

Audit and Standards Committee Annual Report 2020/21



Contents

Statement from the Chairman of the Audit and Standards Committee	3
Background	4
Membership and Meetings	5
Work Programme.....	6
Internal Audit Activity	6
Activity relating to Treasury Management.....	8
External Audit Activity	8
Risk Management Activity.....	9
Corporate Governance	9
Training.....	9
Future Work.....	11
Conclusion.....	11

Statement from the Chairman of the Audit and Standards Committee

The committee has met formally six times via the Zoom link. Despite the restrictions placed on it by the pandemic considerable progress was made. Meeting on 26th May 2020 approved the Internal Audit Plan subject to caveats regarding redeployment of officers to Pandemic duties and changing requirements. At the meeting in July 2020 it was confirmed by the Monitoring Officer that the Code of Conduct was in the remit of the Audit and Standards Committee. It was also confirmed that it had been agreed at Council that the draft Code of Conduct and the arrangements under which allegations under the Code of Conduct were investigated was to be reviewed by the Audit and Standards Committee. An extraordinary meeting took place on Tuesday 25th August 2020 to review and make recommendations in this regard. The Interim Head of Legal Services and Monitoring Officer confirmed that the Committee were being asked to consider the draft amended Code of Conduct and Arrangements for Investigating Complaints appended to the report and, subject to any changes it wished to make:

- a) Recommend them to the next meeting of Council for adoption; and
- b) Authorise the Monitoring Officer to provide town and parish councils with the proposed process for investigating complaints for information and comment prior to consideration by Council at its next meeting.

At the next meeting of Council, held on 22nd October 2020, the Proposed Amendments to the Code of Conduct for Members and the Arrangements under which Allegations Can Be Investigated were proposed. Upon being put to the vote the Motion was unanimously carried: *'RESOLVED To adopt the amended Code of Conduct and Arrangement for investigation alleged breaches of the Code with immediate effect.'*

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

During the year we said goodbye to Cllrs Rachel Curley and Trevor Hall who moved to different duties and welcomed Cllr. Miranda Clifton and the return of Cllr. Colin Fryer. We thank all of them and wish them well.

We also said goodbye to Theresa Mortimer, Head of A.R.A., the author of many Internal Audit Reports and procedures, who retired in December 2020.

We also welcomed Theresa Mortimer's successor in post, Piyush Fatania who joined us in January 2021.

Finally, I would like to convey my thanks to all the members of the Committee, both current and recent, 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.

I would also like to thank Democratic Services without whom neither visual nor written communication would have been so smooth, if possible at all.

Cllr. Nigel Studdert-Kennedy,

Audit and Standards Committee

09/03/2021

Background

The Council entered the 2020/21 financial year in the midst of the Covid-19 pandemic. In its response to this, the Council has followed guidance from the government. This has included:

- (i) Asking the majority of staff to work from home;
- (ii) Redeploying a number of staff from their normal roles to assist in the Council's response; and
- (iii) Paying emergency and discretionary grants to local businesses on behalf of the government.

Internal Audit provided assistance in the work for (iii) above with pre and post payment checks.

The Committee has continued throughout the pandemic to oversee the Council's work on risk management, capital projects, treasury management and anti-fraud. The Committee delivered this through holding virtual meetings within the year, in line with the dates confirmed in the 'Membership and Meetings' report section.

The pandemic has necessitated the amendment of the Annual Internal Audit Plan and this has been overseen and agreed by the Committee.

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.

A sound corporate governance framework involves accountability to service users, stakeholders and the wider community, within which 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. Audit Committees are widely recognised as a core component of effective governance.

The Audit and Standards Committee is responsible for overseeing the Council's corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement. The Committee's specific powers and duties are set out in Council's Constitution.

The Chartered Institute of Public Finance and Accountancy (CIPFA) issued guidance to local authorities to help ensure that Audit Committees are operating effectively¹. The guidance recommends that audit committees should report annually on how they have discharged their responsibilities. The key benefits to the Council of operating an effective Audit and Standards Committee are:

¹ CIPFA – Practical Guidance for Local Authorities and Police, 2018

- Maintaining public confidence in the objectivity and fairness of financial and other reporting;
- Reinforcing the importance and independence of Internal and External Audit and any other similar review process;
- Providing a focus on financial reporting both during the year and at year end, leading to increased confidence in the objectivity and fairness of the financial governance arrangements operating within the Council;
- Assisting the co-ordination of sources of assurance and, in so doing, making management more accountable;
- Providing additional assurance through a process of independent and objective review, via the Internal Audit function;
- Raising awareness within the Council of the need for governance, including ethical governance, internal control and the implementation of audit recommendations; and
- Providing assurance on the adequacy of the Council's risk management arrangements, including the risk of fraud and irregularity.

Membership and Meetings

The Committee has enjoyed the benefit of a relatively settled membership over the last three years. This has helped to build and retain the expertise within the Committee, which has led to the Committee being able to demonstrate that they are operating within a best practice framework.

