



Gloucester City Council

Audit and Governance Committee

Meeting: Monday, 25th November 2013 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

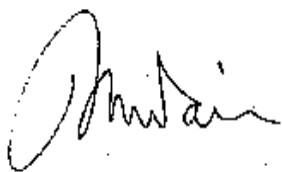
Membership:	Cllrs. Wilson (Chair), Hobbs (Vice-Chair), McLellan, Noakes, Llewellyn, Porter and Gilson
Contact:	Parvati Diyar Democratic Services Officer 01452 396192 parvati.diyar@gloucester.gov.uk

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 23 September 2013.
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>RESPONSE TO INTERNAL AUDIT REPORT RECOMMENDATIONS - CLIENT MONITORING OF PAYROLL SYSTEM</p> <p>To receive a verbal update from the Financial Project Supervisor.</p>
7.	<p>RESPONSE TO INTERNAL AUDIT REPORT RECOMMENDATIONS - RESPONSE REPAIRS CONTRACT</p> <p>To receive a verbal update from the Asset Manager.</p>
8.	<p>ACTION PLAN (Pages 11 - 14)</p> <p>To consider the Action Plan.</p>
9.	<p>ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2013-14 (Pages 15 - 20)</p> <p>To consider the report of the Corporate Director of Resources advising Members of action taken on the Annual Governance Statement Action Plan 2013-14.</p>
10.	<p>FINANCIAL SERVICES IMPROVEMENT PLAN (Pages 21 - 34)</p> <p>To receive the papers from the Head of Finance providing an update on the ISA 260 recommendations and the Internal Audit recommendations for November 2013 provided for information.</p>
11.	<p>TREASURY MANAGEMENT UPDATE - QUARTER 2 REPORT 2013/14 (Pages 35 - 50)</p> <p>To consider the report of the Corporate Director of Resources updating Members on the treasury management activities from 1 July 2013 to 30 September 2013.</p>
12.	<p>RISK MANAGEMENT ANNUAL REPORT 2013 (Pages 51 - 56)</p> <p>To consider the report of the Audit, Risk and Assurance Manager to provide Members with an update on the Council's risk management activities from the past year and also future planned actions.</p>
13.	<p>INTERNAL AUDIT PLAN 2013/14 - MONITORING REPORT (Pages 57 - 66)</p> <p>To consider the report of Audit, Risk and Assurance Manager informing Members of the audits completed as part of the approved Internal Audit Plan 2013/14.</p>
14.	<p>COMMITTEE ON STANDARDS IN PUBLIC LIFE - ANNUAL REPORT 2012-13 (Pages 67 - 96)</p> <p>To consider the report of the Monitoring Officer informing the Audit and Governance Committee about the work of the Committee on Standards in Public Life during 2012 -13 and to identify any changes that need to made to the Council's governance arrangements in light of the report.</p>

15.	<p>REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) - ANNUAL REVIEW OF PROCEDURAL GUIDE (Pages 97 - 122)</p> <p>To consider the report of the Head of Legal and Policy Development to request that Members review and update the Council's procedural guidance on RIPA and note the use by the Council of its RIPA powers in the last year.</p>
16.	<p>REVIEW OF TERMS OF REFERENCE FOR AUDIT AND GOVERNANCE COMMITTEE (Pages 123 - 128)</p> <p>To consider the report of the Head of Legal and Policy Development requesting that a Working Group of the Committee reviews the Terms of Reference for the Committee and identifies any changes to the Terms of Reference that should be recommended to Constitutional and Electoral Working Group and Council.</p>
17.	<p>UPDATE ON THE PEER REVIEW</p> <p>To receive a verbal update from the Corporate Director of Resources</p>
18.	<p>SERVICE RISK REGISTERS</p> <p>To receive a verbal update from the Audit, Risk and Assurance Manager</p>
19.	<p>WORK PROGRAMME (Pages 129 - 132)</p> <p>To consider the Committee's Work Programme</p>
20.	<p>DATE OF NEXT MEETING</p> <p>Monday, 17 March 2014 at 6.30pm.</p>



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Julian Wain
Chief Executive

Date of Publication: Friday, 15 November 2013

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 Penny Williams, 01452 396125, penny.williams@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.

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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.

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AUDIT AND GOVERNANCE COMMITTEE

MEETING : Monday, 23rd September 2013

PRESENT : Cllrs. Wilson (Chair), Hobbs (Vice-Chair), Noakes, Llewellyn, Gilson and Field

Others in Attendance

Darren Gilbert, KPMG LLP

Tara Westcott, KPMG LLP

Councillor Wood, Cabinet Member for Performance and Resources

Peter Gillett, Corporate Director of Resources

Terry Rodway, Audit, Risk and Assurance Manager

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

Kevin Buckerfield, Interim Finance Change Manager

Robert Spence, Project Accountant

Parvati Diyar, Democratic Services Officer

APOLOGIES : Cllrs. Porter and McLellan

42. DECLARATIONS OF INTEREST

There were no declarations of interest.

43. MINUTES

The minutes of the meeting held on 24 June 2013 were confirmed as a correct record and signed by the Chair.

44. PUBLIC QUESTION TIME (15 MINUTES)

There were no questions from members of the public.

45. PETITIONS AND DEPUTATIONS (15 MINUTES)

There were no petitions or deputations.

46. RESPONSE TO INTERNAL AUDIT REPORT RECOMMENDATIONS - MARKETS

The Audit, Risk and Assurance Manager introduced the Markets Manager, Sheila McDaid, who had been invited to attend the meeting to provide Members with an update in relation to the implementation of audit recommendations for the markets

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service. Members were reminded that this item was on the agenda for the meeting as a result of a recommendation from a previous meeting of the Audit and Governance Committee.

The main areas of weakness identified were:-

Eastgate Market:

- Lack of documentary evidence that the gross service charge costs, which are used to calculate the Eastgate stallholder charges, had been updated since 2010/11.
- There continues to be discrepancies within the monthly invoices to some of the Eastgate stallholders due to the monthly proportion of their annual charge being incorrectly calculated.
- Unable to demonstrate that appropriate approval had been obtained for variations to the charges, or for an extension past the maximum three month rental period, for short term lets at Eastgate Market.

Street Trading:

- One of the street traders had been undercharged for two days trading plus electricity per week and that the undercharge may go as far back as 1 April 2012.

The Markets Manager advised Members that all issues identified were being worked on. The undercharging of a street trader was due to an administrative error and this matter had now been resolved. The Markets Manager reported that she now had delegated authority to waive monthly rental in order to keep businesses open and that she had been working closely with the Audit team and Asset Management in relation to the service charge costs issue which had been caused due to the changeover of systems.

In response to a question from Councillor Llewellyn, the Markets Manager advised that the discrepancies related to the different basis of recharge used for calculating the charges payable by market stallholders. A spreadsheet had been used to calculate the charges which when compared to the amounts actually being invoiced, identified minor discrepancies.

The issues had now been resolved and the spreadsheet values agree to the amounts being invoiced.

Members thanked the Markets Manager for her attendance.

RESOLVED that an update be provided by the Audit, Risk and Assurance Manager at the next Audit and Governance Committee in November.

47. RESPONSE TO INTERNAL AUDIT REPORT RECOMMENDATIONS - CLIENT MONITORING OF PAYROLL SYSTEM

Members were advised that the Civica Client Liaison Officer was currently on leave and it was agreed to postpone this item until the next meeting.

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RESOLVED that the response to internal audit report recommendations – client monitoring of payroll system be deferred to the next Audit and Governance Committee in November.

48. ACTION PLAN

The Corporate Director of Resources presented the action plan which had been updated following the comments raised by Members at the last meeting. Members were advised that all completed action points would be taken off the list and only ongoing actions would be presented to the next Committee meeting.

The Chair queried action point number 15 on page 18 which related to an issue raised at the meeting held on 18 March 2013 regarding Internal Audit – Quarterly Monitoring Report. Members had asked to see some of the action plans produced by Service Managers following internal audits.

The Audit, Risk and Assurance Manager advised that he had emailed the Chair and Vice Chair on 19 September 2013 seeking clarification on how this action should be implemented. He reported that the Committee could and did request Managers to attend the Committee where ‘Rank 1’ recommendations had not been implemented by the agreed date. This had resulted in the appropriate Manager detailing the actions taken or to be taken to implement the recommendations.

The Chair and Vice Chair queried whether they had received the email, although it was subsequently confirmed that the email had been sent and received.

It was agreed that this matter would be discussed at the next pre-meeting with the Chair and Vice Chair.

RESOLVED:

- 1. That the action plan be noted.**
- 2. That the action plans produced by Service Managers following internal audits be discussed at the next pre-meeting with the Chair and Vice Chair.**

49. KPMG ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE

The Audit and Governance Committee considered the report by the Corporate Director of Resources and the appended report to “Those charged with governance (ISA 260) 2012/13” which had been produced by the Council’s external auditors, KPMG, on 19 September 2013.

The external auditor was required to produce an annual report and the ISA 260 report summarised the key issues identified by KPMG during the audit of the City Council’s financial statements for 2012/13.

The Committee noted that the report commended the Council for improvements seen over the last year, and confirmed that KPMG anticipated issuing an unqualified audit opinion on the City Council’s financial statements by 30 September 2013, and based on the improvements put in place since the previous

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audit, also anticipated issuing an unqualified Value for Money Conclusion by 30 September 2013. This followed completion of the first full draft set of accounts before 30 May, and certification by the Corporate Director of Resources on the pre-audit statements before the deadline of 30 June 2013.

Members also noted that the ISA 260 report highlighted only four key issues and recommendations which included clear management responses from the City Council.

Mr. Gilbert, KPMG, commended the Council on the significant improvements seen over the last year although there was still a need for improvement in some areas. Subject to all outstanding queries being resolved to the satisfaction of KPMG, an unqualified audit opinion would be issued by 30 September 2013.

Mr. Gilbert commented that the Council was actively recruiting permanent post holders to key finance positions and said it was important that adequate knowledge and handover processes from the Interim Team are put in place.

Ms. Westcott, KPMG, referred to the audit differences as set out in Appendix 3 of the report, which had been agreed by the Council. She commented that the audit process had been considerably smoother than in previous years and that Officers had dealt with queries promptly and within the timescales.

The Chair commented that it was refreshing that all accounts had been completed and commended all officers involved. He was pleased that the Council would now be in a better position and that the certified accounts would be ready one week before the deadline. He added that the process would need to be sustained and that a sufficient handover period would need to be carried out.

Councillor Llewellyn asked why the certified accounts would only be completed in September when the on-site audit had commenced on 22 July and finished on 8 August and questioned why it had not been possible for Audit to sign-off the accounts in advance of the Committee. Mr. Gilbert said this was due to the subsequent period of off-site review KPMG had to carry out.

Councillor Llewellyn asked if the fees would be lowered as a result of the improvements. Mr. Gilbert informed the Committee that although improvements had been made, he would need to review further progress to enable a reduction in fees.

The Corporate Director of Resources proposed to the Committee that the four recommendations in the report be included in the ongoing Financial Services Improvement Plan, and asked Audit and Governance Committee to both endorse this approach and review progress against the recommendations as part of the routine monitoring of the plan now established as a standing agenda item at each meeting.

Members expressed their thanks for the excellent work undertaken by the Finance Team.

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RESOLVED:

1. That the ISA 260 report to those charged with governance be noted.
2. That the improvements made since the previous external audit process be noted and agreed that the recommended actions identified in the ISA 260 report are included in the Council's ongoing Financial Services Improvement Plan.

50. AUDITED STATEMENT OF ACCOUNTS

The Audit and Governance Committee was presented with a copy of the final financial statements for 2012/13, including changes arising as a result of the audit process. The report also outlined the Council's key accounts and balances.

Given confirmation from KPMG that an unqualified opinion would be issued, the Committee were asked to approve the final version of the Statement of Accounts.

RESOLVED that, subject to the minor presentational adjustments discussed at the meeting, the audited Statement of Accounts for 2012/13 be approved.

51. TREASURY MANAGEMENT 2012/13 - QUARTER 4

The Committee considered a report by the Corporate Director of Resources fulfilling one of the requirements of the revised Code of Practice for Treasury Management, which recommended that Members should be updated on treasury management activities at least twice a year, but preferably quarterly.

It was noted that Audit and Governance Committee Members had received training on Treasury Management prior to the start of the meeting.

The Committee was advised that during the financial year, the Council had operated within the treasury and prudential indicators as set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. These indicators were detailed in Appendix 2 of the report.

The Corporate Director of Resources commented that during 2012/13 the Council had successfully moved to an under-borrowing position.

RESOLVED that the report and compliance with the prudential indicators be noted.

52. ANNUAL GOVERNANCE STATEMENT 2012/13

The Committee received a report on the Annual Governance Statement for 2012/13, which had been prepared by the Corporate Governance Group based on best practice guidelines issued by the CIPFA Finance Advisory Network. It included an Action Plan detailing the significant governance issues identified, together with actions to be undertaken during 2013/14 to improve the overall governance arrangements.

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The Corporate Director of Resources thanked the Audit, Risk and Assurance Manager and the Group Manager Legal and Democratic Services for their assistance in helping to prepare the Statement.

The Committee were advised that the actions identified in the 2012/13 Annual Governance Statement Action Plan were being addressed.

Councillor Noakes commented that the Annual Governance Statement Action Plan as detailed on page 51 of the report did not contain any target dates or how the actions would be implemented.

The Corporate Director of Resources confirmed target / completion dates would be included in the Action Plan.

RESOLVED that the Annual Governance Statement for 2012/13 be approved.

53. TREASURY MANAGEMENT PERFORMANCE 2013/14 - QUARTER 1

The Committee considered a report by the Corporate Director of Resources fulfilling one of the requirements of the revised Code of Practice for Treasury Management in November 2011 recommending that Members should be updated on treasury management activities at least twice a year, but preferably quarterly.

The Interim Finance Change Manager advised the Committee that the Council had continued to remain compliant with the approved prudential indicators.

In response to a question from the Chair, the Finance Change Manager advised that regular emails were received from the Council's Treasury Management advisors, which provided information on borrowing and investments. In addition to receiving regular updates, Sector-Capita were also obliged to visit the offices and complete a balance sheet review twice a year. This was a helpful process when setting the Treasury Management Strategy.

RESOLVED that the report be noted.

54. TREASURY MANAGEMENT STRATEGY 2013/14

The Corporate Director of Resources presented a report outlining the Treasury Management Strategy for 2013/14 which had been approved by Full Council.

Councillor Llewellyn suggested training should be provided to Members to enable them to have a better understanding of the CoCo model for Housing. The Corporate Director of Resources advised that a special meeting of Council had been scheduled to take place on 17 October 2013 for an update on the proposals relating to the housing stock transfer and confirmed that he was arranging specific Member training / briefing sessions with input from the project advisors for each Group beforehand.

RESOLVED that the Treasury Management Strategy be noted.

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55. FINANCIAL SERVICES IMPROVEMENT PLAN

The Interim Finance Change Manager presented the latest update to the Financial Services Improvement Plan which detailed progress undertaken by the Finance Team.

Members noted that considerable recommendations had now been rated as Blue as these matters had now been resolved. Work to recommendations that had been RAG rated Green were still in progress.

