council's risk registers, a review of the Risk Management Strategy and enhanced training for officers and Members.</p> <p>ARA will undertake follow up work and report progress on implementation to the ASC. This will include the formulation of an Assurance Map for the Council.</p> <table border="1" style="margin-top: 10px; width: 100%; text-align: center;"> <tr> <td style="background-color: #b3cde3; writing-mode: vertical-rl; transform: rotate(180deg);">Risk Maturity Level</td> <td style="background-color: #c0392b; color: white;"> Level 1 Developing (Risk Naïve) </td> <td style="background-color: #e74c3c; color: white;"> Level 2 Progressing (Risk Aware) </td> <td style="background-color: #f1c40f; color: white;"> Level 3 Operational (Risk Defined) </td> <td style="background-color: #7ed321; color: white;"> Level 4 Embedded & Engaged (Risk Managed) </td> <td style="background-color: #27ae60; color: white;"> Level 5 Dynamic & Empowering (Risk Enabled) </td> </tr> <tr> <td></td> <td style="background-color: #c0392b; color: white;"> No formal approach to risk management. </td> <td style="background-color: #e74c3c; color: white;"> Consulting and planning to implement risk management. </td> <td style="background-color: #f1c40f; color: white;"> Early Stages of implementation. </td> <td style="background-color: #7ed321; color: white;"> Established risk management with planned extension /development. </td> <td style="background-color: #27ae60; color: white;"> Fully established and effective risk culture at all levels. </td> </tr> </table>	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.
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.								

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Issue	Action to be taken in 2022-23
Hybrid Working	<p>The Council has demonstrated that it can effectively deliver services with a combination of staff working in the offices and at home and has implemented hybrid working in 2022-23.</p> <p>The Council has formulated a Hybrid Working Policy that will help to manage and monitor the performance of staff working remotely. The policy will be reviewed and amended, as necessary.</p>
Planning Enforcement	<p>At the request of Members, ARA undertook an audit of Planning Enforcement, which highlighted the following issues:</p> <ul style="list-style-type: none"> • Resourcing of the Planning department should be assessed, along with time and task monitoring; • Member oversight of Planning Enforcement should be enhanced; • A review of policy and procedures should be undertaken; • Investment in new IT and lessons learned post implementation; • Member Training on planning issues is advised; • Implement a corporate approach to service planning, performance and risk management and reporting. <p>Progress on the above will be monitored by management. ARA will undertake follow up work and report progress on implementation to the ASC.</p>
Cyber Security and Business Continuity	<p>The threat of a cyber-attack on the Council is deemed an area of significant risk. Focus should continue to be placed on ensuring that the Council remains vigilant to these types of attack, and has effective defence and recovery arrangements in place. Planned in-year Internal Audit activities should assist management to verify the adequacy and operating effectiveness of the current arrangements.</p>
Housing Voids	<p>A review of Voids was undertaken during 2021-22. This found that there were opportunities for the Council to improve its performance concerning the management of void properties.</p> <p>ARA will undertake follow up work and report progress on implementation of the recommendations to the ASC.</p>
“Fit for the Future” Modernisation Programme	<p>The Council is driving forward with its modernisation programme “Fit for the Future”. Planned in-year ARA work will assist management in ensuring that there is an adequate governance framework for the delivery of the programme, and that this is operating as intended.</p>
Leisure Facilities- Local Authority Trading Company	<p>The Council is working towards setting up a Local Authority Trading Company for the provision of Leisure Services. ARA will assist management through the provision of risk and control advice, as part of the program for introducing the Local Authority Trading Company.</p>
Contract Management Framework	<p>The Council has recently adopted a new Contract Management Framework. Planned in-year ARA work will assist management in determining the effectiveness of the roll out of the new arrangements.</p>

7. Certification

- 7.1 To the best of our knowledge, the Council’s governance arrangements and the Local Code of Corporate Governance have operated effectively throughout 2021-22.
- 7.2 The Council will continue to be vigilant to risks to our operations, address these accordingly, and further enhance our governance arrangements as appropriate.
- 7.3 We will ensure that the AGS is current at the time of signing. Should a second conclusion on the adequacy of governance arrangements during this period be necessary then any potential impacts will be highlighted in the AGS.
- 7.4 The Strategic Leadership Team (SLT) will oversee this action plan over the coming year and report progress to the Audit and Standards Committee. The SLT will ensure that governance issues continue to be promoted, addressed and monitored throughout the year.
- 7.5 We, the undersigned, are satisfied that appropriate governance arrangements are in place. We propose over the coming year to continue to review and, where appropriate, enhance our governance arrangements.

