



Gloucester City Council

Audit and Governance Committee

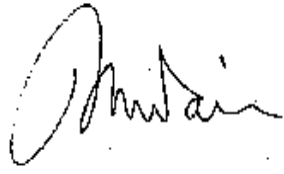
**Meeting: Monday, 24th September 2012 at 6.30 pm in Committee Room 1,
North Warehouse, The Docks, Gloucester, GL1 2EP**

Membership:	Cllrs. Wilson (Chair), Hobbs (Vice-Chair), McLellan, Noakes, Porter, Wood and Gilson
Contact:	Parvi Diyar Democratic Services Officer 01452 396192 parvati.diyar@gloucester.gov.uk

AGENDA

1.	APOLOGIES To receive any apologies for absence.
2.	DECLARATIONS OF INTEREST To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.
3.	MINUTES (Pages 1 - 10) To approve as a correct record the minutes of the meeting held on 25 June 2012.
4.	PUBLIC QUESTION TIME (15 MINUTES) To receive any questions from members of the public provided that a question does not relate to: <ul style="list-style-type: none">• Matters which are the subject of current or pending legal proceedings, or• Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers
5.	PETITIONS AND DEPUTATIONS (15 MINUTES) To receive any petitions and deputations provided that no such petition is in relation to: <ul style="list-style-type: none">• Matters relating to individual Council Officers, or• Matters relating to current or pending legal proceedings

6.	<p>RISK MANAGEMENT ANNUAL REPORT 2012 (Pages 11 - 14)</p> <p>To consider the report of Group Manager, Audit and Assurance.</p>												
7.	<p>INTERNAL AUDIT PLAN 2012/13 - QUARTERLY MONITORING REPORT (Pages 15 - 22)</p> <p>To consider the report of Group Manager, Audit and Assurance.</p>												
8.	<p>LOCAL GOVERNMENT OMBUDSMAN - ANNUAL REVIEW LETTER (Pages 23 - 28)</p> <p>To note the Annual Review Letter from the Local Government Ombudsman.</p>												
9.	<p>EXCLUSION OF PRESS AND PUBLIC</p> <p>To consider the following Resolution:</p> <p>“That the press and public be excluded from the meeting during the following items of business on the grounds that it is likely, in view of the nature of business to be transacted or the nature of the proceedings, that if members of the press and public are present during consideration of these items there will be disclosure to them of exempt information as defined in paragraph 3 of Section 1001 of the Local Government Act 1972 as amended”.</p> <table border="0" data-bbox="236 1077 1468 1249"> <thead> <tr> <th data-bbox="236 1077 526 1115">Agenda Item Nos.</th> <th data-bbox="526 1077 606 1115"></th> <th data-bbox="606 1077 1468 1115">Description of Exempt Information</th> </tr> </thead> <tbody> <tr> <td data-bbox="236 1149 287 1178">10</td> <td data-bbox="287 1149 526 1178">)</td> <td data-bbox="606 1149 1468 1178">Information relating to the financial or business</td> </tr> <tr> <td data-bbox="236 1178 287 1207">11</td> <td data-bbox="287 1178 526 1207">)</td> <td data-bbox="606 1178 1468 1207">affairs of any particular person (including the</td> </tr> <tr> <td data-bbox="236 1207 287 1236">12</td> <td data-bbox="287 1207 526 1236">)</td> <td data-bbox="606 1207 1468 1236">authority holding that information).</td> </tr> </tbody> </table>	Agenda Item Nos.		Description of Exempt Information	10)	Information relating to the financial or business	11)	affairs of any particular person (including the	12)	authority holding that information).
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12)	authority holding that information).											
10.	<p>UPDATE ON STATEMENT OF ACCOUNTS 2011/12</p> <p>Verbal report of the Director of Resources.</p>												
11.	<p>UPDATE ON AUDIT PROGRESS</p> <p>To consider the report of KPMG – report to follow</p>												
12.	<p>ANNUAL GOVERNANCE STATEMENT 2011/12 (Pages 29 - 48)</p> <p>To consider the report of Group Manager, Audit and Assurance.</p>												
13.	<p>DATE OF NEXT MEETING</p> <p>Monday, 26 November 2012 at 6.30pm.</p>												



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Julian Wain
Chief Executive

Date of Publication: Friday, 14 September 2012

NOTES

Disclosable Pecuniary Interests

The duties to register, disclose and not to participate in respect of any matter in which a member has a Disclosable Pecuniary Interest are set out in Chapter 7 of the Localism Act 2011.

Disclosable pecuniary interests are defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 as follows –

<u>Interest</u>	<u>Prescribed description</u>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made or provided within the previous 12 months (up to and including the date of notification of the interest) in respect of any expenses incurred by you carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between you, your spouse or civil partner or person with whom you are living as a spouse or civil partner (or a body in which you or they have a beneficial interest) and the Council (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged
Land	Any beneficial interest in land which is within the Council's area. For this purpose "land" includes an easement, servitude, interest or right in or over land which does not carry with it a right for you, your spouse, civil partner or person with whom you are living as a spouse or civil partner (alone or jointly with another) to occupy the land or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the Council's area for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge) – (a) the landlord is the Council; and (b) the tenant is a body in which you, your spouse or civil partner or a person you are living with as a spouse or civil partner has a beneficial interest
Securities	Any beneficial interest in securities of a body where – (a) that body (to your knowledge) has a place of business or land in the Council's area and (b) either –

- i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
- ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

For this purpose, “securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

NOTE: the requirements in respect of the registration and disclosure of Disclosable Pecuniary Interests and withdrawing from participating in respect of any matter where you have a Disclosable Pecuniary Interest apply to your interests and those of your spouse or civil partner or person with whom you are living as a spouse or civil partner where you are aware of their interest.