Councillor Noakes suggested that the recommendations highlighted in Blue should now be hidden. Given the size of the documents, she requested that printed copies of the report be made available to the Committee, even though Members would be issued with tablet devices.

Members noted the good progress and improvements that were being made.

RESOLVED that the Financial Services Improvement Plan be noted.

56. INTERNAL AUDIT PLAN 2013/14 - QUARTERLY MONITORING REPORT

The Audit, Risk and Assurance Manager presented the report which informed Members of the audits completed during the period April 2013 to August 2013 as part of the approved Internal Audit Plan 2013/14.

The Committee was advised that the report included details of the Audit Commission Data Matching exercise which produced a total of 62 reports, of which 39 reports related to Housing Benefit matches. These reports were being checked by the Benefit Fraud team. The remaining reports covering data matches relating to housing tenancies, payroll, creditors and licences were checked by the Audit and Assurance team.

The Committee was also advised that the report included the results of the audit of the Financial Services Improvement Plan. The audit had identified that, of the 42 recommendations that had been RAG rated as Green, 34 were agreed as being implemented. For the remaining eight, the audit indicated that they were partially implemented; however the response from the Finance Change Manager was that these were still work in progress.

The Audit, Risk and Assurance Manager informed the Committee that details of the other audits completed, together with the overall conclusion reached on each audit, had been provided in Appendix A of the report. This included more detailed information and the ranking of recommendation as to how the level of assurance had been obtained.

The Chair commented on the agreed implementation dates relating to the completion of the Council's website as referred to in Appendix B of the report. The Audit, Risk and Assurance Manager advised that he had received detailed management responses with agreed implementation dates. Any Rank 1 'High Priority' recommendations which had not been completed by the agreed date would be reported to the Audit and Governance Committee.

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Councillor Noakes suggested that the original agreed implementation date should be put in brackets with a revised date included.

The Corporate Director of Resources confirmed that he would contact the Asset Manager regarding his attendance at the next meeting of the Audit and Governance Committee in relation to the Response Repairs Contract which had resulted in an unsatisfactory level of assurance.

RESOLVED:

- 1. That the audit work undertaken to date be endorsed and the assurance given on the adequacy of internal controls operating in the systems audited be noted.**
- 2. That the Asset Manager be invited to attend the next meeting of the Audit and Governance Committee.**

57. PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)

The Audit, Risk and Assurance Manager presented a report informing Members of changes to the Internal Audit standards.

At a previous meeting of the Audit and Governance Committee, Members received a report on the new PSIAS. The report indicated that a review of the Standards was being undertaken and that any changes identified from implementing the new Standards would be presented to the Committee at its next meeting.

The review had now been completed and Members were referred to paragraphs 4.0 – 6.0 of the report which identified gaps between the previous CIPFA Standards and the new PSIAS, together with details of the proposed action.

The Audit, Risk and Assurance Manager referred to the revised Internal Audit Charter as detailed in Appendix A of the report. He commented on the external assessment to be carried out at least every five years and the proposed actions to be implemented.

RESOLVED:

- 1. That the identified changes be noted.**
- 2. That the proposed actions to help demonstrate compliance with the PSIAS be accepted.**

58. UPDATE ON THE PEER REVIEW - DRAFT TERMS OF REFERENCE

The Corporate Director of Resources updated Members on the peer review.

Members recalled that as part of the peer review, a 'peer challenge plus' had been designed, which would include a financial 'health check' and a review of the organisation's business planning.

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The main peer challenge had been scheduled for 11-13 December 2013 and the financial health check, which was being undertaken by Sir Bill Roots, was in progress. The Corporate Director of Resources reported that Sir Bill Roots had been onsite last week and had met with some Members and officers. Sir Bill Roots would be writing up his report to identify areas of improvements discussed and good practice to further improve medium term financial planning and risk management.

In response to a question from the Chair, the Corporate Director of Resources confirmed that the report would be available in time for the peer challenge in December.

RESOLVED that the report be noted.

59. FIXED ASSET REGISTER

The Interim Finance Change Manager updated the Committee on the Fixed Asset Register.

He advised that the register would be fully implemented in March 2014 as part of the Cedar financial system upgrade. He reported that the current version was now unsupported.

RESOLVED that the report be noted.

60. SERVICE RISK REGISTERS

The Audit, Risk and Assurance Manager provide an update on Service Risk Registers.

He advised Members that the Audit team continued to give advice to Managers on completing their risk registers. The Gloucester Leadership Team (GLT) had been reviewing services risk registers and business plans on a regular basis. The Audit and Assurance risk register had been presented to GLT and received positive feedback.

RESOLVED that the report be noted.

61. WORK PROGRAMME

The Corporate Director of Resources presented the proposed work programme for the Audit and Governance Committee.

Members were satisfied with the content and noted the volume of information presented to the Committee.

RESOLVED that the Audit and Governance Committee Work Programme be noted.

62. DATE OF NEXT MEETING

Monday, 25 November 2013 at 6.30pm.

Time of commencement: 18:30 hours

Time of conclusion: 20:00 hours

Chair

AUDIT AND GOVERNANCE COMMITTEE – 25 NOVEMBER 2013

ACTION PLAN

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
<u>Actions arising from meeting held on 24 September 2012:</u>					
17	Combined Heat and Power installation at GL1.	Included in action 23 from meeting of 24 June 2013.	Carried Forward	31.03.14	RW
17	Purchase of software with a modern stock control facility at The Guildhall.	The stock control facility is part of a broader system requirement for the Guildhall operations. A new Manager has now been appointed at the Guildhall, who will review existing processes and systems and develop a business case for a new system as required. This will include stock control functionality.	A	31.03.14	SG
21	Internal Audit Plan 2012/13 – Fixed Asset Register to be in place.	Detailed spreadsheet in place. Currently evaluating a system linked to the financial ledger. Financial System upgrade to be completed December 2013. Once upgrade completed successfully project will commence for asset register transfer to ledger.	A	Priority	JB
<u>Actions arising from meeting held on 26 November 2012:</u>					
34	RIPA – annual update and external inspection report to be presented to the Committee each year.	Report due to come to Audit & Governance on 25.11.13	G	25.11.13	SM
35	Business Rates Pooling – annual report to be presented to the Committee.	Report due to come to Audit & Governance in June 2014	G	24.06.14	PG

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
<u>Actions arising from meeting held on 18 March 2013:</u>					
15	Internal Audit – Quarterly Monitoring Report – Members to see some of the action plans produced by Service Managers following internal audits.	At the Chair & Vice Chair Briefing held on 6 November 2013, it was agreed that the current arrangements whereby managers are invited to attend a meeting of the Audit & Governance Committee to discuss implementation of audit recommendations, were sufficient – Action complete	Complete	By 30.09.13	TR
<u>Actions arising from meeting held on 24 June 2013:</u>					
23	Combined Heat and Power Installation.	Following investigative works it has been identified that the CHP plant at GL1 is not functioning correctly. In order to resolve this matter, officers will be employing the services of a third party expert (quotes are currently being sought) to identify what measures can be taken to improve the installation. We would anticipate that survey work will be completed by the end of November. Allowing for due process, procurement procedures and subject to budgetary provision, we believe that remediation/improvement works will be undertaken first quarter 2014.	A	31.03.14	RW
29	Internal Audit – Quarterly Monitoring Report – the Payroll Client Manager to be invited to the Committee	This item has been added to the agenda for the Audit & Governance Committee meeting on 25.11.13.	G	25.11.13	PG

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
36	Treasury Management Strategy 2013/14 – Audit & Governance Committee to receive training to monitor achievements	Members of the Audit & Governance Committee have now received training - Action complete	Complete	23.09.13	PG
<u>Actions arising from meeting held on 23 September 2013:</u>					
46	Response to Internal Audit Report Recommendations – Markets – update to be provided at the next meeting.	This item is included in the Internal Audit Plan Monitoring Report due to come to Audit & Governance on 25.11.13	G	25.11.13	TR
48	Action Plan – action plans produced by Service Managers following internal audits to be discussed at the next pre-meeting with the Chair and Vice Chair.	See also 'Actions arising from meeting held on 18 March 2013'. At the Chair & Vice Chair Briefing held on 6 November 2013, it was agreed that the current arrangements whereby managers are invited to attend a meeting of the Audit & Governance Committee to discuss implementation of audit recommendations, were sufficient – Action complete	Complete	30.09.13	TR
52	Annual Governance Statement 2012/13 – Committee requested confirmed target / completion dates to be included in the Action Plan.	Report due to come to Audit & Governance on 25.11.13	G	25.11.13	PG
54	Treasury Management Strategy 2013/14 – Corporate Director of Resources to attend Group Meetings, where possible, and provide further information on CoCo.	Corporate Director of Resources attended all appropriate meetings – Action complete	Complete	30.09.13	PG
56	Internal Audit Plan 2013/14 – Quarterly Monitoring Report. The Asset Manager to be invited to the next meeting of Audit & Governance Committee in November 2013.	This item has been added to the agenda for the November meeting – Action complete	Complete	25.11.13	PG

PLEASE NOTE: Rolling agenda items requested by the Committee have not been included above but have been included on the Audit and Governance Work Programme.

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Gloucester City Council

Meeting:	Audit & Governance Committee	Date:	25th November 2013
Subject:	Annual Governance Statement Action Plan 2013-14		
Report Of:	Corporate Director of Resources (on behalf of the Corporate Governance Group).		
Wards Affected:	N/A		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Terry Rodway, Audit, Risk & Assurance Manager		
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Appendices:	1. Annual Governance Statement Action Plan 2013-14		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To advise Members of action taken on the Annual Governance Statement Action Plan 2013-14.

2.0 Recommendations

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

- (1) Members endorse the action taken on the Annual Governance Statement Action Plan 2013 -14

3.0 Background and Key Issues

- 3.1 The 2012 - 13 Annual Governance Statement (AGS) was approved by the Audit & Governance Committee at its meeting held on 23rd September 2013. The purpose of the AGS is to provide assurance that the Council's Governance Framework is adequate and effective.
- 3.2 As part of the AGS, the Council is required to identify any Significant Governance Issues faced by the Council and to set out the proposed actions to be taken to address those issues, and the timescale within which those actions will be taken. The role of the Audit & Governance Committee is to formally monitor progress on actions arising from the Significant Governance Issues identified in the AGS.
- 3.3 It was agreed at the September 2013 Audit & Governance Committee meeting that a monitoring report on the achievement of the Annual Governance 2013 -14 Action Plan would be presented to the next meeting.

4.0 Progress

- 4.1 A copy of the Annual Governance Action Plan is produced in Appendix A. The proposed actions to be taken have been identified in the table.

4.2 Assurances have been obtained that the required actions either have been, or are in the process of being implemented.

4.0 Alternative Options Considered

4.1 The lack of any formal monitoring of action taken to implement the Significant Governance Issues identified in the AGS Action Plan 2013 – 14 could lead to the risk of these issues not being addressed, resulting in weaknesses in governance arrangements continuing to exist

5.0 Reasons for Recommendations

5.1 The role of the Audit & Governance Committee is to formally monitor progress on actions arising from the Significant Governance Issues identified in the AGS.

6.0 Future Work and Conclusions

6.1 The 2012 - 13 Annual Governance Statement included an Action Plan detailing actions to be undertaken during 2013 -14 to improve the governance arrangements. Assurances have been obtained that the required actions either have been, or are in the process of being implemented. A further report on action taken on the Annual Governance Statement Action Plan 2013-14 will be presented to the March meeting of this Committee.

7.0 Financial Implications

7.1 Covered in the 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 The Annual Governance Statement is the formal statement that recognises, records and publishes the Council's governance arrangements as defined in the Local Code of Corporate Governance. The preparation of an Action Plan to further enhance the Council's governance arrangements and its subsequent disclosure in the Annual Governance Statement delivers assurance that these issues have been, or are being addressed. Any significant governance issues that have not been addressed will result in weaknesses in governance arrangements continuing to exist.

10.0 People Impact Assessment (PIA):

10.1 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 to the recommendation made in this report.

Sustainability

11.2 There are no Sustainability implications to the recommendation made in this report.

Staffing & Trade Union

11.3 There are no Staffing and Trade Union implications to the recommendation made in this report.

Background Documents: Annual Governance Statement 2012/13
Local Code of Corporate Governance

APPENDIX A

Annual Governance Statement Action Plan 2013-14

No.	Core Principle	Governance issue	Responsible Officer	Action Required	Action Taken	Target Date for Completion	RAG Rating
1	Promote values for the authority and demonstrate the values of good governance through the upholding of high standards of conduct and behaviour.	Governance issues arising out of the investigation of anonymous allegations.	Chief Executive and Monitoring Officer	Commission a review of the Council's corporate governance arrangements, as part of a peer review process during 2013/14.	The Peer Challenge process is currently underway. A financial health check/diagnostic has taken place on site, which will be used to inform the main peer Challenge visit - which is scheduled for week commencing 9 th December 2013. An update following the review will be given to Audit and Governance Committee.	31/01/13	GREEN
2	Take informed and transparent decisions, which are subject to effective scrutiny and managing risk.	Essential and ongoing improvements in financial management are necessary, as identified in the Annual Governance Statement by the Director of Resources, and detailed within	Corporate Director of Resources/ Head of Financial Services	2a) Improve the ongoing technical accounting skills within the financial services team.	Qualified & experienced appointments have been made to the Head of Financial Services and Management Accountant posts. Recruitment is currently underway for the Financial Accountant role. 2 members of staff at technician level have recently qualified for the Association of Accounting Technicians.	31/01/13	GREEN

No.	Core Principle	Governance issue	Responsible Officer	Action Required	Action Taken	Target Date for Completion	RAG Rating
		the Financial Services Improvement Plan			Professional Accountancy training will be delivered to further staff as necessary. The proposed revised structure for financial services emphasises the importance of appropriately qualified and experienced staff.		
				2b) Further implementation of the LEAN process review across the council to embed ongoing improvements.	Ongoing improvements to processes within Financial Services are embodied in detail within the financial services improvement plan	Ongoing throughout 2013/14.	GREEN
				2c) Restructure of Financial Services to help embed improvements and to ensure an overlap between the interim team and recruitment to new roles within financial services.	Appointment to key posts to ensure appropriate overlap with interim staff has been made as per (2a) above. A revised staffing structure for the whole service is currently out to consultation with staff, with a view to implementing the final structure from 18 th December.	31 st December 2013	GREEN

No.	Core Principle	Governance issue	Responsible Officer	Action Required	Action Taken	Target Date for Completion	RAG Rating
				2d) Implement improved reporting arrangement to ensure key routines are delivered within financial services.	These routines are included in the Financial Services Improvement Plan and are monitored on a monthly basis.	Ongoing throughout 2013/14.	GREEN
				2e) Implementation of the Financial Services Improvement Plan.	The plan is being implemented through the year – and is being monitored by GLT, cabinet members, Audit and Governance Committee and Group Leaders.	Ongoing throughout 2013/14.	GREEN
3	Develop the capacity and capability of members and officers to be effective.	Take-up levels for Member development opportunities.	Monitoring Officer	Investigate options for increasing take-up of Member development opportunities.	Officers from Democratic Services are working on a report to go to Constitutional and Electoral Working Group on 28 January, setting out historical levels of take-up for Member development and options for increasing future take-up of development opportunities and the range of development offered for Members to consider.	End of January 2014	GREEN

