



**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.

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.

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;

- 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 31<sup>st</sup> 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 6<sup>th</sup> July 2021 – Compulsory for all Audit and Standards Committee Members;
  - ii. Audit and Standards Risk Based Internal Audit Annual Plan Workshop 8<sup>th</sup> February 2022 – Advisory for all Audit and Standards Committee Members; and
  - iii. Role of Internal Audit training 26<sup>th</sup> April 2022 – Advisory for all Audit and Standards Committee Members.

## 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.