Access to Information

Agendas and reports can be viewed on the Gloucester City Council website: www.gloucester.gov.uk and are available to view five working days prior to the meeting date.

For further details and enquiries about this meeting please contact Tanya Davies, 01452 396125, tanya.davies@gloucester.gov.uk.

For general enquiries about Gloucester City Council’s meetings please contact Democratic Services, 01452 396126, democratic.services@gloucester.gov.uk.

If you, or someone you know cannot understand English and need help with this information, or if you would like a large print, Braille, or audio version of this information please call 01452 396396.

FIRE / EMERGENCY EVACUATION PROCEDURE

If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions:

- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building; gather at the assembly point in the car park and await further instructions;
- Do not re-enter the building until told by a member of staff or the fire brigade that it is safe to do so.



AUDIT AND GOVERNANCE COMMITTEE

MEETING : Monday, 25th June 2012

PRESENT : Cllrs. Wilson (Chair), Hobbs (Vice-Chair), McLellan, Noakes, Wood and Gilson

Others in Attendance

Councillor Debbie Llewellyn, Cabinet Member for Performance and Resources

Mr I. Pennington, KPMG LLP

Tara Westcott, KPMG LLP

Sue Mullins, Monitoring Officer and Group Manager Legal and Democratic Services

Terry Rodway, Group Manager, Audit and Assurance

Steve Phelps, Group Manager, Financial Services

Joanna Harrison, Guildhall Manager

Parvati Diyar, Democratic Services Officer

Tony Wisdom, Democratic Services Officer

APOLOGIES : Cllrs. Porter

1. APPOINTMENT OF CHAIR AND VICE CHAIR

The appointments of Councillor Wilson as Chair and Councillor Hobbs as Vice Chair were noted.

2. DECLARATIONS OF INTEREST

Councillor McLellan declared a personal and non-prejudicial interest as a Member of Gloucestershire County Council.

3. MINUTES

The minutes of the meeting held on 15th March 2012 and the joint meeting of the Audit and Standards Committees were approved and signed by the Chair as correct records.

Minute 42. 15th March 2012. Councillor Llewellyn advised that she would ensure that the outcome of enquiries into the Combined Heat and Power installation at GL1 would be reported to the Audit Committee.

4. PUBLIC QUESTION TIME

There were no questions from members of the public.

5. PETITIONS AND DEPUTATIONS

There were no petitions or deputations.

6. GUILDHALL MANAGER

The Group Manager, Audit and Assurance introduced the Guildhall Manager, Jo Harrison who had been invited to attend the meeting to provide Members with an update on the implementation of recommendations made following an internal audit.

Ms Harrison advised Members that the audit had been undertaken in her first week in post as Guildhall Manager. She noted the following:-

- Non-compliance with the requirement for orders to be placed in advance of invoices had been addressed. Job codes were no longer in use. Annualised orders were issued for some regular supplies, and there were a number of exceptions that would be going to the LEAN group. These mainly related to Show and Cinema returns and would be few and far between.
- Payment in advance was now required with the current exception of block bookings. A requirement for advance payment for these bookings would be introduced.
- Old debts totalling £1212.65p had been written off and a blacklist of debtors produced.
- The inventory was currently logged using Excel spreadsheets. she had prepared a report requesting new software with a stock control facility as the current system was 12 years old. She had been advised that this was not a high priority for BT&T.

Members expressed concern that this had not been recognised as a high priority requirement as the Guildhall was one of the Council's few sources of income generation.

The Group Manager, Financial Services explained that the organisation held very little stock other than stationery to warrant the purchase of software. He noted that the development of catering outlets at the Museums and Crematorium could help to justify such an investment.

Mr Pennington suggested that discussions be held with other local authorities and Ms Harrison noted that there were some areas with potential for partnership arrangements.

The Chair thanked Ms Harrison for her attendance.

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RESOLVED to recommend that higher priority be accorded to the purchase of software with a modern stock control facility.

7. STANDARDS ARRANGEMENTS UNDER THE LOCALISM ACT 2011

The Monitoring Officer presented her report which detailed draft Codes of Conduct, draft arrangements for dealing with Code of Conduct complaints and various other changes required to meet the Council's standards obligations under the Localism Act 2011.

She noted that the Localism Act 2011 came into force last year and the standards provisions which had been due to come into force on 1st April 2012 had subsequently been put back to 1st July 2012.

Draft Codes of Conduct had been published in April and May 2012 but the regulations in respect of Disclosable Pecuniary Interests had been made on 6th June leaving little time for most authorities to consider, adopt and train Members in the new provisions by 1st July.