There are nine Members of the Audit and Standards Committee namely:

- Councillor Nigel Studdert-Kennedy (Chair)
- Councillor Tom Williams (Vice Chair)
- Councillor Dorcas Binns
- Councillor Colin Fryer
- Councillor Stephen Davies
- Councillor Keith Pearson
- Councillor Miranda Clifton
- Councillor Mark Reeves
- Councillor Karen McKeown

During the 2020/21 financial year, the Audit and Standards Committee has met on six occasions, in accordance with its Programme of Work:

- 26th May 2020
- 29th July 2020
- 25th August 2020
- 6th October 2020
- 17th November 2020
- 26th January 2021

In addition, the Annual Report is being presented to the 27th April 2021 Audit and Standards Committee meeting.

The Committee is also supported by Council officers, principally the Chief Financial Officer (S151 Officer), Monitoring Officer, Head of Audit Risk Assurance (Chief Internal Auditor) and the Council's External Auditors (Deloitte).

Work Programme

During this period, the Committee has assessed the adequacy and effectiveness of the Council's risk management arrangements, control environment and associated counter fraud arrangements through regular reports from officers, the Internal Auditors (Audit Risk Assurance) and the External Auditors (Deloitte).

The Committee has sought assurance that action has been taken, or is otherwise planned by management to address any risk related issues that have been identified by the auditors during this period.

The Committee has also sought to ensure that effective relationships continue to be maintained between the Internal and External Auditors and between the auditors and management. The specific work undertaken by the Committee during 2020/21 is set out below.

Internal Audit Activity

With effect from May 2016, the Internal Audit service is provided by Audit Risk Assurance under a shared service agreement. The Committee has continued to monitor the work of Internal Audit and has:

- Considered the effectiveness of the Audit Risk Assurance Shared Service;
- Contributed towards, received and approved the Internal Audit Plan for 2020/21. The same actions have been completed by Committee for the Revised Internal Audit Plan 2020/21. Covid-19 has placed significant pressures on Council services and has impacted (and continues to impact) the Council's priorities, objectives and risk environment. Due to the changing position and to ensure that the Risk Based Internal Audit Plan met the assurance needs of the Council, the Revised Risk Based Internal Audit Plan 2020/21 was approved by Audit and Standards Committee on 6th October 2020. The plan ensures that Internal Audit resources are prioritised towards those systems, processes and areas which are considered to be deemed high risk, or which contribute most to the achievement of the Council's corporate objectives;
- Participated in the 2021/22 Internal Audit Risk Based Planning workshop to contribute towards the Internal Audit plan and audit resource allocation to support assurance needs;
- Monitored the delivery of the annual Internal Audit Plan through regular update reports presented by the Head of Audit Risk Assurance;

- Received, considered and monitored the results of internal audits performed and high risk activity identified, in respect of specific areas where a limited opinion on the control environment has been provided, e.g. the Electrical Works Contract activity and monitored the progress made by management, during the period, to address identified control weaknesses;
- Approved the Council's overall counter fraud arrangements and response in the light of national guidance Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy which is supported by CIPFA Counter Fraud Centre, with the principles reflected in the Council's updated Anti Fraud and Corruption Strategy 2020 - 2023;
- Received updates on the outcomes of special investigations undertaken by Internal Audit, along with progress made in the investigation of queries arising as a result of the National Fraud Initiative (NFI) data matching exercise;
- Furthered discussion on relevant key themes, following consideration and approval of the report of the Head of ARA on the service's purpose, authority, role and function in January 2020.; and
- Considered the Internal Audit Annual Report 2019/20 of the Head of Audit Risk Assurance, which provided a satisfactory opinion on the effectiveness of the Council's internal control environment and summarised the Internal Audit activity upon which that opinion was based. The Committee can therefore take reasonable assurance that there is a generally sound system of internal control in place at the Council.

In addition, the Committee received the outcomes from the External Quality Assessment of the Effectiveness of Internal Audit within year.

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

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

The latest review was undertaken during May 2020 by the Chartered Institute of Internal Auditors (CIIA) and reported to Audit and Standards Committee within 2020/21. The relevant 29th July 2020 Audit and Standards Committee minutes document the following:

'AC.013: INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT (EQA) - OUTCOME

The Approved Reviewer for the Chartered Institute of Internal Auditors (CIIA) informed Members of the outcome of the independent assessment of the Internal Audit function. The output report provided an opinion on how well the audit service worked in line with these standards. The review was undertaken in May by a survey of and interviews with key stakeholders that was a very detailed and diligent exercise.

The end result was that the Council have an excellent Internal Audit service providing them with a good range of consultation as the team undertake their work. The results of the quality assessment showed that this was one of the best Internal Audit services he had had the privilege of reviewing. This was a good news story that the service were operating fully within the international standards. Congratulations were conveyed by the Approved Reviewer, the Chair and Committee to the Head of Audit Risk Assurance (ARA) and her team.'