UPDATE ON THE ISA 260 RECOMMENDATIONS NOVEMBER 2013

KPMG		GCC		KPMG	GCC		GCC		14/11/2013			
No.	Year	Priority	Risk	Recommendation	Management Response	Status at September 2013	Current Status	RAG	Current	Original Target Date	Revised Target Date	Owner
23	2013	1	<p>Review of Community & Intangible Assets</p> <p>Further work is required by the Authority to consider whether community and intangible assets are categorised correctly within fixed assets in the accounts. From our review of the Authority's fixed asset register a number of assets £7.1m were identified as infrastructure assets but with descriptions that may indicate that they are community assets. From our initial review of intangible asset additions in the year, which amount to £847k, it is not clear from the descriptions whether all the expenditure is capital in nature and meets the definition of an intangible asset under the code.</p>	<p>Undertake a detailed review of the above classes of assets to identify whether they meet the definition of capital expenditure as per the Authority's accounting policy and per the code (for intangibles) and have been correctly classified (for infrastructure - community assets)</p>	<p>The infrastructure assets with a value of £7.1m have been historically been classified as such for several years. Any reclassification of these assets will be of a presentational nature only and will have no impact on the Income and Expenditure account as the depreciation rates will remain unchanged. We are essentially started with the treatment and classification of the intangible assets additions in the accounts. We are currently working on a detailed review of these assets and reclassify or expense where appropriate. The Council is already carrying out a detailed review of the classification of infrastructure and intangible assets in the current financial year. This will be completed in the reporting of the assets register onto the new system which is scheduled to take place from 15 March 2014.</p>	<p>The project related to Fixed Assets has no current plan or owner.</p>	A	3	31/05/2014	31/03/2014	TBA (formally KB)	
24	2013	2	<p>Historic cost depreciation adjustment</p> <p>As in previous years the Authority has not made a historic cost depreciation adjustment in 2012/13. The Authority has identified that there are excess balances on the revaluation reserve where the net book value of the asset is nil. These are now being written off to the Capital Adjustment Account but are the result of not making historic cost depreciation adjustments in previous years.</p>	<p>Make an adjustment each year between the Revaluation Reserve and the Capital Adjustment Account to ensure that, where assets are fully written down, there is no residual balance in the Revaluation Reserve.</p>	<p>The way the asset register is currently set up makes it extremely time consuming and impractical to carry out a detailed calculation to make an adjustment in respect of historic cost. We have made significant progress over the last financial year and the current financial year in tidying up and analysing the revaluation reserves and arriving at a detailed and fairly accurate analysis of the revaluation reserve by individual asset, however, the current asset register does not provide sufficient detail to calculate an accurate historic cost adjustment. The Council will, however, in future adjust the revaluation reserve as follows: - Where assets are sold and the revaluation reserve is eliminated. - Where assets are sold and remaining revaluation reserve balance will be eliminated. - As we have done in the 2013 financial year the revaluation reserve balance for individual assets will be compared to the net book value of the asset and, where the reserve exceeds the asset value an adjustment will be made to the revaluation reserve to equal the asset value.</p>	<p>The project related to Fixed Assets has no current plan or owner.</p>	A	2	31/09/2014	31/03/2014	TBA (formally KB/RS)	
25	2013	2	<p>Recording of Council Dwelling valuations</p> <p>Following the revaluation exercise for council dwellings, the downward movements on assets have been posted as an overall revaluation reserve adjustment and impairment without reference to movements on individual archetypes. For 2012/13 this is not an issue as the movements are nil. However, it is likely that it will give out the full revaluation reserve balance, but in future years the valuation movement should be recorded by archetype.</p>	<p>Ensure that the new fixed Asset Register records the valuation of each archetype to ensure that asset movements can be correctly calculated.</p>	<p>We are grateful to the auditors for demonstrating further issue of good practice for the Council to adopt, although this point has not been raised with the Council until publication of the ISA 260 report. We will ensure that we are setting up the new fixed assets register and all future revaluation adjustments relating to dwellings will, as far as possible and practical, be analysed by archetype rather than in total as at present.</p>	<p>The project related to Fixed Assets has no current plan or owner.</p>	A	3	31/09/2014	31/09/2014	TBA (formally KB)	
26	2013	3	<p>Review of historical ledger codes</p> <p>Individual balances in the financial statements, such as debtors and reserves, are made up of a large number of nominal ledger codes. Some General ledger codes contain cumulative historical data (e.g. one code for rent due and another code for rent received). An error-check has not recently been formed to clear these codes down at the year end and to remove the number of nominal ledger codes used for one balance. This could lead to a risk that not all nominal ledger codes are included and the risk of mis-posting transactions.</p>	<p>Review and rationalise the number of nominal ledger codes within the general ledger to ensure that this is more manageable for Finance.</p>	<p>We are fully aware that there are numerous general ledger for items such as reserves and debtors several of which are unnecessary or superfluous as well as those that have cumulative historical data. A full review of the general ledger codes is underway and will be completed in the 2013-14 financial year. Where necessary codes are being consolidated, particularly those relating to reserves and other balance sheet additions and disposal codes that represent the additions/disposals within the current year. Therefore, the brought forward balances will represent the closing balances of the previous year.</p>	<p>As Management Response</p>	A	3	31/09/2014	31/09/2014	TBA (formally KB/RS)	
1	2012	1	<p>Budgetary Control</p> <p>Monitoring highlighted to you as part of our interim report 2012/13 that we had concerns over budget monitoring and reporting. We confirmed that detailed reports had not been produced since September 2011 and that we have not been able to reconcile the figures produced back to the finance system. Our audit procedures also identified an error where a missing invoice was found in 2011/12 that related to 2010/11, relating to a significant contract. If there had been effective budgetary control during the year then such an error would have been identified through the budget monitoring process.</p>	<p>Budget monitoring should be completed on a monthly basis. The monthly reports presented to Cabinet should reconcile to the detailed monitoring reports produced by Finance.</p>	<p>We are aware that the budget figures in Cedar do not necessarily agree fully with the budget submitted to and agreed with Finance. This issue will be addressed with regard to the 2013/14 budget in that the overall process will be driven by Finance. Currently discussions and training sessions are being held with budget holders and underlying figures in the finance system. Internal Audit's follow up of progress during July 2013 and up to monthly budgetary meetings with cost centre managers has commenced. At the end of the year the project requires complete rollout.</p>	<p>All Services Managers budget submissions was published onto Cedar. Management Reports have been produced on a monthly basis during 2013/14. The outstanding items are the 'Project Plans' relating to each budget saving stream, these have to be agreed by the Delivery Service Manager and will include a timeline and actions taken to be delivered together with the monthly cycle achievement basis.</p>	G	1		Dec-13	JT (formally KB)	

Bank Reconciliation

2	2012	1	<p>Our work and that of Internal Audit has identified that bank reconciliations are not being performed correctly. There are a number of balancing figures that appear on the monthly reconciliation. Although these amounts are not significant they are in effect 'balancing figures' meaning that the bank accounts do not reconcile to the general ledger.</p> <p>Our work on cash at year end also identified that a bank account had been missed out of the reconciliation process which resulted in cash in the financial statements being understated.</p>	<p>All bank reconciliations are now being performed on a monthly basis and balanced correctly with no balancing entries.</p> <p>All reconciliations are being reviewed by the interim finance change manager who also ensures that all bank accounts are being reconciled.</p>	<p>Our review of the year end bank reconciliation identified that a gov manual journal was required to balance the 2011/12 and had not been cleared. Internal Audit's follow up of progress during 2012/13 and up to July 2013 identified that there were a series of unreconciled items which dating back to March 2008. All bank reconciliations.</p>	B	1	Delivered	KB
4	2012	1	<p>Resources Within Finance</p> <p>The Council accounts and accounting treatments are complex. It is paramount within a finance department that you have suitable qualified staff who have the technical ability in local government accounting to deal and account for these transactions.</p>	<p>The finance team is currently undergoing a period of transition with existing procedures being strengthened or adapted with new procedures being introduced where considered appropriate with a view to achieve efficiencies and maximise existing capacity.</p> <p>Existing staff structures and staff requirements, taking into account experience and qualifications, are to be reviewed to determine the ideal structure. Where considered necessary recruitment of additional staff will be made.</p> <p>In the short-term the interim team, who are considered to have the required technical expertise, will remain in place to ensure the new and improved procedures and ensure a smooth transition to the new team.</p>	<p>Changes have been implemented to the Finance team structure in order to focus upon the separate elements of the service delivery, with further work being undertaken to define the roles of individual officers. New appointments to Finance are being made but have not yet concluded.</p>	G	1	01/12/13	PG
5	2012	1	<p>Coding of Invoices</p> <p>It is paramount that Finance staff code transactions to the correct general ledger codes within Cedar. If this does not occur then balances will be posted to incorrect codes and budget holders will not know the true cost of a service or contract.</p> <p>Our review of post balance sheet invoices identified that a number of invoices that had been mis-coded. The mis-coding included the Finance code instead of the correct code which should have gone against this contract. Instead they have been posted to Mobile Phones code.</p> <p>This had not been identified by finance or the budget holders.</p> <p>Even though the value in monetary terms for the invoices we have identified is immaterial for audit purposes, this could lead to incorrect decisions by budget holders and provides Committees and Cabinet with incorrect information. This also reinforces the issue noted above regarding the effectiveness of budgetary control processes.</p>	<p>As commented in point 1 the Council is currently implementing procedures to strengthen budgetary controls and monitoring as well as the budget process. It is expected that this will mitigate the risk of such errors in coding going undetected in future.</p>	<p>Not considered an issue</p>	B	2	P7 13/14	Finance / JT
6	2012	1	<p>Revenue Reconciliations</p> <p>Each month the revenues department provides finance with a reconciliation of all transactions on council tax and INDR movements.</p> <p>The reconciliation enables finance to post monthly journals to the general ledger to account for the council tax and INDR transactions.</p> <p>At the year end, the finance team use these reconciliations to support any council tax and INDR debtors and creditor balances.</p> <p>It was identified by the interim finance team that the monthly reconciliations provided by the revenues department are not accurate and do not reconcile to the revenue systems at month end. The interim review of the reconciliation and the revenue system is due to cash receipts that come in late in the month and are not included in the reconciliation.</p> <p>For example, cash will be received and banked on the 31 March 2012 and included in the revenue system but revenues do not include this cash in their reconciliation to finance, they will include it in the following month. This means that even though the cash has been banked and included in the reconciliation, the revenue system will not include it until the following month.</p>	<p>Cash is received, banked and recorded in the general ledger but not in the Open Revenues System. The reconciliation provided to finance notes that the cash has been received but does not record that there is a timing mismatch in the Open Revenues System.</p> <p>The accounting treatment agreed with the audit team takes a prudent approach to the treatment of the unreconciled balance on the Collection Fund holding account. The balances are correctly stated at 31 March 2013.</p> <p>A reconciliation that does identify the cash timing mismatch between the General Ledger and the Open Revenues System is produced and will in future be provided to the finance team.</p>	<p>Not considered an issue</p>	A	1	P7 13/14	JT
9	2012	2	<p>Fixed Asset Register</p> <p>The Council has been using an excel spreadsheet created from a download from the general ledger to account and record the movements on its fixed assets.</p> <p>This means that for many years the Council has been unable to identify what the historic cost of its assets are. Under the Code there is a requirement for councils to keep this information. In addition, by using simple downloads of the ledgers this does not have the sophistication required to account for the Council's complex asset base or to cope with component accounting.</p>	<p>Prior to the current financial year the fixed assets register was on the Cedar fixed assets module which did record the historical cost of the assets. Due to problems encountered with the Cedar fixed assets module in the current year the assets register was prepared using Excel spreadsheets. It is, therefore, not factually correct to state that the Council has been able to identify the historical cost of its assets for many years.</p> <p>The use of Excel spreadsheets for maintaining the assets register is an interim measure while looking at suitable alternatives. A new assets module is expected to be implemented with effect from the beginning of the next financial year (2013/14).</p> <p>Reconciliation of the fixed assets register will be maintained on Excel spreadsheets and will be reconciled to the general ledger each month.</p>	<p>See 2013 points 2,2,4, & 25</p>	A	2	Q4 2013/14 - Parallel run	TBA (formally KB)

11	2012	<p>Only one member of staff within Finance has the required knowledge of how to produce journal reports. During our audit this member of staff was on sick leave and the journal list could not be produced.</p> <p>Upon our request of this report, the interim Finance team had to go back to their Cedar supplier to obtain the report.</p> <p>We also identified that a material error was made by a member of Finance where a journal was posted the wrong way round. This journal had not been reviewed prior to being posted.</p>	<p>Process notes for key finance processes should be maintained to ensure that knowledge is not lost when there is a turnover or unavailability of key staff.</p> <p>Material journals should be reviewed and approved by a senior member of the Finance team either prior to being posted or retrospectively.</p>	<p>The journal report was run at the final audit visit by the financial planning accountant and it is not correct that the Council had to go back to the Cedar supplier to obtain this report although we did encounter some difficulty in getting the report in the required format.</p> <p>Procedures are being drafted with regard to the posting of journals, including the authorisation process, as well as the running of journal reports. This will be completed and implemented before the end of the current financial year.</p> <p>The details of the material journal posted the wrong way round have not been discussed or brought to our attention.</p>	<p>Internal Audit's follow up of progress for 2012/13 identified that the process for raising journal reports has been transferred from an Accountancy Assistant to an Accountancy Technician, providing additional team knowledge to produce the reports.</p> <p>The Finance Change Manager confirmed that a senior consultant makes all journal requests for review, and that the H&A and the H&A requests are reviewed by Finance prior to processing.</p> <p>Management accounts are reviewed by the Finance Change Manager and a senior member of the Finance team on a monthly basis and any issues would be identified at this point.</p> <p>However, process and guidance notes on how to run the reports are still being drafted and finalised.</p>	<p>A detailed process note is being written to ensure the situation experienced in 2012/13 is repeated.</p>	G	2	14/03/13	March 2014	Finance
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UPDATE ON THE INTERNAL AUDIT RECOMMENDATIONS NOVEMBER 2013

14/11/2013

INTERNAL AUDIT												
			GCC				GCC					
No.	Year	Priority	Risk	Recommendation	Accepted	Action to be taken	Current Status	RAG	Current Priority	Target Date	Owner	
											Original	Revised
Budgetary Control												
1	2012/13	3	Cost centre managers are unclear on their obligations. Budget monitoring is not consistent	Consideration should be given to preparing a budget manual or detailed guidance setting out in detail how cost centre managers should fulfil their budget monitoring obligations	Y	The 13/14 budget has been prepared with more involvement and accountability from service managers. Regular monthly meetings will be held to review performance in a timely manner and place corrective action plans into operation. WIP currently - rollout of training and system use by Service Managers.		G	WIP	01/12/13	JP/JT/New Management Accountant	
2	2012/13	2	Unallocated budgets are not being monitored	Cost centres assigned to former staff should be promptly reallocated to current staff.	Y	HR / BT&T have been requested to inform Cedar finances administrator when staff leave. A review of all cost centre managers is being undertaken with the revised management structure implementation. The result will be that all cost centres will have a current named individual. September 2013 - Ongoing process.		G	WIP	01/12/13	JP	
3	2012/13	2	Officers, Members and the Public are not able to engage with the budget setting process.	Consideration should be given to reintroducing a detailed Budget Book and Money Plan from 2014/15	Y	The production of the 13/14 budget has re-visited the disciplines of traditional budgeting methodology. The involvement of budget holders and review of the budgets by GLT with a system of monitoring budget saving initiatives, has significantly moved on the process from a one page summary. The budget is available by business unit/department/ cost centre and expense code. This will be the basis for monthly management accounts that will be presented to GLT / Cabinet / Audit & Governance and if required at Council . Budget consultation sessions were held with members of the community during February 2013.		G	WIP	01/04/13	PG /JT - Ongoing Improvement process.	