The report contained draft codes of conduct published by the Local Government Association, the Department for Communities and Local Government and the Association of Council Secretaries (ACSeS) and Solicitors with SOLACE. The Monitoring Officer had circulated a fourth draft prepared by Bevan Britten, a specialist public services law firm, which had arrived after publication of the agenda. She recommended that Members approve and adopt the ACSeS/SOLACE version with the following amendments proposed by the Standards Committee:-

1. Public Duties of Members – point 5.

Members have a duty to uphold **and comply** the law.

2. Rules of Conduct

Add 2.1 of the Bevan Brittan Code 'provide leadership to the authority and communities within its area, by personal example'. This to be the first rule.

Rules (1) and (4) to be combined to read 'Do treat others with respect and do not bully any person'.

Add 2.5 of the Bevan Brittan Code 'not misconduct yourself in a manner which is likely to bring the authority into disrepute'.

The Monitoring Officer noted that Forest of Dean District Council had adopted the ACSeS/SOLACE code, Tewkesbury and Cheltenham Borough Councils had adopted similar codes.

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She advised that it would be necessary to amend Standing Orders with respect to Members' disclosure of interests and advised that the Standards Committee had recommended the following:-

- An additional Council Procedure Rule be added as Rule 24.01 (+ subsequent re-numbering) as follows:

“Where a Member has a Disclosable Pecuniary Interest as defined by Regulations under the Localism Act 2011, they will be required to leave the meeting during discussion and voting on the item in which they have a Disclosable Pecuniary Interest” and

- That the existing Rule 26 be amended accordingly and it be made clear that the new Rule 24.01 applies to all meetings of the Council, including Cabinet, Committees, Sub-Committees, Forums and Working Parties.

- An additional Council Procedure Rule be added as Rule 24.02 as follows:

“Where a Member has a Pecuniary Interest (other than a Disclosable Pecuniary Interest), or a Non-Pecuniary Interest, both as defined in the Council's Code of Conduct, they are required to disclose the existence and nature of the Pecuniary or Non-Pecuniary Interest, at any meeting where the interest is relevant.

- That the existing Rule 26 be amended accordingly and it be made clear that the new Rule 24.02 applies to all meetings of the Council, including Cabinet, Committees, Sub-Committees, Forums and Working Parties.

The Monitoring Officer noted that responsibility for dealing with misconduct complaints had been transferred from the Standards Committee to the Audit and Governance Committee. This would require changes to the Terms of Reference of the Audit and Governance and the creation of Terms of Reference for the proposed Hearing Panel. She noted that Quedgeley Parish Council would need to adopt a Code of Conduct and establish arrangements to deal with misconduct complaints and she was assisting in that process.

She noted the addition of the word 'relevant' to the third line of the first paragraph on Page 37 and Members indicated that they would prefer that the e-mail contact should be monitoring.officer@gloucester.gov.uk

She advised that there would be consequential changes to the terms of reference for the Monitoring Officer that could be introduced under delegated authority.

She noted the potential for problems in maintaining political balance in the event of a complaint against a Member of the Committee.

Councillor McLellan expressed concern that the Independent Person could be placed in an invidious position if consulted by a Member who was the subject of a

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complaint and by the Monitoring Officer or the Committee. He believed that the number of Independent Persons should be increased to two or three.

Members indicated that they preferred that the Committee should have one Independent Person with two reserves as resolved by Council.

Councillor Wood thanked the Monitoring Officer for her hard work and requested that a flow and decision chart of the process be produced.

Mr Pennington asked if Members were comfortable with the increase in workload. Members indicated that the anticipated increase in their workload was acceptable. The Monitoring Officer noted that it had been usual for one of the four scheduled Standards Committee meetings in the Civic calendar to be cancelled in recent years and if she had concerns about the committee workload she would have considered recommending the retention of a separate committee.

RESOLVED TO RECOMMEND

- (1) The Draft Code of Conduct at Appendix 3 be approved and adopted as Gloucester City Council's Code of Conduct;
- (2) The draft arrangements for dealing with standards complaints at Appendix 4 be approved and adopted;
- (3) The proposed changes to the terms of reference for the Audit and Governance Committee be approved;
- (4) The arrangements for the recruitment of one Independent Person and two Reserve Independent Persons and future work required be noted;
- (5) The amendments to Council Procedure Rules proposed by the Standards Committee at the meeting held on 26th June 2012.

8. INTERIM AUDIT REPORT 2011/12

The Group Manager, Financial Services circulated a revised version of the report which contained management responses to the key issues and recommendations at Appendix 1.

Mr Pennington introduced Tara Westcott who would be managing the City Council audit.

Ms Westcott outlined the key issues and recommendations in Appendix 1. She confirmed that those findings assessed as TBC were awaiting the outcome of work by Internal Audit or year end controls.

In answer to questions, the Group Manager, Financial Services confirmed that focussed and regular budget monitoring had taken place with Group Managers, GLT and the Cabinet throughout the year. He noted that managers had access to up to date data but had not provided evidence that it had been seen. He advised

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that completion of the project would ensure that recommendation areas are targeted to provide a fully compliant and robust process.