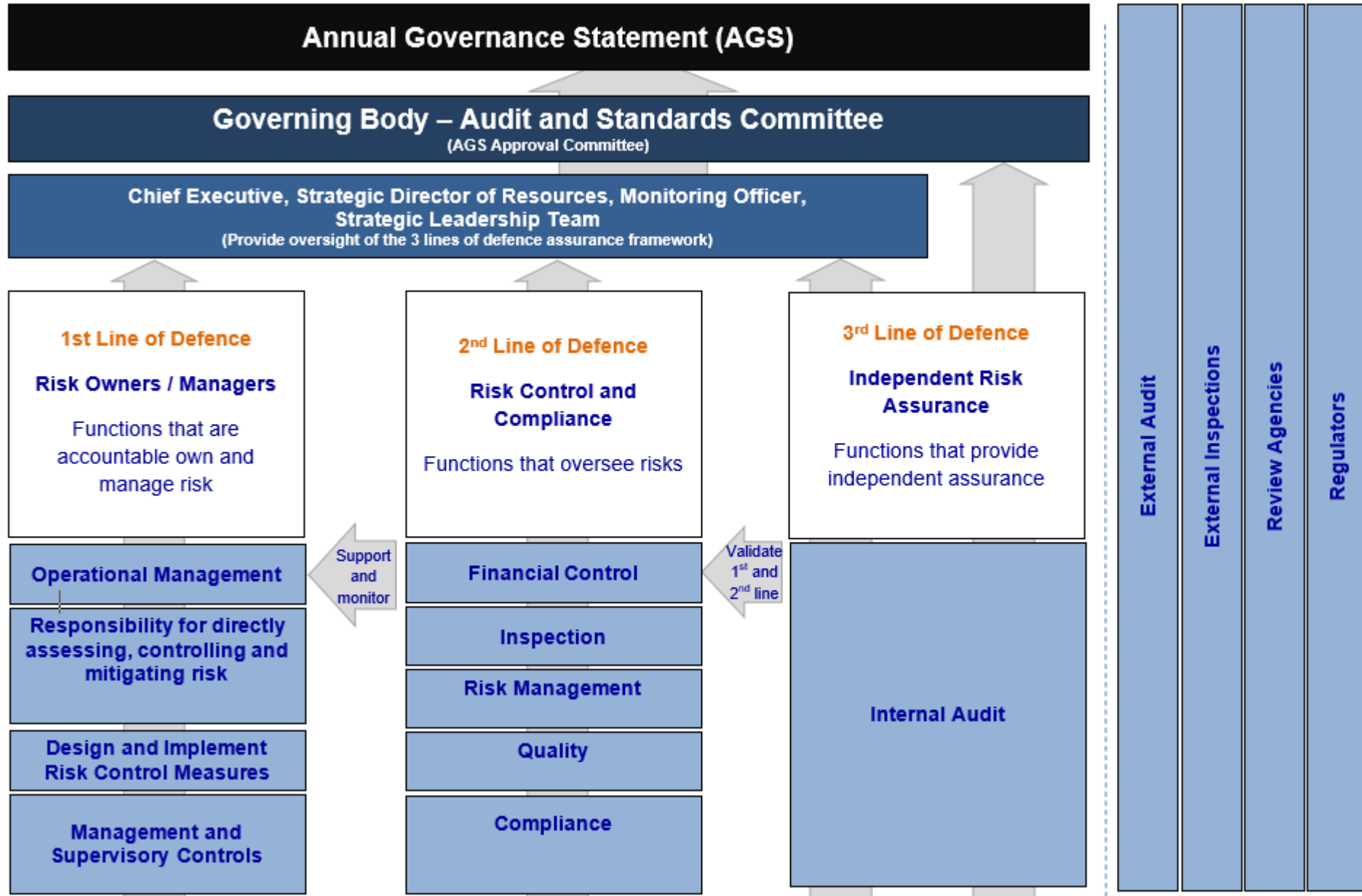
Signed: _____

Doina Cornell
Leader of the Council

Kathy O’Leary
Chief Executive

Date: _____

Appendix A – The Council’s Governance, Risk and Control Assurance Framework



STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE
19 JULY 2022

Report Title	INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2021/22			
Purpose of Report	To inform Members of the Internal Audit activity progress and final position on the approved Internal Audit Plan 2021/22.			
Decision(s)	<p>The Committee RESOLVES to note:</p> <p>I. The progress and final position on the Internal Audit Plan 2021/22; and</p> <p>II. The assurance opinions provided in relation to the effectiveness of the Council's control environment.</p>			
Consultation and Feedback	Internal Audit findings are discussed with Service Heads and Managers. Management responses to recommendations are included in each assignment report.			
Report Author	Piyush Fatania Head of Audit Risk Assurance (ARA) Tel: 01452 328883 Email: piyush.fatania@gloucestershire.gov.uk			
Options	There are no alternative options that are relevant to this matter.			
Background Papers	None.			
Appendices	Appendix A – Internal Audit Activity Progress Report 2021/22 The following appendix contains exempt information by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 and a resolution may be passed to exclude the public during consideration of these items: Appendix B – Exempt			
Implications (details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1.0 INTRODUCTION/BACKGROUND

- 1.1 Members agreed the Internal Audit Plan 2021/22 at the [27th April 2021 Audit and Standards Committee meeting](#).
- 1.2 In accordance with the [Public Sector Internal Audit Standards \(PSIAS\) 2017](#), this report (through **Appendix A**) details the outcomes of Internal Audit work carried out in accordance with the agreed Plan.

2.0 MAIN POINTS

- 2.1 The Internal Audit Activity Progress Report 2021/22 at **Appendix A** summarises:

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- I. The progress and final position on the Internal Audit Plan 2021/22, including the assurance opinions on the effectiveness of risk management and control processes;
- II. The outcomes of the delivered Internal Audit Plan 2021/22 activity; and
- III. Special investigations/counter fraud activity.

2.2 The report is the fifth and final progress report in relation to the Internal Audit Plan 2021/22.

2.3 The Internal Audit Progress Report 2021/22 content directly supports the Internal Audit Annual Report 2021/22, due to be presented to the 19th July 2022 Audit and Standards Committee.

3.0 CONCLUSION

3.1 The purpose of this report is to inform the Committee of Internal Audit work undertaken to date, and the assurances given on the adequacy and effectiveness of the Council's control environment. Completion of the Internal Audit Activity Progress Reports ensures compliance with the PSIAS, the [Council Constitution](#) and [the Audit and Standards Committee Terms of Reference](#).

4.0 IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising directly from this report.

Andrew Cummings, Strategic Director of Resources

Email: andrew.cummings@stroud.gov.uk

Risk Assessment:

Failure to deliver effective governance will negatively impact on the achievement of the Council's objectives and priorities.

4.2 Legal Implications

Monitoring the implementation of Internal Audit recommendations assists the Council to minimise risk areas and thereby reduce the prospects of legal challenge.

Contact: One Legal

Email: legal.services@onelegal.org.uk

Tel: 01684 272691

4.3 Equality Implications

There are no equality implications arising from the recommendations made in this report.

4.4 Environmental Implications

There are no environmental implications arising from the recommendations made within this report.

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Internal Audit Activity Progress Report 2021/22



(1) Introduction

All Councils must make proper provision for Internal Audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. This states Council's 'must undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

The 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. ARA carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

The guidance accompanying the Regulations recognises the Public Sector Internal Audit Standards 2017 (PSIAS) as representing 'proper Internal Audit practices'. The standards define the way in which the Internal Audit service should be established and undertake its operations.

The Internal Audit service is delivered 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 advising the Council that these arrangements are in place and operating effectively.

Internal Audit is not the only source of assurance for the Council. There are a range of external audit and inspection agencies as well as management processes which also provide assurance. 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 Head of ARA should provide progress reports on Internal Audit activity to those charged with governance. This report summarises:

- i. The progress against and final position on the Internal Audit Plan 2021/22, including the assurance opinions on the effectiveness of risk management and control processes;
- ii. The outcomes of the delivered Internal Audit Plan 2021/22 activity; and
- iii. Special investigations/counter fraud activity.

(4) Progress against the 2021/22 Internal Audit Plan, including the assurance opinions on risk and control

The schedule provided at **Attachment 1** provides the summary of 2021/22 activities which have not previously been reported to the Audit and Standards Committee.

The schedule provided at **Attachment 2** contains a list of all 2021/22 Internal Audit Plan activity undertaken. This includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks. **Attachment 2** also reflects where activity outcomes have been presented to the Audit and Standards Committee.