4	2012/13	1	The Council will not achieve the budget set by Members.	The annual budget should be loaded into Cedar from 1 April and should agree to the net budget requirement as agreed by Members.	Y	Completed for 13/14 Systems are in place to enable monitoring of CC					01/04/13	KB/JP
									B			
5	2012/13	1	Cost centre managers are unable to monitor their budgets.	The CP system needs to be rolled out to all cost centre managers.	Y	Ongoing Rollout program to all managers - process tested and partial implementation					01/12/13	JP
									G			
6	2012/13	3	The audit trail from the original budget to the final budget is unclear.	Virement requests and approvals should be retained in a folder on the finance drive.	Y	The preparation for 13/14 includes a summary of movement from original budget to final, with individual savings programs and monitoring mechanisms.	Ongoing Rollout program to all managers - process tested and partial implementation				01/12/13	JT/JP
									G	WIP		
7	2012/13	1	Members are unable to scrutinise actual performance during the year.	Management accounts should be provided to GLT and Cabinet on a quarterly basis.	Y	Included in the budget monitoring process for 13/14, supported by monthly management accounts.	Evolving and renewable process. To be issued to members for Q2 2013/14. November 2013, Half Year Accounts prepared together with reconciliations and passed to PG for issue to all committees and Cabinet.				Sept 2012 ongoing @ April 2013	KB
									G			
Capital Accounting												

8	2012/13	2	The Council will not achieve the capital budget set by Members	There should be a reconciliation between the capital budget approved by Members and the budget being monitored on the Capital Monitoring Spreadsheet to demonstrate that the projects being monitored have been appropriately approved.	Y	Actual spend is reported and monitored on monthly basis for 13/14. This report will form part of the management accounts pack which is available to GLT / Cabinet .	B	01/04/13	KB / KPL
9	2012/13	2	Budget managers are not monitoring their budgets. Project expenditure is not adequately controlled.	There has been a lack of formal budget monitoring in 2012/13 as budget managers have provided either bland or no explanations to support variances/ expected outturn on projects and virements.	Y	The CPSG was formed to approve, monitor and report on capital projects. The control disciplines offered by this group will ensure project managers are fully informed of any variance to budget. The projects are monitored on a chronological lifecycle.	B	01/11/12	CPSG / KPL
10	2012/13	1	The GCH budget agreed by members is significantly overspent.	The 2012/13 HRA budget of £2.9m does not have any supporting analysis and significantly differs from the budget actually used by GCH. Procedures should be agreed with GCH whereby they submit a detailed annual budget request which is scrutinised by CPSG and then approved by Council.	Y	A detailed expenditure forecast is prepared by GCH for approval by GCC at the beginning of the year. This budgeted expenditure is monitored monthly as is the GCC capital project spend with a paper being discussed at GLT.	B	01/11/12	CPSG / KPL
11	2012/13	2	The asset register is not kept up to date.	The asset register opening balances need to be reconciled to the general ledger and the final 2011/12 accounts. Thereafter there should be a monthly/ quarterly reconciliation to the general ledger.	Y	The opening balances were subject to last minute final audit adjustments relating to revaluation and prior year adjustments. This has been rectified for the 12/13 closure. The FAR is updated monthly for additions and depreciation, not reconciled in detail to the GL. This will be rectified for 13/14.	B	01/04/13	KPL / SL

Cash To Bank

12	2012/13	1	Bank reconciliations are an important control which if completed effectively ensures that all transactions have been processed and that income has not been lost or misappropriated	Bank reconciliations should be: - Completed by an Independent Officer. - Reviewed and signed off by the Finance Manager - Long standing differences and old reconciling items on the Expenditure Account and the Cashiers Account need to be resolved.	Y	The in year bank transactions for 12/13 have been reconciled on a monthly basis. The reconciliation is now being performed by an independent officer; who has corrected the identified differences at March 2013. These reconciliations have been approved by the FCM and this process will continue on a monthly basis.	B			01/03/13	JB / KB	
13	2012/13	3	Amounts posted through the interface do not agree with actual income received.	It would assist in management review and control if reasons for any differences/ adjustments with the interface were noted on the Flex reconciliation spreadsheets.	Y	To be included for 2013/14	B	This is included in the monthly management accounts process, as a review item.			01/04/13	VH
14	2012/13	2	Amounts posted through the interface do not agree with actual income received.	Further action/ resources are needed to resolve the Aspire Trust Flex interface differences to provide assurance that income reported in the general ledger is complete and accurate.	Y	Investigation into all interface files has begun to ensure that with the implementation of the next version of Cedar that interface files will collect data from the correct sources and be posted correctly within Cedar GL.	G	New interfaces are being written and tested as a component of the v4 Cedar upgrade		01/10/13	Mid December 2013	Hannah Buckley (formally VH)

15	2012/13	1	<p>Further action/ resources are needed to resolve unallocated cash suspense transactions before the year end. Identification of unpaid cheques and direct debits could result in losses to the Council if the debtor is not promptly identified and pursued for payment. Letters to the Bank of the payee in respect of unidentified receipts are more likely to be effective if sent out promptly. A monthly review of the unallocated transactions by the Finance Manager would also be beneficial in identifying suspense transactions or further action that needs to be taken.</p>	Y	<p>This is related to the review of the Ash debtors audit together with the work being performed by RCL into the Civica contract.</p>	<p>Awaiting final reconciliations and process notes from RCL. October 2013 process notes passed to JT.</p>	A			01/10/13	RCL / JT
Creditors											

16	2012/13	2	<p>Orders are not being matched to GRN's and invoices. Commitments in budget monitoring reports are not accurate.</p>	Y	<p>Liasing with Cedar financials to resolve issue. Once resolved will be included in monthly review process for the production of management accounts.</p>	<p>Relates to upgrade of Cedar</p>	G			Initially Oct 2012, then monthly following Cedar release 4.1	HB
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17	2012/13	2	<p>Orders are not being matched to GRN's and invoices. Commitments in budget monitoring reports are not accurate.</p>	N	<p>Eproc users to be reminded formally regarding their responsibility to review all outstanding orders for possible completion. Also, finance currently review the report annually; this will be changed to a Bi – annual frequency.</p>	<p>Monthly Process</p>	G	WIP		01/04/13	HB
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18	2012/13	2	Procurement rules are not being complied with.	Consideration should be given to implementing a third approval for orders over £5,000 to ensure that quotations/ tender requirements have been met and that orders clearly specify the price, quantity, quality and delivery requirements.	Y	Additional level of approval is included with Cedar upgrade, the process is being tested in the 'test' environment for rollout ASAP.	Relates to upgrade of Cedar	G	WIP	01/10/13	01/10/13	HB
19	2012/13	3	Old cheques are not being promptly reversed in the general ledger.	Prior year unrepresented cheques on the unreconciled cheques report need to be investigated and appropriate corrections made to the General Ledger.	Y	Actioned – to be included in bank reconciliation process from March 2013		B		01/03/13		JB
20	2012/13	2	The Council are not complying with best payment practice.	The Council should sign up to the Prompt Payment Code and disclose payment terms in a user friendly/ readily accessible form on the website.	Y	GCC make payments to suppliers on a weekly basis, following a stringent approval process. Investigations will be undertaken to comply with the code during 2013.		A	WIP	01/11/13		SL
21	2012/13	2	The Council are not complying with best payment practice.	Financial Services should report actual payment performance on a monthly/ quarterly basis and take action where particular CCM's are causing delays in payment.	Y	Will be included in the improvement register for 2013/14.	Review following upgrade of Cedar.	A		01/03/14		HB / SL

22	2012/13	1	The Council are not complying with the DCLG Code of Practice on Transparency.	Financial Services should disclose on the website payments over £500 since March 2011 on a monthly basis in accordance with the DCLG Code of Practice on transparency.	Y	Reports are being specified for publication through business objects, which is included in the Cedar solution upgrade.	All data uploaded to website and a subject of regular review and update. Will move to blue in October.	B	Complete	01/09/13	HB / DM	
General Ledger												
23	2012/13	2	Erroneous or incorrect interface/ journal entries are being posted in the GL.	It would improve the level of internal control if responsibility for control/ suspense account reviews were allocated to the Financial Planning Accountants and when each monthly/ quarterly reconciliation is carried out; this should be noted on the control sheet held on the shared drive.	N	The interface / source coding files must be re-engineered to minimise errors. This is included in the upgrade in September, key interfaces have been reviewed by Cedar, changes logged and scheduled for testing from June 2013.	Review following upgrade of Cedar.	G		01/10/2013	Mid December 2013	HB / Cedar
24	2012/13	2	Income is not completely and accurately recorded in the general ledger. Possible loss of income through not pursuing unpaid debts.	The unidentified income suspense accounts ZX100-901 and ZX100-902 should be reconciled and cleared on a monthly/ quarterly basis.	Y	Process adopted following 12/13 Annual accounts. On a daily basis		B		01/04/13	VH / IP	
25	2012/13	2	VAT is being incorrectly accounted for.	The posting of VAT on employee parking permits to account ZX100-924 should be reviewed and an appropriate adjustment made to the payroll interface journal	Y	All payroll controls and the processes are currently being re-visited following more detailed data being made available from the payroll provider. Any changes to the costing file to be implemented as identified but no later than July 2013.	All controls are agreed and approved on a monthly basis.	G			June 2013	ST/HB/KPL

26	2012/13	2	Erroneous or incorrect journal entries are being posted.	Consideration should be given to producing exception reports for significant journals particularly between revenue/capital, journals relating to the HRA, journals processed by new staff which should then be retrospectively reviewed by a senior member of Financial Services on a monthly/quarterly basis.	Y N	The journal listing report will be made available for senior financial review commencing June 2013 for the April and May management accounts, and then weekly thereafter.					B		June 2013	RS / KB
Sundry Debtors														
27	2012/13	2	Management not being aware of Financial irregularities between the ASH and Cedar systems. Reconciliation not being satisfactorily concluded.	The reconciliation process is to include a review by a third party, preferably a senior officer / manager	Y	Sign-off by a Senior Manager at the Financial year end and monthly thereafter.					B		31/03/13	KB
28	2012/13	2	Not readily demonstrable that the reconciliation has been reviewed by an officer independent of the reconciliation process	The reconciliation front sheet is to be formatted in such a way that Financial Services can readily demonstrate who the reconciling and reviewing officers' were, and when these actions were performed.	Y	A new account reconciliation format has been prepared and implemented from 31/03/13					B		31/03/13	KB
29	2012/13	3	Inability to perform the reconciliation to a satisfactory conclusion due to lack of guidance.	Procedure notes to be drafted in order to assist other Finance Officers with reconciling the Sundry Debtor System (ASH) to the General Ledger (Cedar).	N	Inability to carry out a complete reconciliation, is due to a failure to capture sufficient information in the interface between Ash & Cedar, in relation to cash. This is a result of the interface specification. All interfaces are scheduled for review and re-write during the implementation of the upgraded Cedar system.					A		01/10/13	RCL

30	2012/13	2	Inability to perform administrative actions within the software.	Consideration should be given to obtaining client side administration rights for each of the key software applications being used by Civica for the provision of the managed services	Y	This will be addressed by the Client team at the next formal meeting.	A	November 2013	ST
Treasury Management									
31	2012/13	1	Oversight by Members of treasury management decisions is an important control to ensure that investment limits have not been exceeded, the treasury management strategy is being followed and that the potential for financial losses is minimised.	Positive confirmation has not been provided to the Audit and Governance Committee on a quarterly basis during 2012/13 that lending to/from counterparties has been maintained within the limits set by the Treasury Management Strategy Statement.	Y	It would be good practice to update the Treasury management procedures manual to act as a central reference for all Finance staff that details the approved processes and controls.	B	April 2013	SL / KB
32	2012/13	3	Staff may not be fully aware of the approved processes and their responsibilities resulting in financial losses.	It would be good practice to update the Treasury management procedures manual to act as a central reference for all Finance staff that details the approved processes and controls.	Y	To be done during 2013/14	A	March 2014	SL / JT
33	2012/13	2	No documentation is in place to confirm who holds the investment risk of the GCH/Council inter company loan account.	A documented agreement should be drawn up between GCH and the Council that clearly states which organisation is exposed to risk should inter company loan account investments fail.	Y	The Management Agreement requires legal review.	A	December 2013	Sue Mullins / Peter Gillett / Rob Wharton

34	2012/13	2	Inappropriate inter company loan account transactions could take place.	A treasury management service level agreement (or other form of document) with GCH, to ensure that both parties are aware of the agreed appropriate treasury management approach (to include processes and controls e.g. the names of Council/ GCH officers who have the authority to deal with inter company transactions).	Y	The Management Agreement requires legal review.					A		December 2013	Sue Mullins / Peter Gillett / Rob Wharton
35	2012/13	3	Contractual obligations with the brokers are unclear.	It would be good practice to obtain current versions of contracts/ service agreements from the brokers so that contractual obligations are clear to the Council	N	We don't have a contractual obligation with a Broker. I have however provide Terms of Agreements from both Brokers and sent them to Audit					B		N/A	SL
36	2012/13	2	A misstatement of investments may result in excessive exposures going unnoticed and possible financial losses.	The Investment/ Loan Record Sheet should always be signed by the person checking the accuracy of the deal details. The Authorised box should also be completed by the Finance Manager as a check that the loan/ investment is with an approved counterparty and the amount is within appropriate limits.	Y	Loan Records to be signed by Kevin Buckerfield					B		IMM	SL

Gloucester City Council

Meeting:	Audit and Governance Committee	:	25TH November 2013
	Cabinet Briefing		15th January 2014
Subject:	Treasury Management Update – Quarter 2 Report 2013/14		
Report Of:	Corporate Director of Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	Yes
Contact Officer:	Jon Topping		
	jon.topping@gloucester.gov.uk		Tel: 396242
Appendices:	1. Treasury Management Investments 2. Prudential and Treasury Indicators 3. Economic Outlook		

1.0 Purpose of Report

- 1.1 One of the requirements of the revised Code of Practice for Treasury Management in November 2011 recommends that members should be updated on treasury management activities at least twice a year, but preferably quarterly. This report covers Quarter 2, 1st July 2013 to 30th September 2013.
- 1.2 This report will highlight issues specific to the Council and also highlight the overall economic outlook as provided by the Councils treasury advisors Capita Asset Services.
- 1.3 The body of the report provides an overview of the Councils performance in Quarter 2 ;
- **Appendix 1** highlights the key performance indicators in line with the Councils Treasury Management Strategy.
 - **Appendix 2** is the investments held at the end of quarter 2.
 - **Appendix 3** is an economic summary provided by the Councils treasury advisors.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** that the report be noted and to approve any changes it may require to the prudential indicators.