He noted that the recommendation with regard to Generic User Accounts had been partially agreed and he believed any remaining risk was manageable or mitigable. He confirmed that Super Users had a higher level of access than Generic Users and advised that the third party users referred to were suppliers.

RESOLVED that the report be noted.

9. INTERNAL AUDIT PLAN: FINAL MONITORING REPORT 2011/12

The Group Manager, Audit and Assurance presented the report which provided details of the remaining audits completed as part of the Revised Internal Audit Plan 2011/12.

He advised Members that the reference on Page 70 to 'Periodic reconciliation of the Sundry Debtors system to the General Ledger' should be disregarded as this was a client-side function.

Councillor McLellan referred to the limited assurance relating to Choice Based Lettings (Page 74). The Group Manager, Audit and Assurance noted that although testing did not identify any material errors, the weaknesses identified provided greater potential for errors to occur. The recommendations had been made because of the potential higher risk of error and they had been received positively by the service manager.

The Chair noted the reference to manual checks to avoid duplicate applications. The Group Manager, Audit and Assurance advised that the high number of manual checks required did not represent an efficient use of resources. Applicants were now required to provide a National Insurance number which would enable the system to identify duplicate applications.

Councillor Wood received an assurance that recommendations had been made to ensure Registered Providers actually offered properties to the applicants at the top of the shortlist.

The Chair expressed concern that former employees had been able to retain access to the Council's IT system and was assured that this had been addressed.

RESOLVED that the audit work undertaken to date be endorsed together with the assurance given on the adequacy of internal controls operating in the systems audited.

10. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

The Group Manager, Audit and Assurance presented the report on behalf of the Corporate Director of Resources who had been unable to attend the meeting due to sickness.

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The report informed Members of the outcome of the review of the effectiveness of Internal Audit as required under the Accounts and Audit (England) Regulations 2011.

Councillor McLellan questioned the fall in the number of productive days per auditor and was advised that this was due to the long term absence of a member of staff and had been an important factor in deciding to revise the original Internal Audit Plan.

RESOLVED that the review process be approved and that the outcome of the Review of the Effectiveness of Internal Audit be noted.

11. ANNUAL REPORT OF THE GROUP MANAGER, AUDIT AND ASSURANCE

The Group Manager, Audit and Assurance presented his annual report which provided Members with a brief overview of Internal Audit work, compliance with Financial Regulations, Contract Standing Orders and general probity issues for the financial year ending 31st March 2012, and to provide an opinion on the overall adequacy and effectiveness of the Council's control environment.

Councillor McLellan expressed disappointment that 25 per cent of the opinions were limited or unsatisfactory compared to 10 per cent at Gloucestershire County Council.

Mr Pennington noted that the Audit Plan was risk based and therefore designed to focus on areas presenting a higher level of risk and the high levels of change introduced within the organisation created risks. The Group Manager, Audit and Assurance concurred noting the high level of savings achieved, the loss of staff and the pace of change within the organisation, all of which introduced various risks which needed to be managed.

Councillor Wood believed the key was that areas with limited assurance must improve and that the report demonstrated a healthy audit regime which was working well.

The Group Manager, Audit and Assurance advised Members that, where a limited assurance had been provided on an audit, a number of Rank 1 and 2 recommendations would have been made. Implementation of these recommendations would be the subject of a follow-up audit to ensure that they had been implemented. Any such recommendations that had not been implemented by the agreed date would be reported to Committee.

RESOLVED that the Annual Report of the Group Manager, Audit and Assurance be approved.

12. ANNUAL GOVERNANCE STATEMENT 2011/12

The Group Manager, Audit and Assurance presented the Annual Governance statement on behalf of the Corporate Governance Group. He explained that the

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statement was a statutory requirement and had to be signed by the Leader of the Council and the Chief Executive.

He drew Members' attention to the significant governance issues that had been identified as a result of the review of governance arrangements. These were the changes in the standards regime required by the Localism Act, 2011 and advised that Group Managers and Gloucester Leadership team were reviewing the Strategic Risk Register.

RESOLVED that the Annual Governance Statement 2011/12 be approved.

13. AUDIT COMMITTEE ANNUAL REPORT 2011/12

The Group Manager, Audit and Assurance presented the report which detailed the work and achievements of the Audit Committee during the year 2011/12.

RESOLVED that the Audit Committee Annual Report 2011-12 be approved for presentation to Council.

14. YEAR END STATEMENT OF ACCOUNTS UPDATE

The Group Manager, Financial Services gave a presentation on the preparation of the end of year accounts covering the following:-

- Purpose of the Statement of Accounts
- The Legal Framework
- Publication
- Audit Committee Requirements
- Explanatory Foreword
- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Notes to the Accounts
- Supplementary Statements and Accounts
- Main Changes
- Financial headlines
- Audit Process
- The Future

The Group Manager noted that the only cause of delay at the present time was a technical issue relating to the asset revaluation of Gloucestershire Airport.

Councillor McLellan noted that income was lower than budget. The Group Manager explained that this had been anticipated and would result in a lower contribution being made to reserves.

The Chair asked how the proposed quarterly management accounts would differ from the statement of accounts and was advised that the management accounts only presented one area of business as opposed to the whole picture presented by the statement of accounts.