Explanations of the meaning of the assurance opinions provided up to February 2022 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 service areas, finance, reputation, legal, the environment, customers, partners, and staff. All key risks are accurately reported and monitored in line with the Council's Risk Management Policy.	<ul style="list-style-type: none"> • System Adequacy – Robust framework of controls ensures that there is a high likelihood of objectives being achieved. • Control Application – Controls are applied continuously or with minor lapses.
Satisfactory	Risk Aware Service area has an awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, customers, partners and staff. However, some key risks are not being accurately reported and monitored in line with the Council's Risk Management Policy.	<ul style="list-style-type: none"> • System Adequacy – Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger. • Control Application – Controls are applied but with some lapses.
Limited	Risk Naïve Due to an absence of accurate and regular reporting and monitoring of the key risks in line with the Council's Risk Management Policy, the service area has not demonstrated a satisfactory awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, customers, partners and staff.	<ul style="list-style-type: none"> • System Adequacy – Risk of objectives not being achieved due to the absence of key internal controls. • Control Application – Significant breakdown in the application of control.

Appendix A - Attachment 1

ARA activity reports have changed from March 2022 and the assurance opinion approach has been updated.

One assurance opinion only is provided per activity. Four opinion outcomes are possible: Substantial; Acceptable; Limited; and No Assurance.

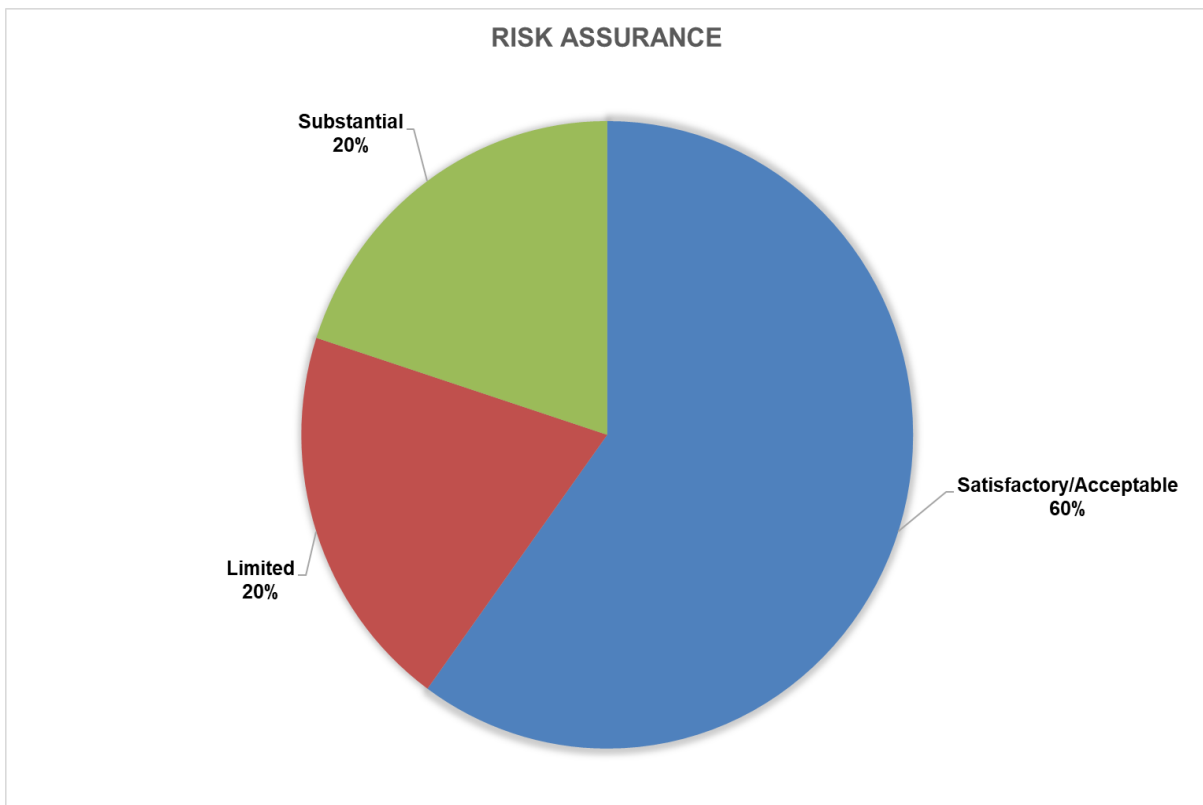
The following criteria are used:

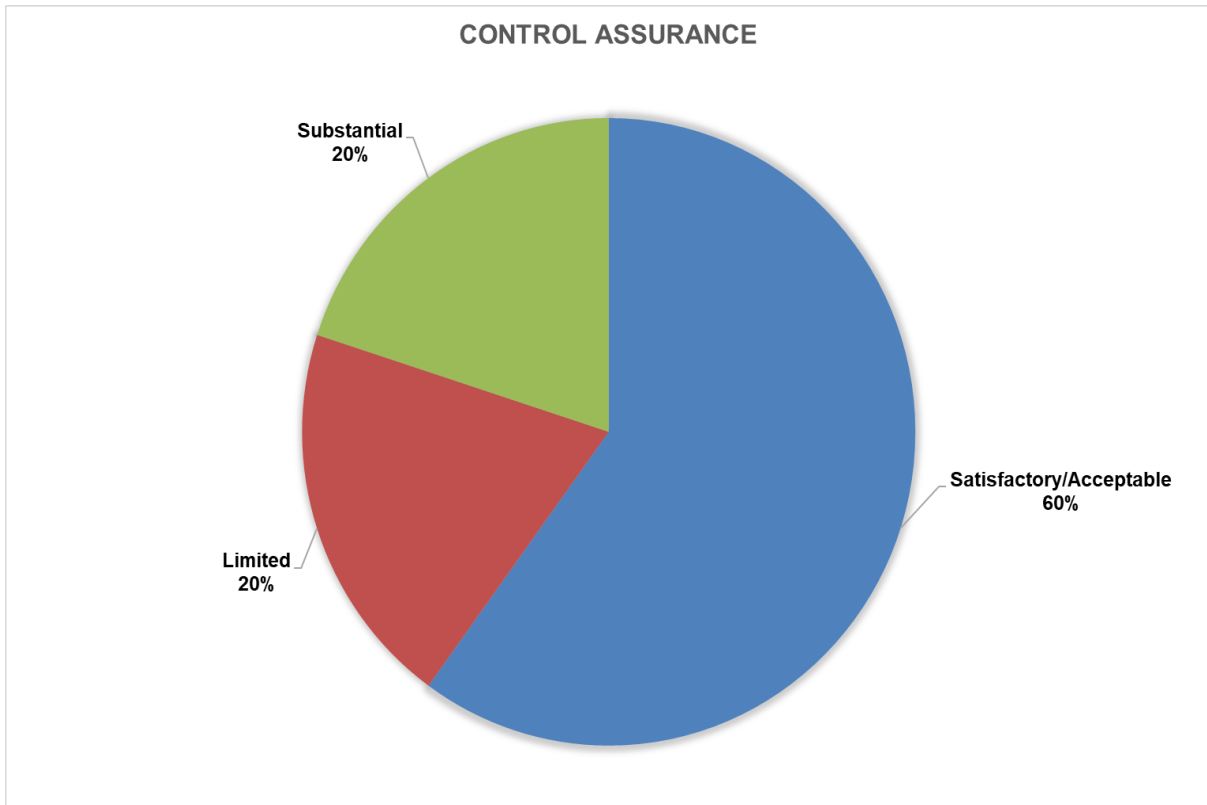
- i. Substantial assurance – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;
- ii. Acceptable assurance – all key controls are in place and working but there are some reservations in connection with the operational effectiveness of some key controls. The Council has a medium to low exposure to business risk;
- iii. Limited assurance – not all key controls are in place or are working effectively. The Council has a high to medium exposure to business risk; and
- iv. No assurance – no key controls are in place or no key controls are working effectively. The Council has a high exposure to business risk.