3.0 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2013/14, which includes the Annual Investment Strategy, was approved by the Council on 10th April 2013. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield

- 3.1 The Council also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in higher rates in periods up to 12 months, with highly credit rated financial institutions, using our suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Capita Asset Services.
- 3.2 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30th September 2013.
- 3.3 Investment rates available in the market have continued at historically low levels and have fallen further during the quarter as a result of the Funding for Lending Scheme. The average level of funds available for investment purposes during the quarter was £8.5m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.
- 3.4 Investment performance for quarter ended 30th September 2013

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.36%	0.38%	£8,070

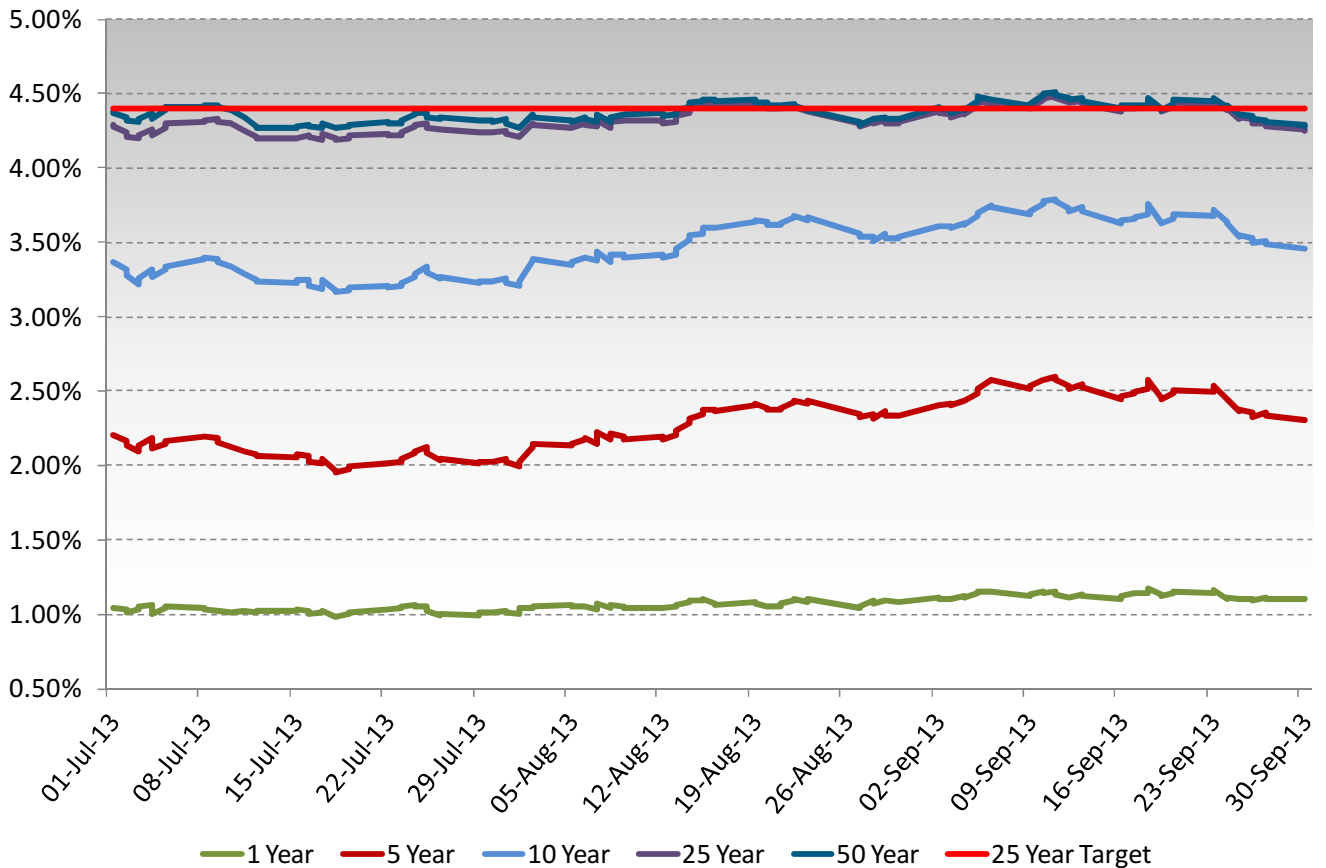
As illustrated, the Council outperformed the benchmark by 2 bps. The Council's budgeted investment return for 2013/14 is £45,770 and performance for the year to date is in line with the budget.

4.0 New Borrowing

- 4.1 The 25 year PWLB target rate for new long term borrowing for the quarter rose from 4.10% to 4.40%.
- 4.2 No borrowing was undertaken during the quarter.
- 4.3 PWLB certainty rates, quarter ended 30th September 2013

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.98%	1.95%	3.17%	4.19%	4.27%

Date	18/07/2013	18/07/2013	18/07/2013	18/07/2013	18/07/2013
High	1.17%	2.6%	3.79%	4.48%	4.51%
Date	18/09/2013	11/09/2013	11/09/2013	11/09/2013	11/09/2013
Average	1.07%	2.27%	3.47%	4.32%	4.37%



4.4 To minimise investment risk, the Council has reduced external investments in lieu of new external borrowing. This was achieved by reducing the overall debt liability by repaying £5,000,000 of external debt. However, this policy will require ongoing monitoring in the event that upside risk to gilt yields prevails.

4.5 **Borrowing in advance of need.**

The Council has not borrowed in advance of need during the quarter ended 30th September 2013 and has no intention to borrow in advance in 2013/14.

5.0 **Debt Rescheduling**

5.1 Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. During the quarter ended 30th September 2013, no debt rescheduling was undertaken.

6.0 Compliance with Treasury and Prudential Limits

- 6.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.
- 6.2 During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in appendix 1.

7.0 Other

- 7.1 During the first half of 2013/14 the Council continued to maintain an under-borrowing position. As at 30th September 2013 the position is almost level with a small under borrowing of £0.1m.
- 7.2 This under-borrowing reflects that the Council resources such as reserves and provisions will have reduced debt rather than be externally invested. This strategy is sensible, at this point in time, for two reasons. Firstly, there is no differential between the marginal borrowing rate and investment rate so there is nothing to be gained by investing Council resources externally. Secondly, by using the resources to reduce debt the Council will reduce exposure to investment counterparty risk.

Prudential and Treasury Indicators as at 30th September 2013

Treasury Indicators	2013/14 Budget £'000	Quarter 2 Actual £'000
Authorised limit for external debt	£84M	£67.6M
Operational boundary for external debt	£83M	£67.6M
Gross external debt	£84M	£67.6M
Investments	Nil	£7M
Net borrowing	£84m	£60.6M
Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	0% - 85%	31.9%
12 months to 2 years	0% - 85%	0%
2 years to 5 years	0% - 85%	21.3%
5 years to 10 years	0% - 90%	6.6%
10 years to 20 years *1	5% - 95%	13.6%
20 years to 30 years *1	5% - 95%	26.6%
30 years to 40 years *1	5% - 95%	0%
40 years to 50 years *1	5% - 95%	0%
Upper limit of fixed interest rates based on net debt *2		
Upper limit of fixed interest rates based on net debt *2	100%	55.6%
Upper limit of variable interest rates based on net debt *2		
Upper limit of variable interest rates based on net debt *2	100%	44.4%
Upper limit for principal sums invested for over 364 days		
Upper limit for principal sums invested for over 364 days	£2m	Nil

Prudential Indicators	2013/14 Budget £'000	Quarter 2 Actual £'000
Capital expenditure *		
• HRA	£5.066M	£1.592M
• GF	£7.208M	£1.149M
Capital Financing Requirement (CFR) *		
• HRA	£62.750m	N/A
• GF	£17.436m	N/A
Annual change in CFR *	£5.021	N/A
In year borrowing requirement	NIL	NIL
Ratio of financing costs to net revenue stream *		
• HRA	12.7%	N/A
• GF	9.4%	N/A
Incremental impact of capital investment decisions:-		
a) Increase in council tax (band change) per annum.	£2.41	N/A
b) Increase in precept for police, fire or other precepting authorities.	£0.00	£2.22
c) Increase in average housing rent per week (housing authorities only).	£0.63	£2.76

Notes

* Housing authorities should split these lines into HRA and non HRA

* 1 paragraph 229 2013 Code: requires debt to be split into 10 year bands if most debt is over 10 years.

* 2 page 62 of the Code: alternative option based on net interest

The CIPFA Treasury Management Code of Practice 2011, page 36 on TMP6 Reporting Requirements, stipulates that midyear and / or quarterly update reports on treasury management must include updates on the treasury indicators. However, this is a minimum requirement which means that each local authority needs to decide if updates of the prudential indicators should also be included e.g. if a major capital project is cancelled or incurs major slippage, then the borrowing requirement and CFR prudential indicators may require significant updating, and therefore inclusion in this report, so that members can gain a proper understanding of the consequent impact on, and the changes required, to the treasury indicators. It would then also be appropriate if the above table was expanded to include a separate column for revised prudential and treasury indicators besides the column for the original indicators.

Investment Portfolio
Investments held as at 30th September 2013 compared to our
counterparty list:

Name	£'000	Date of Redemption	Counterparty Limits
Goldman Sachs	£4,000	Overnight	£5m
Natwest	<u>£3,000</u>	Overnight	£5m
Total Investments as at 30/09/13	£7,000		

1.0 Economic Background

1.1 During the quarter ended 30 September 2013:-

- Indicators suggested that the economic recovery accelerated;
- Household spending growth remained robust;
- Inflation fell back towards the 2% target;
- The Bank of England introduced state-contingent forward guidance;
- 10-year gilt yields rose to 3% at their peak and the Financial Times Stock Exchange (FTSE) 100 fell slightly to 6460;
- The Federal Reserve decided to maintain the monthly rate of its asset purchases.

1.1.1 After strong growth of 0.7% in Q2, it appears that UK Gross Domestic Product (GDP) is likely to have grown at an even faster pace in Q3. On the basis of past form, the Chartered Institute of Purchasing and Supply (CIPS)/Markit business surveys for July and August point to quarterly growth of potentially over 1.0% in the third quarter of 2013. Similarly, the official data have continued to improve. Admittedly, industrial production was flat in July. But even if it held steady in the rest of the quarter, it would still be 0.9% higher in Q3 than in Q2. In addition, the service sector expanded by 0.2% m/m and the construction sector grew by 2.2% m/m in July after growth of 1.8% q/q in Q2.

1.1.2 Consumer spending also continued to rise and may beat the increase seen in Q2. While the 1.1% monthly rise in retail sales in July was almost entirely offset by a 0.9% fall in August, the unusually warm weather in August is likely to have had a part to play in this. The retail surveys also painted a positive picture for household spending growth, with the Bank of England's Agents' Scores, BRC and CBI retail sales indicators showing stronger growth in Q3. And while growth in non-high street spending may have slowed, it probably remained robust. For example, although annual growth in new car registrations eased from the 24% rate seen in Q2, it was still a strong 15% in August.

1.1.3 The run of good news on the labour market continued, with the International Labour Organisation (ILO) unemployment rate falling to 7.7% in July from 7.8% in June. Employment rose by 80,000 in the three months to July, supported by an even bigger rise in full-time employment. This meant that the ratio of full-time to part-time workers continued to rise after it troughed last summer. The timelier claimant count measure of the unemployment rate also fell. Indeed, the cumulative fall in unemployment of 68,900 in July and August – the biggest two month fall since May and June 1997 – brought the claimant count unemployment rate down from 4.4% at the end of Q2 to 4.2% in August. Despite this, the headline (3 month average of the annual) rate of pay growth fell from 2.2% in June to just 1.1% in July. Excluding bonuses, earnings growth ticked up slightly to 1.1% y/y, but this remained well below the rate of Consumer Price Index (CPI) inflation at 2.7% in August, meaning real wages continued to fall.

- 1.1.4 Meanwhile, the cost of new credit has continued to fall, perhaps in response to the extension of the Bank of England's Funding for Lending Scheme (FLS) earlier this year. The quoted interest rate on a 5-year fixed mortgage at a 75% loan-to-value ratio was 3.34% in August, 7 basis points lower than in June and 77 basis points lower than when the FLS was introduced in July 2012.
- 1.1.5 Demand in the housing market continued to grow at a fast pace, supported by the FLS and the Government's Help to Buy scheme, which provide equity loans to credit-constrained borrowers. The Royal Institution of Chartered Surveyors (RICS) housing market survey reported that new buyer enquiries hit their highest level on record in August. Mortgage approvals for new house purchase rose to their highest level since February 2008 in August. Consequently, house prices continued to rise, with the Halifax and Nationwide measures recording 6.2% and 3.5% y/y rises in August, respectively. Office for National Statistics (ONS) data, though, shows that in real terms only London experienced year-on-year price rises in July. All other regions saw modest falls.
- 1.1.6 The economic recovery may finally be feeding through to the public finances. Although the government registered a surprise deficit in July (a month that normally delivers a surplus), in August net borrowing was 'just' £13.2bn, compared to £14.4bn in August 2012.
- 1.1.7 The new Governor of the Bank of England, Mark Carney, took office in July. Alongside the August Quarterly Inflation Report, the Bank introduced its new policy of forward guidance in which the Monetary Policy Committee (MPC) pledged not to raise official interest rates, or reduce the size of the asset purchase facility, until the ILO unemployment rate falls to 7%. At this point, the MPC would discuss whether or not to alter official policy. This guidance was subject to three 'knockouts' which, if breached, would invalidate the guidance. These are that the MPC forecasts inflation at or above 2.5% in 18-24 months' time, inflation expectations are no longer sufficiently well anchored or financial stability is threatened by the stance of monetary policy. On the MPC's current forecasts, the unemployment rate is most likely to reach 7% in late 2016.
- 1.1.8 However, financial markets continued to price in increases in Bank Rate by mid-2015, with overnight index swap rates and gilt yields rising after the announcement of forward guidance. Members of the MPC subsequently appeared at the Treasury Select Committee and three gave further speeches to clarify the guidance, but there was little market impact. However, the Bank of England's surveys suggest the message may have got through to the public as the balance of people expecting interest rates to rise over the next 12 months fell from 29% in May to 24% in August.
- 1.1.9 Meanwhile, CPI inflation fell from a 2013 peak of 2.9% in June to 2.7% in August. The fall was primarily the result of a drop in the contribution from petrol prices and a reduction in core inflation from 2.3% in June to 2% in August. CPI inflation looks likely to have edged down again in September, perhaps to about 2.5%, reflecting a further fading of both energy prices and core inflation.
- 1.1.10 The big news in financial markets was that the Federal Reserve unexpectedly decided not to taper its asset purchases in September. In announcing its decision to maintain monthly purchases at \$85bn, the Fed explained that it wanted to "await more evidence that [the economic recovery] will be sustained before adjusting the

pace of its purchases.” This came despite previous hints of tapering from the Fed and the fall in the unemployment rate in both July and August. It currently stands at

- 1.1.11 Across the quarter as a whole, advanced economy bond markets sold off, suggesting the rise in UK gilt yields was not solely down to markets’ scepticism about domestic forward guidance. Gilt yields tracked US Treasury yields up, with ten-year gilts rising by around 60 basis points to reach 3% in early September for the first time since mid-2011. After the Fed’s decision not to taper, gilt yields fell back, although not enough to offset the previous rise. Ten-year gilts finished the quarter at 2.7%. Equity markets stayed relatively flat over the quarter. While the Financial Times Stock Exchange (FTSE) 100 rose from 6470 to 6620 over the first few weeks of June, the index closed the quarter at 6462.
- 1.1.12 Meanwhile, Eurozone business surveys suggested that the economy continued to expand in Q3, albeit at a moderate pace. There was also a general election in Germany in which the incumbent Chancellor, Angela Merkel, performed better than expected by winning 41.5% of the vote. She is now likely to form a coalition, but it remains to be seen what form this will take.