RESOLVED that the report be noted.

15. DATE OF NEXT MEETING

Monday, 24th September 2012 at 18.30 hours.

Time of commencement: 18:30 hours

Time of conclusion: 20:25 hours

Chair

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Gloucester City Council

Meeting:	GLT	Date:	11 th September 2012
	Audit & Governance Committee		24 th September 2012
	Cabinet Briefing		26 th September 2012
Subject:	Risk Management Annual Report 2012		
Report Of:	Group Manager, Audit & Assurance		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Terry Rodway - Group Manager, Audit & Assurance		
	Email: terry.rodway@gloucester.gov.uk		Tel: 39-6430
Appendices:	Not applicable		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To provide Members with an update on the Council's risk management activities from the past year and also future planned actions.

2.0 Recommendations

- 2.1 Audit & Governance Committee is asked to recommend that:

- (1) Members endorse the risk management progress undertaken to date and planned future work.

3.0 Background and Key Issues

3.1 Background

- 3.1.1 'Risk management is the culture, process and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and objectives' – ALARM, the public risk management association.

- 3.1.2 Risk management is a key element of the Council's corporate governance framework. It is one of the six core principles of the Council's Code of Governance - 'taking informed transparent decisions which are subject to effective scrutiny and managing risk'.

- 3.1.3 In the past year, work has been completed within the Council to support the risk management process and help embed good practice across the Council.

3.2 Progress

3.2.1 Confirmed approach

A Member Risk Management Champion and officer Risk Management Champion were appointed to support the Council's risk management process.

The Council Risk Management Strategy was updated and approved by Audit Committee in March 2013. The document confirms the Council's risk management appetite and objectives; links to the Council's Corporate Plan; and provides guidance on risk management approach and scoring.

The approach was rolled out to officers at both Group Managers Group and Gloucester Management Team meetings.

3.2.2 Strategic risk management

The Risk Management Strategy states the need for a formal review of the strategic risk register to identify risks associated with the achievement of the Council's aims and objectives within the Corporate Plan 'Transforming Your City'. Risks are aligned with the Plan's core principles.

The strategic risk register review is led by the Group Managers Group reporting to Gloucester Leadership Team. Review is completed on a regular basis to ensure appropriate update and action. The up-to-date strategic risk register will be presented to the Audit & Governance Committee at the November 2012 meeting.

3.2.3 Service risk management

Service Managers are responsible for completing a service risk register containing risks relevant to service objectives (set within services' business plans). A standard risk register template has been compiled to support this task. The service risk register should be reviewed with the relevant Group Manager on a regular basis to ensure the risk register content is appropriate and that suitable actions are taken.

Review as at 30 August 2012 by the Risk Management Champion found the majority of service risk registers in place. Actions have been agreed with GLT to ensure the four outstanding service risk registers are completed in the short term. The review has also identified areas where greater support is required and these will be captured through future risk management work (see section 6).

3.2.4 Training

As part of awareness training for officers, risk management presentations have been completed at Group Managers Group and Gloucester Management Team to promote the Risk Management Strategy and approach.

Regular communications have also been issued to the Managers to promote risk management good practice.

4.0 Alternative Options Considered

4.1 Not applicable.

5.0 Reasons for Recommendations

5.1 In accordance with the Council's Risk Management Strategy, the Group Managers Group is required to produce a formal annual risk management report for Gloucester Leadership Team and Audit & Governance Committee review.

6.0 Future Work and Conclusions

6.1 In the next six months, the following risk management actions are planned:

- 22nd November 2012: Gloucester Management Team service risk register workshop
- 6th December 2012: Members risk management training (to build on the Modern Councillor e-learning tool)
- Ongoing support and good practice advice from the Risk Management Champion to Managers via 1-2-1 meetings; presence at Management Team/Group; and regular communications
- Appointment of a new Member Risk Management Champion

6.2. The Risk Management Champions will continue to work with Members and officers to help promote and embed risk management within the Council.

7.0 Financial Implications

7.1 There are no direct financial implications arising out of this report. Risk management activity is delivered within existing resources.

8.0 Legal Implications

8.1 It is fundamental that the Council has and maintains a Risk Management Strategy and standard approach which considers identification, review and mitigation of risks to the Council in the delivery of its aims and objectives.

8.2 The individual character of each organisation will determine its exposure to legal risk, and the tools required to manage that risk. Failure to deliver and embed the Strategy could lead to unnecessary liability and costly legal action against the Council.

9.0 Risk & Opportunity Management Implications

9.1 Lack of a robust approach to the management of risks and opportunities may result in ill-informed decision making and non-achievement of the Council's aims and objectives at both a strategic and service level.

10.0 People Impact Assessment (PIA):

10.1 The risk management approach is delivered in house. Equality in service delivery is demonstrated by officers being subject to, and complying with, the Council's equality policies.