Due to the timing of change, the ARA outcomes in **Attachment 2** will reflect both types of assurance approach within 2021/22.

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

The below pie charts show the summary of the risk and control assurance opinions provided in relation to the completed Internal Audit Plan 2021/22 activity.





For the purpose of the pie charts, the two assurance approaches within 2021/22 have been amalgamated. There were nil 'No assurance' opinions in 2021/22.

(4b) Limited Control Assurance Opinions

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

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

No limited assurance opinions on control have been provided on concluded Internal Audit Plan 2021/22 activity during the period mid-March 2022 to June 2022.

(4d) Satisfactory (Acceptable) Control Assurance Opinions

Where Internal Audit activities record that a satisfactory assurance opinion on control and recommendations have been made, the Committee can take assurance that improvement actions have been agreed with management.

(4e) Internal Audit Recommendations

Internal Audit made a total of **17** recommendations to improve the control environment, from the concluded Internal Audit Plan 2021/22 activity during the period mid-March 2022 to June 2022.

One of these was a high priority, **three** were medium priority and **13** were low priority recommendations. 100% of the recommendations have been accepted by management.

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

(4f) Risk Assurance Opinions

No limited assurance opinions on risk have been provided on concluded Internal Audit Plan 2021/22 activity during the period mid-March 2022 to June 2022.

(4g) Internal Audit Plan 2021/22 – Update

Members approved the Internal Audit Plan 2021/22 at the 27th April 2021 Audit and Standards Committee meeting.

The Internal Audit Plan 2021/22 delivers a range of ARA activity across the Council's Service areas. Activity types include:

- i. Internal Audit;
- ii. Counter fraud activity and fraud or irregularity case review;
- iii. Consultancy review or advice;
- iv. Grant certification or review; and
- v. Resource support for priority areas.

All of these activity types generate an ARA outcome or conclusion, however only the Internal Audit activity stream will result in assurance opinions on risk and control.

When compared to prior years, the Internal Audit Plan 2021/22 includes a higher level of activity that does not result in an assurance opinion. This is due to the following factors:

- i. An increased level of grants certification and review requirements, as a result of both Covid-19 and project relevant grant funding streams received by the Council;
- ii. Appropriate application of PSIAS requirements, which supports consideration and delivery of consultancy review within Internal Audit Plans; and
- iii. The changing risks and needs of the Council, evident through the Internal Audit Plan 2021/22 planning and consultation process. This has resulted in increased consultancy review and advice activities to enable agile and added value outcomes from ARA work.

The above weighting of ARA activity will impact upon the Internal Audit Progress Report **section 4** and **Attachment 2** content.

As detailed on **Attachment 2**, seven new activities have been added to the Internal Audit Plan 2021/22 based on risk position and need. These include:

- i. The Strategic Leadership Team (SLT) and Member requested Planning Review (Enforcement), which was confirmed as a priority for ARA delivery;
- ii. New mandatory grant certification and review work;
- iii. New mandatory review work on the Brimscombe Port Annual Report, required by the Homes England funding agreement; and
- iv. Management requested consultancy activity.

One new activity (Innovate to Renovate grant) was subsequently deferred to the Internal Audit Plan 2022/23, based on management request and in line with confirmed grant deadlines.

Concluded Internal Audit Plan 2021/22 Activity during the period mid-March 2022 to June 2022

Summary of Substantial Assurance Opinions

Service Area: Resources

Audit Activity: Brimscombe Port

Background

The Council's re-generation project at Brimscombe Port is funded by a combination of its own financial resources plus funding from Homes England and The One Public Estate Scheme.

Scope

The objective of this audit was documented in the Homes England funding agreement: To provide an annual audited report for the project 2020/21 income receipts and expenditure statement. The project net expenditure for 2020/21 totalled £526k.

Assurance Opinion – Substantial

Key Findings

- i. The methodology used for the income, expenditure and funding statements, was compliant with that published in the Homes England funding agreement.
- ii. Disclosure checks were completed comparing the funding statement as at 31st March 2021 with the Council's 2020/21 accounts. Review confirmed that £2.776m of external funding, was consistently disclosed in both statements.
- iii. The Council's financial systems correctly identify Brimscombe Port 2020/21 financial transactions. They are coded to ring fenced cost centres and subjective income and expenditure categories, which makes audit review effective.
- iv. Re-performance checks reconciling the financial systems transactions to the 2020/21 income receipts and expenditure statement, showed they were accurately accounted for.
- v. The Council receive income for tenant rent and service charges for occupation of business space at Brimscombe Port. An audit test was completed with the objective of checking that the income was correctly classified as belonging to the Brimscombe Port development. A sample of income totalling £17k had the correct transaction attributes.

- vi. The Council incur a range of expenditure categories for the operational running costs and project refurbishment. A sample of expenditure totalling £105k, confirmed that they had been correctly accounted for.
- vii. Review of the Council's Strategy and Resources Committee meeting discussions on 10th June 2021 was completed, with the objective of corroborating the financial figures in the Brimscombe Port 2020/21 statements.
- viii. Evidence reviewed from the Strategy and Resources Committee meeting above, verified that the governance of external funding totalling £2.776m as at 31st March 2021 was consistent with the 2020/21 statements.
- ix. The development project's combined Council and external funding available as at 31st March 2021 totals £4.7m.

Conclusion

Substantial assurance has been obtained that the Brimscombe Port 2020/21 Income and Expenditure Statement and Funding Position was accurately and appropriately compiled.

No recommendations were identified by ARA review.

Management Actions

The Head of Property Services will ensure that a copy of the audited statement of accounts and report is provided to Homes England to ensure conformance with the Funding Agreement.