2.1 Interest Rate Forecast

The Council’s treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
5yr PWLB rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%
10yr PWLB rate	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%
25yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%
50yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%

Capita Asset Services undertook a review of its interest rate forecasts in late September as a result of an increase in confidence in economic recovery, chiefly in the US, but more recently, also in the UK and Eurozone. The latest forecast now includes a first increase in Bank Rate in quarter 3 of 2016 (previously quarter 4).

3.1 SUMMARY OUTLOOK

UK economy

After the previous Inflation Report included a somewhat encouraging shift towards optimism in terms of a marginal upgrading of growth forecasts, the August Inflation Report occurred in the midst of a welter of economic statistics which have left economists and forecasters speechless in terms of finding suitable words to describe a major simultaneous shift up in gear of the economy in all of the three sectors of services, manufacturing / industrial AND construction! It is therefore not surprising that the Report upgraded growth forecasts for 2013 from 1.2% to 1.4% and for 2014 from 1.7% to 2.5%. However, Bank Governor Mark Carney put this into perspective by describing this welcome increase as not yet being “escape velocity” to ensure we return to strong AND sustainable growth, after what has been the weakest recovery on record after a recession. So very encouraging – yes, but, still a long way to go! As for inflation, it was forecast to be little changed from the previous Report – falling back to 2% within two years and staying there during year three.

In addition to the stimulus provided by Quantitative Easing (QE), the Funding for Lending Scheme (FLS), is aimed at encouraging banks to expand lending to small and medium size enterprises. The FLS certainly seems to be having a positive effect in terms of encouraging house purchases (though levels are still far below the pre-crisis level), and causing a significant increase in house prices – but only in London and the south east. FLS is also due to be bolstered by the second phase of Help to Buy aimed to support purchasing of second hand properties, which is now due to start in October.

Forward guidance caveats

The Bank of England also issued forward guidance with the Inflation Report which said that the Bank will not start to consider raising interest rates until the jobless rate (Labour Force Survey /International Labour Organisation (ILO) i.e. not the claimant count measure) has fallen to 7% or below. This would require the creation of about 750,000 jobs and was forecast to take three years. The UK unemployment rate currently stands at 2.5 million i.e. 7.7 % on the Labour Force Survey (LFS) / ILO measure. The Bank’s guidance is subject to three provisos, mainly around inflation; breaching any of them would sever the link between interest rates and unemployment levels. This actually makes forecasting Bank Rate much more complex given the lack of available reliable forecasts by economists over a three year plus horizon. The Capita Asset Services view is that the recession since 2007 was notable for how unemployment did NOT rise to the levels that would normally be expected in a major recession. The latest Inflation Report noted that productivity has sunk to 2005 levels. We are, therefore, concerned that there has been a significant level of retention of labour, which will mean that a significant amount of GDP growth can be accommodated without a major reduction in unemployment.

In summary, our current views are centred around the following: -

UK

- Growth has been on an upward trend – 0.3% in Q1; 0.7% in Q2 and likely to be much stronger in Q3. The so called double dip recession at the beginning of 2012 was erased by the latest revision of statistics.
- Business surveys, consumer confidence, consumer borrowing and house prices are all on the up and may help to create a wide spread feel good factor. However, this is still a long way away from the UK getting back to sustainable strong growth.
- A fair proportion of UK GDP is dependent on overseas trade; the high correlation of UK growth to US and EU Gross Domestic Product (GDP) growth means that the UK economy is still vulnerable to what happens in overseas markets.
- Consumer expenditure is likely to remain suppressed by inflation being higher than increases in average earnings i.e. disposable income will continue to be eroded.
- The coalition government is hampered in promoting growth by the need to tackle the budget deficit. However, the March Budget did contain measures to boost house building and the supply of mortgages, and brought forward, by one year to April 2014, the start of a £10,000 tax free allowance for incomes.
- There is little sign of a co-ordinated strategy for the private sector to finance a major expansion of infrastructure investment to boost UK growth.
- Government inspired measures to increase the supply of credit to small and medium enterprises (which are key to achieving stronger growth) by banks are not succeeding.
- Gilt yields remain vulnerable to pressures to rise, especially as they are powerfully influenced by US treasury yields and American investors have been spooked by Chairman Bernanke's comments on tapering QE. The Fed's reluctance to start tapering in September has, potentially, only delayed a trend for gilt yields to rise.

Eurozone

- Most Eurozone countries are now starting to see a return to growth after a prolonged recession. The prospects for growth, at least in the short term, have also improved. However, for some countries, austerity programmes could prove to be a self defeating spiral of falling demand, tax receipts, and GDP, leading to a rise, not fall, in debt to GDP ratios. Debt ratios in excess of 90% will cause market concern as beyond this level, the costs of servicing such debt becomes oppressive and growth inhibiting. This could, therefore, lead to an inevitable end game in the over the next few years of withdrawal from the Eurozone bloc in order to regain national control of a currency, government debt, monetary policy and, therefore, of setting national interest rates. The European Central Bank (ECB's) pledge to provide unlimited bond buying support for countries that request an official bailout means that market anxiety about these countries is likely to be subdued in the near term. However, the poor economic

fundamentals and outlook for some economies could well mean that an eventual storm in financial markets has only been delayed, not cancelled.

- The ECB maintained its central policy rate at 0.5% in this quarter.
- Greece: after the agreement to a further major financial support package amounting to nearly €50bn in December 2012, it now looks almost certain that the country will need another, smaller, bailout package as progress has not been quick enough in rectifying the national finances.
- Spain: there is also increasing concern over the Spanish economy; the social cost and pain of a very high level of unemployment of 27%, similar to the level in Greece, could mean that both countries are approaching the limit of operating austerity programmes within democratic systems. Spain has, to date, resisted asking for an official national bailout, although it has received financial support to recapitalise its four largest banks.
- Italy: the general election created a highly unstable political situation where the two dominant parties initially formed an unlikely coalition due to the blocking power of the new upstart Five Star anti-austerity party which has 25% of seats and has refused to enter a coalition agreement with ANY party. There could therefore be volatility in Spanish and Italian bond yields over the next year, depending on political and economic developments.
- Germany: the general election in September returned Angela Merkel's party to power, but not with an overall majority. It will have to form a coalition, but with a new makeup, as the previous junior party was wiped out.
- Cyprus: the fallout from the bail out in March 2013 has done huge damage to the Cypriot economy and many commentators consider it is only a matter of time before another bailout will be needed – or exit from the Euro.
- The Eurozone remains particularly vulnerable to investor fears of contagion if one country gets into major difficulty.

US

- There has been a marked improvement in consumer, investor and business confidence this year.
- Unemployment has continued on a steady, but unspectacular decline to 7.3%, but is still a long way from the target rate of 6.5% for an increase in the Fed policy rate.
- The housing market has turned a corner, both in terms of rising prices and in increases in the volume of house sales. More householders are, therefore, escaping from negative equity.
- US equities have reached all time highs.
- The package of tax increases and cuts in Government expenditure starting in 2013 does not appear to be having a major impact on depressing growth.
- GDP in Q1 was disappointingly downgraded from +2.4% to a sub par +1.8% before rising to 2.5% in Q2.
- The shale gas revolution is providing some solid underpinning to the US economy by enhancing its international competitiveness through cheap costs of fuel.

- There has been a start to the repatriation of manufacturing production from China to the USA as Chinese labour costs have continued their inexorable rise and new forms of high tech production have made home based production more viable and flexible.

China

- Concerns that Chinese growth could be heading downwards have been allayed by recent stronger statistics. There are still concerns around an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector.
- There are also increasing concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan

- The initial euphoria generated by “Abenomics”, the huge QE operation instituted by the Japanese government to buy Japanese debt, has tempered as the follow through of measures to reform the financial system and introduce other economic reforms, appears to have stalled.

3.2 Our forward view

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely during the remainder of 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

Near-term, there is some residual risk of further QE - if there is a dip in strong growth or if the MPC takes action to do more QE in order to reverse the rapid increase in market rates, especially in gilt yields and interest rates up to 10 years. This could cause shorter-dated gilt yields and Public Works loan Board (PWLB) rates over the next year or two to significantly undershoot the forecasts in the table below. The failure in the US, (at the time of writing), over passing a Federal budget for the new financial year starting on 1 October, and the expected tension over raising the debt ceiling in mid-October, could also see bond yields temporarily dip until any binding agreement is reached between the opposing Republican and Democrat sides. Conversely, the eventual start of tapering by the Fed could cause bond yields to rise.

The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently weighted to the upside after five months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

Downside risks currently include:

- The conflict in the UK between market expectations of how quickly unemployment will fall as opposed to the Bank of England's forecasts
- Prolonged political disagreement over the US Federal Budget and raising the debt ceiling
- A return to weak economic growth in the US, UK and China causing major disappointment to investor and market expectations.
- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- The Italian political situation is frail and unstable.
- Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.
- Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- A sharp upturn in investor confidence that sustainable robust world economic growth is firmly expected, causing a surge in the flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone.
- Further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt, consequent upon repeated failure to achieve fiscal correction targets and sustained recovery of economic growth which could result in the ratio of total government debt to GDP to rise to levels that undermine investor confidence in the UK and UK debt.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

In the longer term – an earlier than currently expected reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts.

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Gloucester City Council

Meeting:	Audit and Governance Committee Cabinet Briefing	Date:	25th November 2013 15th January 2014
Subject:	Risk Management Annual Report 2013		
Report Of:	Audit, Risk and Assurance Manager		
Wards Affected:	None		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Stephanie Payne – Audit, Risk Management and Value For Money Officer (Officer Risk Management Champion)		
	Email:	stephanie.payne@gloucester.gov.uk	Tel: 39-6432
Appendices:	None		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 The Audit and Governance Committee's terms of reference includes the function 'to monitor the effective development and operation of risk management'.
- 1.2 This report is designed to assist the Committee in the exercise of this function - 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 The Audit and Governance Committee is asked to resolve that:
- (1) Members endorse the risk management progress undertaken to date and the 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 The Accounts and Audit Regulations 2011 require a system in place to identify and manage risks in public bodies. This is supported by CIPFA 'Delivering Good Governance in Local Government' and the Council's own corporate governance framework, with risk management being 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 The Council recognises the importance of risk management; its place within the internal controls of a public body; and its contribution to the delivery of successful strategic and service outcomes.

3.2 Risk Management Process and Activity

3.2.1 Confirmed approach

The Council Risk Management Strategy was updated and approved by Audit Committee in March 2012. 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 document is due for update in 2014.

The approach is supported by the officer and Member Risk Management Champions.

A new Member Risk Management Champion, Councillor Deb Llewellyn, has been appointed to support the Council's risk management process. Councillor Llewellyn replaces Councillor Fred Wood, who previously held the post.

It should be noted that the officer Risk Management Champion had maternity leave between April and September 2013. The role was covered during this time (by an Internal Auditor, from the Audit and Assurance team) to ensure the continuity of risk management support within the Council.

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 GLT - Group Managers session and has been reviewed at these meetings on at least a monthly basis to ensure appropriate update and action. The document is under continuous review at this forum.

3.2.3 Service risk management

Service Managers are responsible for completing a service risk register containing risks relevant to their service objectives (set within services' business plans). A standard risk register template has been compiled to support this task. The service risk registers are being reviewed by GLT (in conjunction with the service business plan) to ensure the risk register content is appropriate and that suitable mitigating actions are applied.

As at October 2013, the majority of service business plans and risk registers have been presented to GLT for review. The remaining 7 service areas are scheduled for review within the 2013/14 GLT agenda calendar.

GLT's ongoing review has identified services where additional risk management support is required and these will be captured through future risk management work (see section 6).

3.2.4 Promotion, Communication and Training

Officers

The service risk management approach was supported by three work shop sessions in February 2013. The workshops offered co-ordinated advice and guidance on service business plans, risk registers and business continuity documents. The sessions were led by the officer Risk Management Champion, Business Improvement team and the Health & Safety Service Manager.

As part of general awareness training for officers, risk management presentations were completed at the March 2013 Gloucester Management Team meeting to promote the Risk Management Strategy and approach.

Advice and guidance has been provided to services through regular communications and 1-2-1 development meetings with Managers to promote risk management good practice.

Members

Risk management training was offered to Members in February 2013 as part of the Member Development Programme. However the session had to be cancelled due to very low take up.

Work with the new Member Risk Management Champion is currently in progress to offer and promote Member risk management training planned for January 2014.

4.0 Alternative Options Considered

4.1 The alternative option is not to have a risk management approach in place. This could cause poor planning, ill informed decision making and non achievement of objectives. Adverse events and outcomes would also be more likely. This option is non compliant with regulations and good practice guidance.

5.0 Reasons for Recommendations

5.1 In accordance with the Council's Risk Management Strategy, a formal annual risk management report must be presented to Gloucester Leadership Team and Audit and Governance Committee for review.

6.0 Future Work and Conclusions

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

- January 2014: Members risk management training
- Review and update of the Risk Management Strategy for approval by the Leader and endorsement by the Member Risk Management Champion
- Annual review of the strategic risk register by the Leader, in line with the requirements of the Council Constitution
- Officer Risk Management Champion to complete a service risk register review exercise, to support development of the documents
- Ongoing support and good practice advice from the officer Risk Management Champion to Managers via 1-2-1 meetings and regular communications

- Officer Risk Management Champion to work with the Business Improvement team to develop the service business plan and risk register approach for 2014/15

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 Risk Management Strategy and approach provides tools to support the management of risk. Failure to deliver and embed the Strategy (i.e. to not manage risks appropriately) 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:	Audit & Governance Committee	Date:	25th November 2013
Subject:	Internal Audit Plan 2013/14 – Monitoring Report		
Report Of:	Audit, Risk & Assurance Manager		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Terry Rodway, Audit, Risk & Assurance Manager		
	Email:	Terry.Rodway@gloucester.gov.uk	Tel: 396430
Appendices:	A: List of the audits completed - September to October 2013		

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 2013/14.

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 & Governance Committee meeting held on 18th March 2013, Members approved the Internal Audit Plan 2013/14. In accordance with the Public Sector Internal Audit Standards, this report details the outcomes of internal audit work carried out in accordance with the approved Plan.
- 3.2 This report includes the audits completed during the period September 2013 to October 2013. 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 7 month period ending 31st October 2013 is 83% (15 out of 18 planned audits completed) compared to a target of 90%. These figures do not include 1 audit that was substantially complete as at the end of October 2013.
- 3.3 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.
- 3.4 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. Subject to the comments made in para. 4.0 below re the Markets Audit, there were none identified during the period covered by this report.