10.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

11.0 Other Corporate Implications

Community Safety

11.1 There are no community safety implications arising out of this report.

Sustainability

11.2 There are no sustainability implications arising out of this report.

Staffing & Trade Union

11.3 There are no staffing and trade union implications arising out of this report.

Background Documents: Risk Management Strategy 2011/13
Code of Governance

Gloucester City Council

Meeting:	GLT Audit & Governance Committee	Date: 11 th September 2012 24 th September 2012
Subject:	Internal Audit Plan 2012/13 – Quarterly Monitoring Report	
Report Of:	Group Manager Audit & Assurance	
Wards Affected:	Not applicable	
Key Decision:	No	Budget/Policy Framework: No
Contact Officer:	Terry Rodway, Group Manager Audit & Assurance	
	Email: Terry.Rodway@gloucester.gov.uk	Tel: 396430
Appendices:	1. List of the audits completed as part of the Internal Audit Plan 2012/13 – April to August 2012	

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To inform Members of the audits completed as part of the approved Internal Audit Plan 2012/13.

2.0 Recommendations.

- 2.1 Audit & Governance Committee is asked to **RESOLVE** that:-

- (1) Members endorse the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.

3.0 Background and Key Issues

- 3.1 At the Audit Committee meeting held on 15th March 2012, Members approved the Internal Audit Plan 2012/13. In accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006, this report details the outcomes of internal audit work carried out in accordance with the Plan.
- 3.2 This is the first report on compliance against the 2012/13 Plan and covers the period April to August 2012. The performance monitoring information is based on the number of completed audits vs. the number of planned audits (i.e. an output measure). The indicator for the period covered by this report is 70% (7 out of 10 planned audits completed) compared to a target of 90%. It should be

noted that these figures do not take account of 1 audit that was substantially complete as at 31st August 2012.

- 3.3 The main reason for non-achievement of the 90% is due to staff sickness. As at 31st August 2012, there has been 38 days lost to staff sickness. Part of this loss has been mitigated through the use of our shared service staff based at Stroud District Council.
- 3.4 Details of the audits completed, together with the overall conclusion reached on each audit, have been provided in **Appendix A**. This should provide Members with a view on the adequacy of the controls operating within each area audited.
- 3.5 It has previously been agreed that Members would be notified of all 'Rank 1 Fundamental' recommendations that have not been implemented within the agreed timescale. There were none identified during the period covered by this report.

4.0 Alternative Options Considered

- 4.1 Not applicable.

5.0 Reasons for Recommendations

- 5.1 The CIPFA Code of Practice for Internal Audit states that the Head of Internal Audit 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.

6.0 Future Work and Conclusions

- 6.1 The role of internal audit is to examine, evaluate and report upon the adequacy of internal controls. Where weaknesses have been identified, recommendations have been made to improve the level of control.

7.0 Financial Implications

- 7.1 As detailed in this report.

(Financial Services have been consulted in the preparation this report).

8.0 Legal Implications

- 8.1 None specific to this report.

(Legal Services have been consulted in the preparation this report).

9.0 Risk & Opportunity Management Implications

9.1 Delays in response to acceptance/implementation of audit recommendations lead to weaknesses continuing to exist in systems, which has the potential for fraud and error to occur.

10.0 People Impact Assessment (PIA):

10.1 A requirement of the Accounts & Audit Regulations 2011 is for the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The internal audit service is delivered by the in house team. Equality in service delivery is demonstrated by the team being subject to, and complying with, the Council's equality policies.

10.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

11.0 Other Corporate Implications

Community Safety

11.1 There are no community safety implications arising out of this report.

Sustainability

11.2 There are no sustainability implications arising out of this report.

Staffing & Trade Union

11.3 There are no staffing and trade union implications arising out of this report.

Background Documents: Internal Audit Plan 2012/13

APPENDIX A

List of the Audits Completed as part of the Internal Audit Plan 2012/13 – April to August 2012

Audit	Comments	Level of Assurance
Council Tax - Opening Debit	<p><u>Audit Objective</u> The audit has been undertaken as part of the Joint Working Protocol agreed with the Council's External Auditor. The objective of the audit was to verify that the following identified key control was in place and operating effectively:-</p> <ul style="list-style-type: none"> • Reconciliation of the Council Tax opening gross debit. <p><u>Audit Opinion</u> A Good level of assurance has been obtained that Council Tax charges have been correctly applied and that properties have been appropriately billed for 2012/13.</p>	Good
Non Domestic Rates – Opening Debit	<p><u>Audit Objective</u> The audit has been undertaken as part of the Joint Working Protocol agreed with the Council's External Auditor. The objective of the audit was to verify that the following identified key control was in place and operating effectively:-</p> <ul style="list-style-type: none"> • Reconciliation of the NDR opening gross debit. <p><u>Audit Opinion</u> A Good level of assurance has been obtained that the NDR charges have been correctly applied and properties have been appropriately billed for 2012/13.</p>	Good
Cemetery & Crematorium	<p><u>Audit Objective</u> The objective of the audit was to ensure that controls are in place and operating effectively in the following areas of operation:-</p> <ul style="list-style-type: none"> • Income. • Security of assets. • Creditors. • Debtors. • Fees and Charges. • Gifts and Hospitality. <p><u>Audit Opinion</u> As a result of testing undertaken, controls in place over all audited areas were deemed to be appropriately designed and operating effectively. Therefore, a Good level of assurance has been obtained.</p>	Good