Summary of Satisfactory (Acceptable) Assurance Opinions

Service Area: Communities

Audit Activity: Anti-Social Behaviour Management

Background

As part of the 2021/22 Internal Audit Plan, Internal Audit have undertaken a review of the Council's arrangements for anti-social behaviour (ASB) management, across its housing stock.

Section 218A of the Housing Act 1996 requires councils (with their own housing stock) to have a policy to deal with ASB occurrences.

The Neighbourhood and Community Standard, one of the Regulator of Social Housing's Consumer Standards, also shapes how councils should manage ASB (in neighbourhoods where they own homes).

Scope

To determine whether there are adequate and effective arrangements in place to ensure compliance with the Neighbourhood and Community Standard. The full period under review is 1st January 2021 to 31st December 2021.

Specific objectives include the following:

- i. To assess the adequacy of the policies, procedures, and strategies in place to manage ASB (the focus here being those covering tenant issues and on the Council's obligations as a registered provider of social housing);
- ii. To assess the effectiveness of the case management procedures in place to receive, record, and resolve ASB complaints in a timely manner (with due consideration to the range of legal powers at the Council's disposal); and
- iii. To determine whether ASB complaints are handled in line with policies and procedures (to include consideration of case outcomes and performance reporting).

The arrangements for managing ASB incidents raised by non-tenants (wider residents within the Stroud District) are out of the scope, with the exception of any tenant-related ASB issues which would fall under the above Standard.

Assurance Opinion – Acceptable (equivalent to the Satisfactory assurance opinion)

Key Findings

- i. Audit review and testing completed has shown satisfactory consideration of welfare and safeguarding issues during the management of ASB complaints. The ASB and Enforcement Officer (ASBEO), will continue to further embed these processes within standard case management.

- ii. A short peer review was completed, where the Council's approach to ASB management was contrasted with that of eight peers (who manage a similar size of housing stock). There were no deficiencies in the Council's approach highlighted during this exercise, and the ASB Tenant Services (TS) Policy was among the most comprehensive. The roll-out of the corporate ASB Policy and the continued success of the 'ASB App' place the Council in a good position relative to its peer group.
- iii. The approach to file and case management requires further work to capture and reflect all key requirements of the ASB TS Policy. There is currently no organisation of ASB complaints using a 'Case File' approach, and the ASB Trackers in use require minor changes to improve their effectiveness and functionality.
- iv. There are useful Key Performance Indicators which are not currently being monitored and reported-on. The ASB TS Policy sets out the requirements for performance monitoring, where further work is required from the service to ensure compliance.
- v. There has not been any formal consideration of tenancy 'demotions' (from a Secure Tenancy to an Introductory Tenancy) as a tool in ASB management.
- vi. Performance, ASB reduction and prevention initiatives, and positive outcomes have not been publicised to the expected extent.

Conclusion

Acceptable Assurance has been obtained that there is an adequate and effective control environment to ensure compliance with the Neighbourhood and Community Standard.

One Medium priority, and seven Low priority recommendations have been made to further strengthen the current arrangements. These relate to Key Findings points iii to vi.

Management Actions

Management have accepted all of the recommendations made.

Service Area: Resources**Audit Activity: Creditors follow-up****Background**

An audit of Creditors was undertaken by Internal Audit during 2019/20. As part of the 2021/22 Internal Audit Plan, ARA have undertaken a follow-up audit to review the progress made with implementing the recommendations in the report, which were agreed by management.

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 2021/22 the Creditors team were responsible for processing circa £54.5m payments (inclusive of VAT). It is therefore important to have robust and effective controls.

Scope

The purpose of this follow-up review is to provide an independent appraisal that the agreed actions to address the two high and 12 medium priority recommendations have been fully implemented.

Assurance Opinion – Acceptable (equivalent to the Satisfactory assurance opinion)

Key Findings

This follow-up review was carried out during February and March 2022.

A total of 14 recommendations were made in the June 2020 final report, which were accepted by management. At the point of audit follow up, six recommendations have been fully implemented.

Eight have been partially implemented, categorised into the following five distinct areas that require further improvement:

- i. Risk identification, monitoring and risk appetite or acceptance;
- ii. Accounts payable procedures or guidance to be documented for the set-up of new suppliers in the Finance system (Business World) and amendments to supplier bank account, address and contact details;
- iii. Control arrangements for the set-up of new suppliers and amendments to supplier bank account, address and contact details in Business World until implementation of the above planned system update;
- iv. Monitoring of payment performance against target by management and introduction of corrective measures to achieve or exceed the target; and
- v. Prompt investigation, recovery and clearance of outstanding credit notes highlighted as part of the creditor control reconciliation process.

Positive progress has been made in implementing the recommendations raised by Internal Audit in particular:

- i. A clear distinction between Creditors and Finance roles and responsibilities in the accounts payable process has been established;
- ii. Access privileges in Business World have been strengthened by restricting, reducing or removing officer access to high profile or sensitive levels, assignment of two access profiles and generic accounts;
- iii. A mandatory requirement for the use of purchase orders by service areas in compliance with the Council's Financial Regulations and to support accurate budgetary management was introduced from 1st April 2022; and
- iv. Stroud District Council's (the Council's) payment performance has been published on a monthly basis in accordance with the Public Contracts Regulations 2015 (regulation 113) requirements.

Four further recommendations have been raised as follows:

- i. An update to Business World to strengthen the control environment for the management of supplier records is planned for September 2022. Internal Audit has raised a high priority recommendation for this update to maintain focus on its implementation as soon as possible;
- ii. Explore with the software supplier amendments to the system to highlight to the payment authoriser of any new suppliers and recent amendments to existing supplier details - medium priority recommendation;
- iii. Suspend permanent Finance user systems access set-up and amend supplier details - low priority recommendation; and
- iv. Review all duplicate payment and invoice exception reporting criteria to rationalise their production and make the duplicate payment process more efficient and effective - low priority recommendation.

An update to Business World is scheduled for September 2022. This update will result in system enforcement of input, verification, and approval by different officers to set-up new suppliers and amend supplier bank account, address, and contact details. This should improve the control environment by securing supplier master data from unauthorised activity.

The above systems update does not apply to the back-office facility of Business World, which the Creditors team and a limited number of Finance officers have access to. This will dilute the above future control measure.

Internal Audit has raised an appropriate recommendation to remove this systems access or, to document risk acceptance in the Council's Risk and Performance Management system (Excelsis).

Conclusion

At the point of ARA follow up, positive progress has been made by management in implementing the recommendations from the 2019/20 audit review. In addition, management has confirmed, following the completion of this follow-up review, that the partially completed recommendations ii, iii, and iv (within the Key Findings first set of bullet points above) have now also been implemented.