4.0 Markets Audit – Follow up to Audit Recommendations

4.1 At the previous meeting of the Audit & Governance Committee, Members received an update from the Markets Manager on the implementation of internal audit recommendations. It was agreed that the Audit, Risk and Assurance Manager would provide a further update at the next meeting of the Committee.

4.2 A follow-up audit has not been able to be undertaken due to the Markets Manager having recently left the organisation as a result of the on-going management re-alignment exercise. The post of Markets Manager, along with other posts in the Directorate, is the subject of a consultation exercise which is due to end on 13th November 2013. Therefore, a follow-up audit will be planned for early January 2014 when it is envisaged that an agreed structure should be in place.

5.0 Alternative Options Considered

5.1 No other options have been considered as the purpose of the report is to inform the Committee of the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.

6.0 Reasons for Recommendations

6.1 The Public Sector Internal Audit Standards state that the Audit, Risk & Assurance Manager 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.

7.0 Future Work and Conclusions

7.1 The role of the Audit & Assurance service 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.

8.0 Financial Implications

8.1 As detailed in this report.

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

9.0 Legal Implications

9.1 None specific to this report.

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

10.0 Risk & Opportunity Management Implications

10.1 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.

11.0 People Impact Assessment (PIA):

- 11.1 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.
- 11.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

12.0 Other Corporate Implications

Community Safety

- 12.1 There are no community safety implications arising out of the recommendation in this report.

Sustainability

- 12.2 There are no sustainability implications arising out of the recommendation in this report.

Staffing & Trade Union

- 12.3 There are no staffing and trade union implications arising out of the recommendation in this report.

Background Documents:

Internal Audit Plan 2013/14
Public Sector Internal Audit Standards

APPENDIX A

List of the audits completed – September 2013 to October 2013

Audit	Comments	Level of Assurance
Development Control	<p><u>Audit Objective</u></p> <p>The objectives were to ensure that: -</p> <ul style="list-style-type: none"> • Legislation changes are relayed to members of the Service Unit in a timely manner. • Fees charged are in-line with those laid down in statute by Central Government. • Applications are appropriately recorded and processed with decisions being made within legislative timeframes. • There is adequate separation of duties within the process for determining a planning application. • Declarations of interest are being made in line with council, professional or legislative requirements. <p><u>Audit Opinion</u></p> <p>On the basis of the work carried out during this audit, the audit opinion is that there is a Good level of assurance over this area.</p>	Good
Benefits Reconciliations	<p><u>Audit Objective</u></p> <ul style="list-style-type: none"> • Periodic reconciliation of benefits system to the general ledger. • Periodic reconciliation of Council Tax Benefits per the Council Tax system to Benefits system. • Periodic reconciliation of Rent Rebates as per the Rents system to Benefits system. • Periodic reconciliation of Rent Allowances per the Creditors system to Benefits system. • Exception Reporting. <p><u>Audit Opinion</u></p> <p>On the basis of the work carried out during this audit, and the level of error identified through audit testing, the audit opinion is that there is a Satisfactory level of assurance over the operation of the key controls.</p> <p>The main areas of weakness identified, for which two 'Medium' Priority recommendations have been made related to:-</p> <ul style="list-style-type: none"> • The lack of documentary evidence of management review of reconciliations to ensure that the reconciliations are complete, accurate and agree to supporting system reports. • Payment 'exceeds' reports not being produced in 	Satisfactory

Audit	Comments	Level of Assurance
	<p>accordance with the contractors agreed procedures.</p> <p>The Civica Service Delivery Manager has confirmed that all the agreed recommendations would be implemented by the end of December 2013.</p>	
Benefits Overpayments	<p><u>Audit Objective</u></p> <p>The audit involved a review of the process being followed in 2013-14 ensuring overpayments are being dealt with in accordance with the Council's policy, standing orders and financial regulations.</p> <p>The audit covered the overpayments for the financial year 2013/14 however, due to the lack of administrative penalties in 13/14, testing of this area also covered 2012/13.</p> <p><u>Audit Opinion</u></p> <p>The findings from the testing have resulted in the control environment operating over the Benefits Overpayments system being rated as Satisfactory. The main areas of weakness identified, for which two 'Medium' Priority recommendations have been made relate to:-</p> <ul style="list-style-type: none"> • Ensure that the two identified errors, one relating to the value of an overpayment and the other to its classification, are corrected. • On signing of the Administrative Penalty Agreement, in all cases this document needs to be sent immediately to the overpayments officer. <p>The Civica Service Delivery Manager has confirmed that all the agreed recommendations would be implemented by the end of February 2014.</p>	Satisfactory
Homelessness	<p><u>Audit Objective</u></p> <p>The audit objective was to ensure that controls are in place and operating effectively over:</p> <ul style="list-style-type: none"> • The allocation of rent in advance payments. • Rent deposit and Tenancy Rescue loans from the Homelessness Housing Options Fund provided by the DCLG for homelessness prevention. • Repayment of loans and reimbursement of rent in advance payments through Housing Benefits. • Allocation of Discretionary Housing Payments. • Management of the relevant budgets. <p>The audit entailed a review of compliance with policy and procedures in relation to the above activities.</p>	Good/Satisfactory/ Limited

Audit	Comments	Level of Assurance
	<p><u>Audit Opinion</u></p> <p>In respect of <i>policy and procedures</i>, the number and classification of recommendations made has resulted in an assurance level of Satisfactory. This means that the framework of controls is sufficient, providing adequate assurance that the associated risks are mitigated. Two Medium Priority recommendations have been made. The main issues identified related to:-</p> <ul style="list-style-type: none"> • Housing Options Fund Policy, Procedures and Guidance notes document needs to be fully reviewed and updated in order to better reflect the accepted practices. • The Housing Options Checklist should be used in all instances in order to help achieve and maintain consistency and compliance in respect of the documentary evidence received for homeless interventions. <p>In the areas of <i>policy compliance</i> and <i>reimbursements</i>, the number and classification of recommendations made has resulted in an assurance level of Limited. This means that there are identified lapses in control or that the effectiveness of controls in place is weak, providing partial assurance that the associated risks are mitigated. The main areas of weakness identified for which two High Priority recommendations have been made relate to:-</p> <ul style="list-style-type: none"> • Payments from the Housing Options Fund should not be released until all of the necessary documents have been received and scanned onto the appropriate computer system. • Tenancy rescue payments should be recovered from clients in accordance with the Housing Options Fund Policy, Procedures and Guidance notes document. <p>In respect of <i>budget management</i>, the results of the audit findings have resulted in an assurance level of Good. This means that the framework of controls is robust, providing substantial assurance that the associated risks are mitigated.</p> <p>The Housing Services Manager has confirmed that all the agreed recommendations would be implemented by the end of December 2013.</p>	
Streetcare Contract –Client Monitoring	<p><u>Audit Objective</u></p> <p>The main objective of the audit was to ensure that controls are in place and operating effectively in the monitoring of the Contract. The detailed objectives set</p>	Unsatisfactory

Audit	Comments	Level of Assurance
	<p>to confirm this was:</p> <ul style="list-style-type: none"> • Contractual arrangements are being monitored for compliance and are being effectively managed. • Risks relating to the management of the Contract have been correctly identified and are being effectively managed. • Payments made to the contractor are supported by an invoice, costs have been verified and agreed and correctly approved. • Recycling quantities and income have been verified, correctly accounted and any subsequent payments to the contractor agreed and correctly approved. • Effective budget monitoring is performed and variances have been identified and explained; • Complaints are being dealt with promptly and customer focus is a priority. • The transfer of the Streetcare Contract following the recent change of ownership of the company has been correctly approved by the Council in accordance with Contract Standing Orders. <p><u>Audit Opinion</u></p> <p>The assessment of the contract monitoring arrangements and controls over the Streetcare Partnership Contract has been performed and the audit opinion is that there is an Unsatisfactory level of assurance over this area.</p> <p>A total of six High Priority and nine Medium Priority recommendations have been made.</p> <p>The main issues are detailed below:</p> <p><u>High Priority</u></p> <ul style="list-style-type: none"> • The 'Contract Review' report written by the Environmental Service Manager in December 2012 which identified non compliance with certain contract conditions, which was issued to the Communities and Public Spaces Manager and Corporate Director Services & Neighbourhoods, remains in draft form. • There is no action plan within the draft report detailing action owners, planned implementation dates, how the actions will be implemented and reporting of progress resolution to management. • A full review of the Contract to identify the conditions and specifications has not yet been performed to determine how they are being managed and whether there are any gaps that require resolution. This exclusion was highlighted in the Environmental Service Manager draft Contract Review report as something that needs to be performed, but due to current timescale 	

Audit	Comments	Level of Assurance
	<p>constraints it was not performed at the time of his review.</p> <ul style="list-style-type: none"> • There are no central registers for Service Change Requests or Contract Variations between the Council and the Contractor and therefore it is difficult to confirm that all service changes have been identified approved, and, the request correctly implemented. • Inadequate checks are performed on the Annual Contract Sum costs and calculations to confirm they are correct and valid. • A difference in the application of the formula used by the Contractor in the 2011/12 and 2012/13 Annual Contract Sums against the method detailed in the Contract has identified a possible overpayment of £280k. This is currently being explored with the Contractor. <p><u>Medium Priority</u></p> <ul style="list-style-type: none"> • Additional work included in the 2012/13 Annual Contract Sum may have been incorrectly subject to the indexation calculation and therefore the Council may have been overcharged for these services. • There was no documentary evidence to support the change in the employers' pension contribution level paid by the Council or details of the checks performed by Finance to confirm the validity and accuracy of the Contractor's pension invoices. • Overpayments of approximately £13k were identified by Internal Audit indicating that the Contractor's invoices had not been thoroughly checked. • Work orders are being incorrectly raised and invoices approved by Service areas and functions separate to the Environmental Service Manager, who has been identified as the relationship manager for the Council with the Contractor. • The Contractor does not always provide a detailed breakdown of costs for additional work requested, particularly between labour and materials, to enable confirmation of value for money and that the costs are not already part of the Contract arrangements. • There is no documentary evidence that quarterly accounts meetings with the Contractor have been held to review a breakdown of costs of the Core Contract Services and to challenge spend. In addition whether profits over a set level stated in the Contract have been confirmed and a portion distributed to the Council if appropriate. • The level of checks on the Contractor's waste recycling spreadsheet detailing tonnage of waste recycled and that going to landfill is limited. The checks do not confirm the accuracy of the data 	

Audit	Comments	Level of Assurance
	<p>and what financial value the Contractor receives on the sales and whether the Council is due a proportion of this.</p> <ul style="list-style-type: none"> • There is an unexplained difference in the recycle value recorded in the Annual Contract Sum for 2011/12 and 2012/13 against the equivalent Assume Recycle Value documented in the Contract. In addition there is no documentary evidence that the recycle value is subject to a reforecast. • Waste recycling credits and incentive invoices to the County Council are not being raised promptly. In addition duplicate incentive invoices are being raised and for incorrect amounts. <p>All recommendations have been agreed. Whilst the Head of Neighbourhood Services has confirmed a number of recommendations have already been implemented, the remaining are due to be implemented by the end of the financial year.</p>	

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
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.
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.
3	Low Priority	Current procedure is not best practice and could lead to minor inefficiencies.

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Gloucester City Council

Meeting:	Audit & Governance Committee Council	Date:	25 November 2013 28 November 2013
Subject:	Committee on Standards in Public Life – Annual Report 2012-13		
Report Of:	Monitoring Officer		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Sue Mullins, Head of Legal and Policy Development		
	Email: sue.mullins@gloucester.gov.uk	Tel:	396110
Appendices:	1. Extract from the Annual Report 2012-13 – Committee on Standards in Public Life		

1.0 Purpose of Report

- 1.1 To inform the Audit and Governance Committee about the work of the Committee on Standards in Public Life during 2012 -13 and to identify any changes that need to be made to the Council's governance arrangements in light of the report.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE:**

- (1) That the contents of the Annual Report 2012 – 13 of the Committee on Standards in Public Life, set out in Appendix A be noted;
- (2) That the current position and proposed actions in relation to the best practice points identified in paragraph 3.2.5 of the report be noted and approved;
- (3) Whether there are any further areas the Committee would like to consider for improvement as a result of the matters contained in the report of the Committee on Standards in Public Life;

and to **RECOMMEND**

- (4) That the Council's Code of Conduct for Members be amended to reflect the updated Seven Principles of Public Life, as set out in paragraph 3.2.6 of the report

- 2.2 Council is asked to **RESOLVE:**

- (1) That the Council's Code of Conduct for Members be amended to reflect the updated Seven Principles of Public Life, as set out in paragraph 3.2.6 of the report.

3.0 Background and Key Issues

- 3.1 The Audit & Governance Committee's role includes promoting and maintaining high standards of conduct by Councillors and co-opted Members. It is useful for the Committee to consider the work of other bodies concerned with standards, such as the Committee on Standards in Public Life, to ensure that it is aware of current issues around standards and makes any relevant adjustments to the Council's governance arrangements.
- 3.2 The Annual Report 2012-13 of the Committee on Standards in Public Life highlights a number of activities by the Committee during the year. These included the Committee's Fourteenth report: *Standards matter: A review of best practice in promoting good behaviour in public life*, and a triennial review of the Committee. A copy of the full report can be found at: <http://www.public-standards.gov.uk/wp-content/uploads/2013/08/Annual-report-Final-for-publication-190813.pdf> .
- 3.3 A number of areas within the *Standards matter: A review of best practice in promoting good behaviour in public life* are relevant to the work of the Audit and Governance Committee. The report reached four main conclusions and recommended eight best practice points. The main conclusions were:
- 3.3.1 The basic building blocks for high standards remain *"a set of broadly expressed values which everyone understands, codes of practice elaborating on what the principles mean in the particular circumstances of an organisation, effective internal processes to embed a culture of high standards, leadership by example and proportionate, risk-based external scrutiny"*.
- 3.3.2 There isn't a particular need for more rules and stricter regulation but rather standards need to be addressed actively at organisational level. The Committee's view is that, whilst high standards should be seen as everyone's personal responsibility, organisational culture has a significant part to play in this and high standards need to be positively driven by leadership and example to become part of an organisation's culture.
- 3.3.3 New models of service delivery create new ethical risks. There is particular ambiguity around people contracted to deliver public services who may not be public office-holders. The Committee strongly believes that the ethical standards captured by the Seven Principles should also apply to such people.
- 3.3.4 Low and declining levels of confidence in the integrity of public institutions remain a matter of concern. The Committee felt that there is scope for trying to increase the confidence of the public in public office-holders and public institutions by addressing the outstanding standards issues identified in their report and by being more attentive to, and active in, addressing emerging issues rather than waiting until the pressures for reform become irresistible.
- 3.3.5 The eight main best practice points arising from these four conclusions were as follows. In respect of each, the Monitoring Officer has provided information about the Council's current position for the Committee's consideration:

- (a) *all organisations need to actively review how well they measure up to best practice in ethical governance as a matter of routine. This includes recruitment processes, appraisal and reward structures, leadership and contemporaneous prompts to good behaviour alongside formal codes and sanctions for poor behaviour.*

Current position: The Council is in the process of reviewing its values, some of which contribute to the Council's ethical governance framework. For some time now, the Council's recruitment processes have included the need for applicants to demonstrate 'competencies' which contribute to ethical standards. The availability of sanctions for poor behaviour is set out in both the Code of Conduct for Members and the Council's Disciplinary Policy. All the Council's policies and codes are kept under review and this will be assisted by the development of the One Stop Policy Shop.