Audit	Comments	Level of Assurance
Housing & Council Tax Benefits – Parameter Testing	<p><u>Audit Objective</u> The audit has been undertaken as part of the Joint Working Protocol agreed with the Council’s External Auditor. The objective of the audit was to verify that the following identified key control was in place and operating effectively:-</p> <ul style="list-style-type: none"> • The parameters in the Department for Work and Pensions (DWP) HB/CTB circular A1/2012, had been correctly entered onto the Benefits system. <p><u>Audit Opinion</u> A Satisfactory level of assurance has been obtained that the parameters have been input into the system correctly. A couple of errors were identified which were corrected as a result of the audit.</p>	Satisfactory
Grants to Voluntary Organisations	<p><u>Audit Objective</u> The objectives of this audit were to ensure that: -</p> <ul style="list-style-type: none"> • The Council sets criteria for awarding grants. • There is an adequate process for assessment of applications. • Expected performance is defined. • Performance is monitored. • Correct amounts have been paid. <p>The audit also included a review of recommendations made by KPMG in their report entitled ‘Working with the Third Sector’.</p> <p><u>Audit Opinion</u> A Satisfactory level of assurance has been obtained over the audit objective areas.</p> <p>With regard to the KPMG recommendations only one had not been addressed as at the date of the audit. This related to “formal, regular reporting to GLT and members to share information and outcomes with regard to the Authority’s work with the third sector”. There is no evidence of any such reports having been submitted to Members or GLT. However the Business Improvement & Equalities Officer has stated that the first report of this nature will be issued shortly.</p>	Satisfactory
Capital Accounting	<p><u>Audit Objective</u> The audit has been undertaken as part of the Joint Working Protocol agreed with the Council’s External Auditor. The objectives of the audit were to verify that the following identified key controls were in place and operating effectively:-</p>	Limited

Audit	Comments	Level of Assurance
	<ul style="list-style-type: none"> • There is a five year rolling programme of revaluation for fixed assets held at current cost. • There is an annual impairment review of tangible and intangible fixed assets. • Capital expenditure is reviewed against the capital programme. • The asset register is reconciled to the general ledger periodically. • There is periodic physical verification of tangible fixed assets. • There are controls in place in relation to accuracy of depreciation, e.g. reconciliation of movement in depreciation from prior year to the movement in the fixed asset balance. <p><u>Audit Opinion</u> There has been an improvement in the operation and controls over capital accounting from the previous year, particularly in the use of spreadsheets which has made the process more transparent. However, this has also had the affect of highlighting historic issues particularly relating to the depreciation approach. The audit also highlighted that a number of the audit recommendations made at the previous audit have not been implemented. Therefore the audit opinion is that only a Limited level of assurance can be provided over this area.</p> <p>The main weaknesses identified related to:-</p> <ul style="list-style-type: none"> • The depreciation charged in the spreadsheet fixed asset register is not in accordance with the depreciation policy documented in the notes to the accounts. • The fixed asset register does not appear to have correctly reflected the value of all the assets included in the other land & buildings class, disposal of 3 corporate leasehold properties and 6 Council dwelling sales during the 2011/12 financial year. • Two inaccuracies in the February 2012 capital budget monitoring spreadsheet, has resulted in incomplete information being provided to the budget owners and the GLT. • Previously agreed recommendations not implemented relating to:- <ul style="list-style-type: none"> ○ Documentary evidence of impairment review. ○ Reconciliation of general ledger budget reports to approved budgets. ○ Documentary evidence of monitoring of capital budgets. ○ Management review of asset 'life' for all new assets. 	

Audit	Comments	Level of Assurance
Year End Debtors & Creditors	<p><u>Audit Objective</u> The scope and objectives of this engagement were defined as follows:-</p> <ul style="list-style-type: none"> • To ensure that debtor and creditor items comply with the definition included in the Final Accounts Year End Memo dated 9th March 2012: <ul style="list-style-type: none"> ○ Creditors - goods have been received, or works executed, on or before 31st March 2012. ○ Debtors - goods have been supplied, or works executed to other organisations, on or before 31st March 2012. <p>The scope of the audit covered the period up to, and including, the 31st March 2012.</p> <p><u>Audit Opinion</u> On the basis of work carried out during this audit review and the level of error identified through audit testing, the audit opinion is that there is Limited assurance over this area.</p> <p>Testing performed upon the financial management system generated accruals, identified 10 invalid entries out of a sample size of 20 entries tested (50% error rate).</p> <p>Testing performed upon the manual debtor forms identified 1 invalid form out of a sample size of 3 forms tested (33% error rate).</p>	Limited

The report includes an 'opinion' on the adequacy of controls in the area that has been audited, classified in accordance with the following definitions:-

CONTROL LEVEL	DEFINITION
Good	Robust framework of controls – provides substantial assurance. A few minor recommendations (if any) i.e. Rank 3 (Low Priority).
Satisfactory	Sufficient framework of controls – provides satisfactory level of assurance – minimal risk. A few areas identified where changes would be beneficial. Recommendations mainly Rank 3 (Low Priority), but one of two in Rank 2 (Medium Priority).
Limited	Some lapses in framework of controls – provides limited level of assurance. A number of areas identified for improvement. Mainly Rank 2 (Medium Priority) recommendations, but one or two Rank 1 (High Priority) recommendations.
Unsatisfactory	Significant breakdown in framework of controls – provides an unsatisfactory level of assurance. Unacceptable risks identified – fundamental changes required. A number of Rank 1 (High Priority) recommendations.