Further work is therefore still required to fully implement the high priority recommendation relating to risk management and medium priority recommendation for the clearance of old supplier credit notes.

Management Actions

Management has responded positively to fully implementing all the recommendations from the original Creditors audit and to the new recommendations that have been raised.

Service Area: Resources

Audit Activity: ICT Change Management

Background

As part of the agreed 2021/22 Internal Audit Plan, Internal Audit have reviewed the recently introduced ICT Change Management procedures.

This is the first review of the ICT Change Management procedures at Stroud District Council. The Council have overhauled their change management approach, taking steps to improve the consistency and operation of the change management function.

Scope

To provide independent assurance on the operation of controls in place and make recommendations on any gaps discovered in the current arrangements.

Specific objectives of this review include:

- i. Assess the arrangements in place against ITIL (formerly known as the Information Technology Infrastructure Library but now known as ITIL) best practice;
- ii. Review the arrangements in place to assess and authorise changes to confirm that changes to production environments are proceduralised, and check listed;

- iii. Review the arrangements in place to test changes, to confirm that rollback procedures are considered and to ensure that changes that impact services are agreed and scheduled at times to minimise impact; and
- iv. Review the arrangements in place to fully document all changes and to ensure that communication with affected areas is effective.

Assurance Opinion – Acceptable (equivalent to the Satisfactory assurance opinion)

Key Findings

- i. All changes are recorded within the FreshService service desk solution using dedicated Change Request forms. Changes are identified from Service Desk tickets or directly from the IT team where a resolution requires a change. A flow process is in place for identifying which stages and authorisations are required for changes to be requested, signed off and performed. FreshService provides the requesting party with updates on the change automatically when the change record is approved, rejected, or completed.
- ii. Documentation for change management and its controls is in development as the function matures. While an overarching process model exists, there are still documentation gaps in what is required for changes to take place, change criteria and rollback requirements.
- iii. The Council has established a Change Advisory Board (CAB) which has clear responsibilities and reviews all changes before they are made. This follows ITIL good practice. The chair of the CAB ensures all changes are scheduled with stakeholders and communicated in a manner that minimises impact on Council services. The CAB notifies a change requester directly in the event of a rejected change with details on why this change was rejected. It was advised by a member of the CAB that changes can be rejected if not enough information is provided, or testing or rollback plans are not detailed or understood clearly. This is good practice as it ensures all changes approved are detailed and well-considered.
- iv. The CAB is chaired by the ICT Service Delivery Manager to ensure that every change delivered into the production environment is signed off as being fit for purpose. To this end, each change is fully impact-assessed, tested and able to be rolled-back in the event of issues. Change requests are rejected where insufficient information has been provided to complete the assessment or where roll back plans do not provide sufficient assurance that changes can be reversed if necessary.
- v. In the event of an emergency change, the ICT Service Delivery Manager advised that an Emergency CAB meeting is held, via Teams since the Covid-19 pandemic. This would enable the CAB to meet and approve emergency changes rather than grant retroactive approval after application of the change.

- vi. Testing of changes is built into the current process, including it as a requirement for final sign-off approval and closure of the change by the CAB. Rollback planning is built into the FreshService change request form, with effective rollback arrangements required prior to review and approval by the CAB. Further to this, an impact assessment must also be completed to ascertain if the change will cause the Council delays or unavailability of its systems for an unacceptable period.
- vii. The change management framework is detailed within the Service Management Operating Model (v0.3). This defines what “changes” are, the responsibilities of the requester and of the CAB and how Requests for Change are to be submitted. The change management process and the role of the CAB are compliant with ITIL best practice.
- viii. The process and policy for emergency changes is currently ad-hoc and is not documented or formalised.
- ix. Grading criteria for changes are not currently documented in the Service Management Operating Model.
- x. Change entries in FreshService do not currently have input validation or rejection of blank text fields configured.
- xi. Current policy and process controls are in development. Currently, they lack detail on specific change grading criteria, which assets and systems change requests are required for and the specific rollback requirements.
- xii. The Council’s change management technical approach is robust and mature. Changes are reviewed, considered by multiple senior level IT staff and subject to meeting specific requirements such as rollback plans, risks, and timescales, before being approved and actioned. These arrangements comply with ITIL best practices.

Conclusion

Acceptable Assurance has been obtained that there is an adequate control environment in place for ICT Change Management procedures.

One Medium, and three Low priority recommendations have been made to further strengthen the current arrangements. These relate to Key Findings points viii to xi.

Management Actions

Management have accepted all of the recommendations made, and are seeking to implement the actions by 31st August 2022.

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

Service Area: Place

Audit Activity: Grant Certification – Green Homes Grant Local Authority Delivery Scheme (GHG LADS) Phase 1b

Background

The Gloucestershire and South Gloucestershire Warm and Well Scheme has been instrumental in the delivery of the Fuel Poverty Strategy, targeting the vulnerable, integrating with the National Health Service (NHS), and improving Energy Performance Certificate (EPC) ratings. All works are delivered by Severn Wye Energy Agency (SWEA), the key delivery partner under the Warm and Well Scheme. Stroud District Council (SDC) is the lead partner in the Warm and Well Scheme.

SDC was successful in securing an initial £982,979 as part of GHG LADS Phase 1b. This funding was to provide 100 external wall insulation (EWI) retrofits to park home sites across Gloucestershire and South Gloucestershire. An additional £51,324 was secured in October 2021 to ensure that this target could be met, due to increases in the cost per install (Total Grant Amount = £1,034,303).

As of 31st March 2022, the end date for GHG LADS 1b, 102 EWIs have been installed. The total spend to deliver these was £1,029,539.36. The underspend of £4,763.64 will be returned to the Department for Business, Energy, and Industrial Strategy (BEIS).

Scope

Internal Audit sought to determine whether GHG LADS Phase 1b had been administered in line with the grant conditions. Internal Audit undertook a series of checks in order to support the grant declaration requirements set out within the Grant Determination Letter.

The objective of this review was to be able to provide the following declaration in support of the Council's grant expenditure(s) – "To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to GREEN HOMES GRANT: LOCAL AUTHORITY DELIVERY GRANT DETERMINATION (2021): No 31/5336 have been complied with."

Key Findings

- i. A sample of 17 recipients of grant-funded works were reviewed in depth. For 14, SWEA were able to complete 'Verification Checks' (visits) at our request. The SWEA operative reviewed the documentation in support of the client's circumstances (as set out on their Application Form) and completed a Verification Report for our review. The public health implications of the 'Omicron' variant of Covid-19 prevented SWEA from completing Verification Checks within the available window.