Activity relating to Treasury Management

During the year, the Audit and Standards Committee have:

- Received and approved the quarterly and half yearly Treasury Management activity reports which monitor treasury activity against the 2020/21 strategy.
- Also 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 2021/22. This report also set the Council's prudential indicators for 2021/22.
- 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 constantly changing market conditions. The 2019/20 Investment Strategy recommended by Committee included a number of new investment options as the Council increased its risk appetite, and the Committee is monitoring the £10m of longer term investments in property funds and multi-asset funds arising from that change.

External Audit Activity

Deloitte was appointed as the Council's External Auditors for the financial years 2018/19, 2019/20 and 2020/21. The Committee (either via full Committee and/or delegated responsibility of the Chair) has monitored the work of the Council's External Auditors and has:

- Considered and accepted the Annual Audit Letter 2019/20 (through the November 2020 Committee meeting). This letter summarises the outcome from audit work at the Council during this period;
- Considered the Internal Audit / External Audit joint working arrangements;
- Received and considered regular External Audit progress reports; and
- Considered the draft Statement of Accounts for 2019/20 of the Council (through the November 2020 Committee meeting) and have received verbal updates on the position of External Audit.

It is noted that at the point of drafting the Audit and Standard Committee Annual Report 2020/21, the 2019/20 Statement of Accounts and relevant External Audit opinions and External Audit Report 2019/20 (the 'Report to those charged with Governance' in accordance with the requirements of International Standard on Auditing 260) are due to be concluded.

Risk Management Activity

During the year the Committee has:

- Received regular risk management relevant update reports; and
- Included risk management as a standing agenda item for all Audit and Standards Committee meetings.

Corporate Governance

In relation to corporate governance the Committee:

- Has continued to lead the review of the effectiveness of the Audit and Standards Committee and progression of the identified improvement actions i.e. the key proposed actions relating to the appointment of an independent member to the Committee and refresh of the Committee's terms of reference to reflect the revised CIPFA guidance (with further update to Committee expected in July 2021); and
- Considered and approved the Council's 2019/20 Annual Governance Statement and Local Code of Corporate Governance. The Committee also reviewed the progress made by management to address the required actions identified in the 2019/20 Annual Governance Statement Improvement Plan.

Training

The following training was made available to Members of the Audit and Standards Committee in 2020/21 to support the Committee in discharging its responsibilities:

- Equality and Diversity Training - Online training provided by LGA
Mandatory for all Members
17th June 2020
- GDPR - Online GDPR course provided by MY Learning via SDC
Mandatory for all Members who hadn't completed it in the last 12 months
30th June 2020
- Race Relations and Inclusive Leadership – Zoom training session delivered by ENEI (Employer)
Mandatory for all Members
21st, 27th and 28th July 2020
- Lothbury Property Trust Fund Briefing
Open to all Members
6th October 2020
- Planning White Paper and Local Plan Briefing
Open to all Members
7th October 2020

- CIL Strategic Infrastructure Funding – Members Information Session
Open to all Members
25th November 2020
- Fusion Briefing
Open to all Members
15th December 2020
- Risk Based Internal Audit Planning Workshop
Open to Audit and Standards Committee
26th January 2021
- Strategy for Leisure, Health and Wellbeing Consultation Briefing
Open to all Members
28th January 2021
- Ascend Organisational Development Programme – Fit for the Future
Open to all Members
February-March 2021
- Census 2021: All-Member Briefing
Open to all Members
2nd March 2021
- UBICO Seminar
Open to all Members
4th February 2021
- Brimscombe Port Redevelopment Update
Open to all Members
17th February 2021
- Beyond Covid: Race, Health and Inequality in Gloucestershire - All-Member Briefing with Director of Public Health, Gloucestershire
Open to all Members
9th March 2021
- Fusion Briefing - Fusion Power Plant and opportunities at Berkeley and Oldbury
Open to all Members
16th March 2021
- Informal briefing on the Youth Service being led by Youth Representatives and Youth Officers of Stroud District Council
Open to all Members
15th April 2021

Future Work

During 2021/22, the Audit and Standards Committee will continue with the existing aim of being an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.

In particular, they will continue to support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations and continue to monitor any actions arising from the Annual Governance Statement action plan 2020/21, to ensure the Council's governance arrangements are effective.

In addition, with risk management being a key contributor to good governance the Committee will be seeking independent assurance from Internal Audit that risk management continues to be embedded within the Council's key business processes.

Conclusion

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

The Committee's work programme is a dynamic programme and will continue to be reviewed to ensure the Committee maximises its contribution to the governance and control framework, at the same time managing agendas to ensure that all meetings are focused on the key issues.

Details of all reports as noted within the Audit and Standards Committee Annual Report 2020/21 can be found at: <https://www.stroud.gov.uk/council-and-democracy/meetings/audit-standards-committee>