Ranking of Recommendations:-

RANK		DEFINITION	IMPLEMENTATION
1	High Priority	Necessary due to statutory obligation, legal requirement, Council policy or major risk of loss or damage to Council assets, information or reputation, or, compliance with External Audit key control.	Immediate action required – should be pursued immediately.
2	Medium Priority	Could cause limited loss of assets or information or adverse publicity or embarrassment. Necessary for sound internal control and confidence in the system to exist.	Should be pursued in the short term, ideally within the next 6 months.
3	Low Priority	Current procedure is not best practice and could lead to minor in-efficiencies.	Action should be taken over the next 6 to 12 months.

22 June 2012

By email

Mr J Wain
Chief Executive
Gloucester City Council
North Warehouse
The Docks
GLOUCESTER
GL1 2EP

Dear Mr Wain

Annual Review Letter

I am writing with our annual summary of statistics on the complaints made to me about your authority for the year ended 31 March 2012. I hope the information set out in the enclosed tables will be useful to you.

The statistics include the number of enquiries and complaints received by our Advice Team, the number forwarded by the Advice Team to my office, and decisions made on complaints about your authority. The decision descriptions have been changed to more closely follow the wording in our legislation and to give greater precision. Our guidance on statistics provides further explanation ([see our website](#)).

The statistics also show the time taken by your authority to respond to written enquiries; this year we have not made any formal enquiries of your Council. I am pleased to say that there are no issues arising from the complaints that I want to bring to your attention

Changes to our role

I am also pleased to have this opportunity to update you on changes to our role. Since April 2010 we have been exercising jurisdiction over the internal management of schools on a pilot basis in 14 local authority areas. This was repealed in the Education Act 2011 and the power restored to the Secretary of State for Education. During the short period of the pilot we believe we have had a positive impact on the way in which schools handle complaints. This was endorsed by independent research commissioned by the Department for Education which is available [on their website](#).

Our jurisdiction will end in July 2012 and all complaints about internal school matters will be completed by 31 January 2013.

From April 2013, as a result of the Localism Act 2011, local authority tenants will take complaints about their landlord to the Independent Housing Ombudsman (IHO). We are working with the IHO to ensure a smooth transition that will include information for local authority officers and members.

Supporting good local public administration

We launched a new series of Focus reports during 2011/12 to develop our role in supporting good local public administration and service improvement. They draw on the learning arising from our casework in specific service areas. Subjects have included school admissions, children out of school, homelessness and use of bankruptcy powers. The reports describe good practice and highlight what can go wrong and the injustice caused. They also make recommendations on priority areas for improvement.

We were pleased that a survey of local government revenue officers provided positive feedback on the bankruptcy focus report. Some 85% said they found it useful.

In July 2011, we also published a report with the Centre for Public Scrutiny about how complaints can feed into local authority scrutiny and business planning arrangements.

We support local complaint resolution as the most speedy route to remedy. Our training programme on effective complaint handling is an important part of our work in this area. In 2011/12 we delivered 76 courses to councils, reaching 1,230 individual learners.

We have developed our course evaluation to measure the impact of our training more effectively. It has shown that 87% of learners gained new skills and knowledge to help them improve complaint-handling practice, 83% made changes to complaint-handling practice after training, and 73% said the improvements they made resulted in greater efficiency.

Further details of publications and training opportunities are on [our website](#).

Publishing decisions

Following consultation with councils, we are planning to launch an open publication scheme during the next year where we will be publishing on our website the final decision statements on all complaints. Making more information publicly available will increase our openness and transparency, and enhance our accountability.

Our aim is to provide a comprehensive picture of complaint decisions and reasons for councils and the public. This will help inform citizens about local services and create a new source of information on maladministration, service failure and injustice.

We will publish a copy of this annual review with those of all other English local authorities on our website on 12 July 2012. This will be the same day as publication of our Annual Report 2011/12 where you will find further information about our work.

We always welcome feedback from councils and would be pleased to receive your views. If it would be helpful, I should be pleased to arrange a meeting for myself or a senior manager to discuss our work in more detail.

Yours sincerely

A handwritten signature in black ink that reads "Anne Seex". The signature is written in a cursive style with a large initial 'A'.

Anne Seex
Local Government Ombudsman

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LGO advice team

Enquiries and complaints received	Benefits & Tax	Environmental Services & Public Protection & Regulation	Housing	Planning & Development	Total
Advice given	0	0	1	0	1
Premature complaints	1	2	2	0	5
Forwarded to Investigative team (new)	1	2	0	1	4
Total	2	4	3	1	10

Investigative team - Decisions

No power to investigate	Not investigated		Investigated			Report	Total
	No reason to use exceptional power to investigate	Investigation not justified & Other	Not enough evidence of fault	No or minor injustice & Other	Injustice remedied during enquiries		
0	0	1	1	1	0	0	3

Response times to first enquiries	No of first enquiries	Avg no of days to respond

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