- ii. The results from the 14 successful visits provided reasonable assurance that the representations on Application Forms were a good measure of the circumstances of SWEA's clients. The absence of three checks has had no impact on Internal Audit's ability to progress to Grant Certification.
- iii. For the sample reviewed, there were no instances of an ineligible individual receiving grant-funded works. All installations reviewed met the criteria set out in the GHG LADS 1b Memorandum of Understanding, including the requirement to be installed to the PAS2030:2019 standard.
- iv. The delivery of the GHG LADS 1b was completed in accordance with the expectations of BEIS. SWEA worked closely with BEIS to address issues with project delivery as they emerged.

Conclusion

Internal Audit is not providing a formal assurance opinion as part of this activity. The work undertaken by Internal Audit was to enable the necessary sign-off for grant certification purposes.

Internal Audit is satisfied that the conditions attached to the grant have been complied with, as per the Grant Determination Letter and the Memorandum of Understanding. The Project Closure Letter has been completed and returned to the BEIS.

Management Actions

Management have confirmed that the project underspend had been returned to BEIS by the 31st May 2022 deadline.

Summary of Special Investigations/Counter Fraud Activities

2021/22 Final Position

The Counter Fraud Team (CFT) within Internal Audit received four new potential irregularity referrals in 2021/22. All four cases were linked to Covid-19 grant business grant applications.

A review by the CFT found there to be no issues with two of the applications and the grants were subsequently paid and the referrals closed. The CFT continues to work on the remaining two cases. The outcomes of these cases will be reported to the Audit and Standards Committee on their completion.

Any fraud alerts received by Internal Audit from the National Anti-Fraud Network (NAFN) and other credible entities were passed onto the relevant service areas within the Council, to alert staff to the potential fraud.

Since the start of the Covid-19 pandemic ARA has provided the Council with regular updates on local and national scams which seek to take advantage of the unprecedented circumstances. These include the following fraud risk areas: a rise in bank mandate frauds; inflated claims; duplicate payments; and the submission of fraudulent Covid-19 grant applications. This area of activity continues, with updates provided to the Council where relevant.

As in previous years, in 2021/22 Stroud District Council signed up to be a supporter of International Fraud Awareness Week. The aim of the week-long event is to encourage everyone to proactively take steps to minimise the impact of fraud by promoting anti-fraud awareness and education. By being a supporter of the event Stroud District Council is demonstrating its commitment to preventing and detecting fraud.

National Fraud Initiative (NFI)

The Council participates in the NFI which is a biennial data matching exercise administered by the Cabinet Office. The last data uploads occurred in October 2020 and the matches in respect of the main 2021/22 exercise were released in mid-January 2021.

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 always investigated but where possible, all recommended matches are reviewed by either Internal Audit, the appropriate service area within the Council or by procuring the services of the Counter Fraud Unit (CFU).

The CFT provided assistance to the Council by reviewing around 400 of the NFI matches across a number of different reports. A small number of potential anomalies were identified and these were reported to the relevant teams for further investigation.

In addition, ARA has been advised that the services of the CFU have been employed to undertake some of the match reviews on behalf of the Council. The CFU findings will be separately reported to the Audit and Standards Committee.

2022/23 Current Status

For Committee awareness, to date in 2022/23 there have been no new irregularities referred to the ARA CFT. The CFT continues to work on two cases brought forward from previous years.



Any fraud alerts received by Internal Audit from the National Anti-Fraud Network (NAFN) and other credible entities continue to be passed onto the relevant service areas within the Council, to alert staff to the potential fraud.

National Fraud Initiative (NFI)

The Council participates in the NFI biennial data matching exercise administered by the Cabinet Office. The current data match reports were released in mid-January 2021. The next data upload will be October 2022.

Progress Report including Assurance Opinions

Department	Activity Name	Priority	Activity Status	Risk Opinion	Control Opinion	Reported to Audit and Standards Committee	Comments
Council Wide	Local Government Association Peer Review	1	Cancelled				Cancelled based on the Internal Audit Plan 22/23 risk assessment and consultation exercise.
Council Wide	Risk Management	1	Final Report Issued	Not Applicable	Not Applicable	26/04/2022	The activity replaces the previously deferred 'risk and performance reporting' review. Full report presented to Audit and Standards Committee on 26th April 22.
Council Wide	Business Continuity Lessons Learned	1	Cancelled				Cancelled based on the Internal Audit Plan 22/23 risk assessment and consultation exercise. A Business Continuity internal audit is included in the 22/23 Plan.
Transformation and Change	Fit for the Future	1	Deferred				Internal Audit Plan 21/22 review completed by SLT in October 21. SLT request for activity deferral. Based on new in year requested activities requiring priority delivery and up to date risk assessment. Activity in the agreed Internal Audit Plan 22/23 and scheduled for Quarter 3.
Place	Private Sector Housing (Empty Homes) - Limited Assurance Follow Up	1	Final Report Issued	Satisfactory	Satisfactory	26/04/2022	
Place	Canal Project Budget Management	1	Cancelled				Cancelled based on the Internal Audit Plan 22/23 risk assessment and consultation exercise. Canal Restoration Project - Risk Management included as an activity in the 22/23 Plan.
Place	Planning Applications	1	Final Report Issued	Satisfactory	Satisfactory	30/11/2021	Brought Forward from 20/21 plan.
Place	Planning Review (Enforcement)	1	Final Report Issued	Not Applicable	Not Applicable	30/11/2021	New activity. Information Sheet update included in the 19th July 22 Audit and Standards Committee agenda.
Place	Planning Enforcement - Consultancy	1	Final Report Issued	Not Applicable	Not Applicable	26/04/2022	New activity.
Place	Sustainable Warmth Grant - Consultancy	1	Final Report Issued	Not Applicable	Not Applicable	26/04/2022	New activity.
Resources	Carbon Neutral 2030	1	Cancelled				Cancelled based on the Internal Audit Plan 22/23 risk assessment and consultation exercise.
Resources	Creditors - Limited Assurance Follow Up	1	Final Report Issued	Acceptable		19/07/2022	New ARA assurance opinion approach applied. 'Acceptable' opinion is equivalent to 'Satisfactory'.
Resources	Contract Management Framework	1	Review Stage 1 completed				This activity replaces the original 'Procurement and Contract Management Follow Up' activity. Review Stage 1 completed and debriefed with management. Due to the infancy of the recently approved Contract Management Framework and development status of the Second Line of Defence for Contract Management, further audit work (Review Stage 2) will be undertaken during 2022/23. The outcome will be reported to Committee within 2022/23.
Resources	ICT Service Desk	1	Final Report Issued	Not Applicable	Not Applicable	28/09/2021	Brought Forward from 20/21 plan. Consultancy review.
Resources	Council Tax	2	Deferred				Internal Audit Plan 21/22 review completed by SLT in October 21. SLT request for activity deferral. Based on new in year requested activities requiring priority delivery and up to date risk assessment. Activity in the agreed Internal Audit Plan 22/23 and scheduled for Quarter 4.
Resources	Grant Payments - Post Payment Assurance	1	Final Report Issued	Not Applicable	Not Applicable	26/04/2022	
Resources	Green Homes Grant Local Authority Delivery Scheme - Phase 1a	1	Final Report Issued	Not Applicable	Not Applicable	30/11/2021	
Resources	Green Homes Grant Local Authority Delivery Scheme - Phase 1b	1	Final Report Issued	Not Applicable	Not Applicable	19/07/2022	New activity. Second phase.
Resources	Innovate to Renovate	1	Deferred				New activity. Grant review. Deferral to enable claim 1 audit delivery in Q1 22/23.
Resources	Lost Sales, Fees and Charges - Claim Three	1	Final Report Issued	Not Applicable	Not Applicable	28/09/2021	

Progress Report including Assurance Opinions

Department	Activity Name	Priority	Activity Status	Risk Opinion	Control Opinion	Reported to Audit and Standards Committee	Comments
Resources	Purchase Cards	2	Deferred				Internal Audit Plan 21/22 review completed by SLT in October 21. SLT request for activity deferral. Based on new in year requested activities requiring priority delivery and up to date risk assessment. Activity in the agreed Internal Audit Plan 22/23 and scheduled for Quarter 3.
Resources	Social Housing Decarbonisation Fund Demonstrator	1	Deferred				Deferred based on the Internal Audit Plan 22/23 risk assessment and consultation exercise. Activity in the agreed Internal Audit Plan 22/23 and scheduled for Quarter 2.
Resources	Test and Trace Support Scheme - Main Scheme	1	Final Report Issued	Not Applicable	Not Applicable	26/04/2022	
Resources	Test and Trace Support Scheme - Discretionary Scheme	1	Final Report Issued	Not Applicable	Not Applicable	26/04/2022	New activity.
Resources	Facilities Management	2	Cancelled				Cancelled based on the Internal Audit Plan 22/23 risk assessment and consultation exercise.
Resources	Compliance with Gov Standards	1	Draft Report Issued				
Resources	Incident Management Process	1	Draft Report Issued				
Resources	Change Management Process	1	Final Report Issued		Acceptable	19/07/2022	New ARA assurance opinion approach applied. 'Acceptable' opinion is equivalent to 'Satisfactory'.
Resources	Disaster Recovery and Business Continuity - Limited Assurance Follow Up	1	Deferred				Deferred based on the Internal Audit Plan 22/23 risk assessment and consultation exercise. Activity in the agreed Internal Audit Plan 22/23 and scheduled for Quarter 1.
Resources	Brimscombe Port Annual Report	1	Final Report Issued		Substantial	19/07/2022	New activity. New ARA assurance opinion approach applied.
Communities	Tenant Engagement	1	Final Report Issued		Acceptable	26/04/2022	New ARA assurance opinion approach applied. 'Acceptable' opinion is equivalent to 'Satisfactory'.
Communities	Anti-social Behaviour Management	1	Final Report Issued		Acceptable	19/07/2022	New ARA assurance opinion approach applied. 'Acceptable' opinion is equivalent to 'Satisfactory'.
Communities	Electrical Works Contract - Limited Assurance Follow Up	1	Draft Report Issued				
Communities	Stratford Park Leisure Centre	1	Cancelled				Cancelled based on the Internal Audit Plan 22/23 risk assessment and consultation exercise.
Communities	Cleaner Estates Strategy (Refuse)	2	Deferred				Internal Audit Plan 21/22 review completed by SLT in October 21. SLT request for activity deferral. Based on new in year requested activities requiring priority delivery and up to date risk assessment. Activity in the agreed Internal Audit Plan 22/23 and scheduled for Quarter 2.
Communities	Housing Advice	1	Cancelled				Cancelled based on the Internal Audit Plan 22/23 risk assessment and consultation exercise. Homelessness Prevention activity included in the 22/23 Plan.
Communities	Housing Revenue Account (HRA) Delivery Plan	1	Deferred				Deferred based on the Internal Audit Plan 22/23 risk assessment and consultation exercise. Activity in the agreed Internal Audit Plan 22/23 and scheduled for Quarter 2.
Communities	Safeguarding	1	Deferred				Internal Audit Plan 21/22 review completed by SLT in October 21. SLT request for activity deferral. Based on new in year requested activities requiring priority delivery and up to date risk assessment. Activity in the agreed Internal Audit Plan 22/23 and scheduled for Quarter 2.
Communities	Voids Management	1	Final Report Issued	Limited	Limited	08/02/2022	Change from priority 2 to priority 1, following 21/22 in year risk assessment update.
Exempt	Exempt	1	Final Report Issued		Substantial	19/07/2022	See Appendix 2. New ARA assurance opinion approach applied.
Exempt	Exempt	1	Final Report Issued	Limited	Limited	28/09/2021	

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STROUD DISTRICT COUNCIL**AUDIT AND STANDARDS COMMITTEE****19 JULY 2022****WORK PROGRAMME**

Meeting Date	Report Description	Responsible Officer / Member
27 September 2022	Internal Audit Progress Report 2021/22 <ul style="list-style-type: none"> ▪ Follow up Enforcement Report 	Chief Internal Auditor
	Treasury Management Quarter 1 Report	Principal Accountant
	Standing Items <ul style="list-style-type: none"> a. To consider the work programme for 2022/23. b. To consider any Risk Management issues. 	
29 November 2022	Internal Audit Progress Report 2022/23	Chief Internal Auditor
	Half-Year Treasury management	Principal Accountant
	Counter Fraud and Enforcement Unit Update	Counter Fraud Manager
	Standing Items <ul style="list-style-type: none"> a. To consider the work programme for 2022/23. b. To consider any Risk Management issues. 	
7 February 2023	Internal Audit Progress Report 2022/23	Chief Internal Auditor
	Contract management Framework Update	Senior Policy and Governance Officer
	Standing Items <ul style="list-style-type: none"> a. To consider the work programme for 2022/23. b. To consider any Risk Management issues. 	
18 April 2023	Internal Audit Progress Report 2022/23	Chief Internal Auditor
	Counter Fraud and Enforcement Unit Report and Regulation Of Investigatory Powers Act (Ripa) 2000 / Investigatory Powers Act (Ipa) 2016 Update	Counter Fraud Manager
	Standing Items <ul style="list-style-type: none"> a. To consider the work programme for 2022/23. b. To consider any Risk Management issues. 	

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