- (b) *ethical issues should feature regularly on the agendas of the boards of public bodies and, where appropriate, on risk registers. All such boards should as a matter of course monitor standards of behaviour throughout their organisation, either directly or through their audit and risk committees.*

Current position: The Audit and Governance Committee is responsible for ethical standards and receives reports on the same as and when required. There is no formal reporting to Cabinet, but Cabinet and Group Leaders are kept informed about ethical standards issues that arise.

- (c) *Those in leadership positions should take personal responsibility for ethical standards in their organisations and certify annually in their annual report or equivalent document that they have satisfied themselves about the adequacy of their organisation's arrangements for safeguarding high standards.*

Current position: The Council's Annual Governance Statement is signed by both the Leader and the Chief Executive. The statement contains details of the ethical standards issues of relevance to the period and any actions proposed to maintain or enhance high standards.

- (d) *Where new methods of delivering public services are being created, commissioners and providers should give careful thought to the mechanisms necessary to maintain expected high standards of behaviour and promote the principles of public life.*

Current position: As is identified in the report by the Committee on Standards in Public Life, this is an emerging area for ethical standards and further thought is needed to identify what may need to be put in place to ensure the City Council is following best practice.

- (e) *Public servants designing and commissioning services should, in a consistent and proportionate way, address ethical issues throughout the procurement process. Contractors and others should acknowledge the particular responsibilities they bear when delivering public services, paid for by public money, to individuals who may not have the choice of going elsewhere.*

Current position: Officers are currently in the process of reviewing the Council's procurement processes and will consider how best to ensure that ethical issues arising from procurement processes are covered.

- (f) *Where powers to regulate standards are devolved to promote local responsibility and leadership, care should always be taken to ensure that there is independent scrutiny, that the results of such scrutiny are made publicly available and that those who have responsibility for imposing sanctions have adequate legal or other powers to do so.*

Current position: The Council has adopted a Code of Conduct and standards arrangements which include requirements to consult with and take into account the views of an 'Independent Person'. The Audit and Governance Committee also has a role in scrutinizing standards and has the power to impose sanctions in cases where expected standards have not been met.

- (g) *Public office-holders and organisations should seek to improve their own trustworthiness by establishing and promulgating robust mechanisms for detecting and dealing with wrongdoing, increasing public understanding of their role, and creating a culture which harnesses the power of the media to promote high standards and deter or expose misconduct.*

Current position: The Council has in place a Whistleblowing Policy and process for complaints about breach of the Code of Conduct for Members, both of which have been used to deal with alleged wrongdoing. The Council has adopted Member Role Descriptors which explain the role of a Councillor, as well as the role of the Leader and Mayor. Although the Council has in place a Social Media Policy, this needs to be reviewed and updated to take account of the changing social media landscape.

- (h) *There is at present a need to address certain areas of ethical risk in public life identified in the report and this should be done before they undermine public confidence.*

Current position: There are no specific comments on this point as this relates largely to the Committee's ongoing work.

- 3.3.6 The Committee concluded that the Seven Principles of Public Life should be kept as they are, but the brief descriptors appended to each one should be clarified and an explanatory preamble added. The updated principles are as follows:

SELFLESSNESS

Holders of public office should act solely in terms of the public interest.

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.

OBJECTIVITY

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

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.

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.

HONESTY

Holders of public office should be truthful.

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.

3.3.7 The Council's Code of Conduct for Members incorporates the Seven Principles and it is therefore recommended that the Council's Code is amended to include the revised principles set out in paragraph 3.2.6 above.

3.3.8 Also of interest to the Council is the part of the Annual Report that relates to local government standards. There are four main points of concern highlighted:

(a) *"Due to the emphasis on local ownership of standards we would expect the new regime, like the previous one, to function well in those areas where party leaders are prepared to provide the necessary leadership and example. It is likely to do less well where such leadership is inadequate. History suggests that problems are most likely in areas with monolithic political cultures and correspondingly little political challenge, where partisan rivalry is most bitter and tit-for-tat accusations most common, or in those predominantly rural areas with significant numbers of independent members without the benefit of party discipline".*

(b) *"Under the previous arrangements local authorities and an independent tribunal had the power to suspend members for varying periods of time as a sanction against poor behaviour. The only sanctions now available, apart from through the use of a political party's internal discipline procedures are censure or criminal prosecution for deliberately withholding or misrepresenting a financial interest. We do not think these are sufficient. The last few years have seen a number of examples of inappropriate behaviour which would not pass the strict tests required to warrant a criminal prosecution, but which deserves a sanction stronger than simple censure. While censure may carry opprobrium in the political arena it is often considered unacceptably lenient by the public relative to other areas of their experience. Coercion of other members or officers is one category of offence with which it will be difficult to deal adequately under the new arrangements".*

- (c) *“Under the previous arrangements allegations about poor behaviour were determined by standards committees independently chaired by individuals who were not themselves members of the local authority. Under the new arrangements every local authority must appoint at least one independent person whose views it will seek, and take into account, before making its decision on an allegation that it has decided to investigate. We doubt that this will be sufficient to provide assurance that justice is being done and, equally important, that it is seen to be done”.*
- (d) *“In the transition to the new system local authorities may have lacked proper time to prepare. In early June 2012 we wrote to all local authorities in England to ask about their preparations for implementing the new regime which came into force on 1 July 2012. The Committee was concerned that so late in the day, nearly half of those who responded had yet to adopt a new code and around four fifths had yet to appoint an independent person. The fact that the Regulations and Order which took effect from 1 July were laid only on 6 June cannot have helped their preparations”.*

3.3.9 All these are, in the view of the Council’s Monitoring Officer, valid concerns and certainly, Monitoring Officer across many local authorities expressed similar concerns at the time the Localism Bill was being discussed. As regards point (d), the Audit and Governance Committee will be aware that the Council’s Code of Conduct was adopted on 19th July 2012 and this was partly because the Regulations and Order were not made available until 6 June 2012.

4.0 Alternative Options Considered

4.1 No other options have been considered as the purpose of the report is to inform the Committee about the work of the Committee on Standards in Public Life.

5.0 Reasons for Recommendations

5.1 The Audit and Governance Committee has responsibility for considering the consider the Council’s arrangements for corporate governance and recommending the necessary action to ensure compliance with best practice as well as Promoting and maintaining high standards of conduct by Councillors and co-opted Members and advising the Council on the revision of the Members’ Code of Conduct.

6.0 Future Work and Conclusions

6.1 As has been identified in the report

7.0 Financial Implications

7.1 There are no direct financial implications arising out of this report.

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

8.0 Legal Implications

8.1 Under the Localism Act 2011, the Council is required to adopt a Code of Conduct and to make arrangements for dealing with breaches of the Code under the Code

for both itself and Parish Councils as part of its ethical standards arrangements. The Council is also required to report on its ethical standards as part of the Annual Governance Statement.

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

9.0 Risk & Opportunity Management Implications

- 9.1 Failure to have and maintain high ethical standards can have significant reputational consequences, as identified in the Appendix to the report. However, there is also the opportunity for the Council to set and maintain high standards of behaviour amongst its Members, staff and partner organisations which can significantly enhance reputation and reduce the risk of wrongdoing.

10.0 People Impact Assessment (PIA):

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

11.0 Other Corporate Implications

Community Safety

- 11.1 There are no specific Community Safety implications relating to the recommendation made in this report.

Sustainability

- 11.2 There are no specific Sustainability implications relating to the recommendation made in this report.

Staffing & Trade Union

- 11.3 There are no staffing or trade union implications arising from this report.

Background Documents: None.

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Annual Report 2012-13

**Committee on Standards
In Public Life**

August 2013

THE SEVEN PRINCIPLES OF PUBLIC LIFE

The Seven Principles of Public Life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, NDPBs, and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The Principles also have application to all those in other sectors delivering public services.

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INTEGRITY

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Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

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FOREWORD

As the incoming Chairman of the Committee on Standards in Public Life, it is a pleasure to thank the outgoing Chairman, Sir Christopher Kelly for his work. To take but one example, the Northern Ireland (Miscellaneous Provisions) Bill introduced in the Commons on the 9 May 2013 allows for transparency in donations and loans to political parties, as well as ending the practice of members of the Northern Ireland Assembly holding dual mandates to sit concurrently in the Northern Ireland Assembly and the House of Commons. This broad approach reflects the work over recent years of both Sir Christopher Kelly himself and the recommendations of the Committee.

This September the Committee will be holding an evidence gathering seminar on lobbying reflecting the concerns of the Committee about unequal access to decision makers and inadequate transparency. The Committee intend to make recommendations to inform and complement the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Bill. I would like to thank David Prince, the interim Chairman, for taking this work forward, for holding the fort since the end of Sir Christopher's term of office and for giving me much helpful advice.

The current context of the Committee's work is very much set out in the recent Triennial Review carried out by Peter Riddell of the Institute of Government. The Government has, in substance, accepted the Review and in doing so recognised the valuable role played by the Committee and the evolving nature of the issues it tackles. As elsewhere in Whitehall, there will be a significant reduction in the budget and certain aspects of the Committee's work will not be carried on as in the past. The Triennial Review also asked the Committee to be more strategic in its practice and look ahead to emerging problems. This is a serious challenge but it is one that has to be accepted. It remains the case, however, that the best work of the Committee has involved the building up of consensus based on substantial research. This is likely to be the case in the future as in the past.

The truth is that we frequently read in the media stories in which, for example, conflicts of interests appear to be significant. The principles of the Committee - selflessness, integrity, objectivity, accountability, openness, honesty and leadership - remain as pertinent as ever. It is my view, as Chairman, that the Committee's work in the past has been most effective when it has stayed close to these principles. In the future I would hope to maintain the best of this tradition.

Paul Bew

INTRODUCTION

1. The Committee on Standards in Public Life has wide terms of reference.

“To examine current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities, and make recommendations as to any changes in present arrangements which might be required to ensure the highest standards of propriety in public life and to review issues in relation to the funding of political parties, and to make recommendations as to any changes in present arrangements.”¹

2. The Committee fulfils this role partly through its formal inquiries. In addition, we routinely monitor and consider issues and concerns relating to standards in public life, track public perception of standards of conduct of public office holders and seek to promote the Seven Principles of Public Life. We contribute to public policy development through meetings, seminars, research, speaking engagements, and by responding to consultation papers on relevant issues.
3. This report provides an overview of the Committee’s activities over the course of the financial year 2012/13. The Committee’s main project in this year has been to produce its Fourteenth Report, *Standards matter: A review of best practice in promoting good behaviour in public life*. This report aimed to analyse what has been shown to work best in promoting high standards and to take stock of current areas of risk. The project was launched in May 2012, and the final report was published in January 2013. The Committee also carried out its fifth biennial survey of attitudes to standards in public life, the results of which will be published in September 2013.
4. A triennial review of the Committee was carried out this year, the report of which was published by the Government in February 2013. As a result, on 5 February 2013, the terms of reference of the Committee were clarified in two respects: ‘...in future the Committee should not inquire into matters relating to the devolved legislatures and governments except with the agreement of those bodies’ and ‘...the Committee’s remit to examine “standards of conduct of all holders of public office” [encompasses] all those involved in the delivery of public services, not solely those

¹ Hansard (HC) 25 October 1994, col. 758, Hansard (HC) 12 November 1997, col. 899 and Hansard (HC) 25 October 1994, col 758

*appointed or elected to public office.*²

5. Following an open competition, Lord Bew has been appointed the new Chair of the Committee effective from 1 September 2013. His term of office is for five years and is non-renewable. Following the end of Sir Christopher Kelly's term on 31 March 2013, David Prince served as interim Chair until 31 July 2013.
6. The appendices to this report provide detail about the structure and finances of the Committee.

OVERVIEW OF ACTIVITIES

General Overview

7. This year we reflected on what has been achieved since the Committee's first report in 1995. We asked ourselves whether the task was completed and, if not, what more still needs to be done. We found that while many of the original "Nolan Principles" - such as integrity, accountability and openness are widely understood and resonate closely with public expectations - the principles as a whole were still not being lived out everywhere in spirit as well as letter. There needed to be more active implementation and embedding within the day to day business of many organisations.
8. More disturbingly, the year's news was dominated by stories of governance failures and other inappropriate behaviour in institutions previously enjoying high levels of public trust and confidence, and by the failure of leadership in others, both private and public, to inculcate a culture of high standards in tune with public expectations. Many instances have involved deliberate attempts to get around codes of practice and conduct, and in some cases there are allegations involving covering up, concealment and even criminal activity. Moreover, when some individuals attempted to raise ethical issues or standards concerns they were prevented or inhibited from raising those concerns internally or speaking out on issues in the public interest.
9. So, while much of the infrastructure is now in place to support high standards – statements of principles, codes of conduct, independent scrutiny, and while standards of behaviour have improved in many areas of public life, high standards are still not yet understood everywhere as a matter of integrity and personal responsibility. Recent lapses have occurred not because individuals, often in key leadership roles, have been unaware of their responsibility and of what

² Hansard (HC) 5 February 2013, col. 7WS

the public expects but because they did not find it expedient.

10. We are in no doubt that standards of behaviour in many areas of public life have improved since this Committee first reported in 1995, but there is still much to do and the evidence gives no grounds for complacency. New situations continually arise which raise new standards issues. Responses to standards issues often come too late and only in response to public scandals which by then have damaged public trust and confidence.

Review of best practice

11. It is 18 years since the Committee published its First Report in 1995. We thought it timely to look, in our Fourteenth Report, at what had been achieved over that period and what had worked best in practice to promote high standards of conduct within regulated public organisations and regulators. Alongside this we looked afresh at the Seven Principles of Public Life and the language used to describe them and at levels of public confidence in public sector institutions. The report was published as *Standards matter: A review of best practice in promoting good behaviour in public life* in January 2013, along with the report of the focus group research that supported it. We highlighted a number of outstanding areas of risk that still need to be addressed.
12. The review was carried out using four strands of research:
 - A review of a number of reports produced since 1995 by this Committee, the Public Administration Select Committee and other bodies looking at standards issues.
 - An invitation to the public to contribute their views, including through a blog on the Committee's website.
 - A number of focus groups examining public attitudes towards the ethical standards of public office-holders and factors affecting their trust in public organisations and office-holders.
 - A series of seminars with invited participants from across the UK exploring issues relating to ethical regulation in specific spheres of public life. The subjects of these seminars included the Westminster and devolved legislatures, central government and the civil service, local government, the wider public sector, private sector organisations delivering public services and the media. The Committee also visited Belfast, Edinburgh and Cardiff to hold discussions with those involved in standards issues in those legislatures.
13. We clearly saw that in many areas standards of behaviour in public life had improved. Nonetheless there continued to be grounds for concern. The report reached four main conclusions to address

these, supported by eight recommended best practice points, as follows:

- We re-emphasised the point that the basic building blocks for promoting high standards remain much as identified in the Committee's First Report: a set of broadly expressed values which everyone understands, codes of practice elaborating on what the principles mean in the particular circumstances of an organisation, effective internal processes to embed a culture of high standards, leadership by example and proportionate, risk-based external scrutiny.
 - To put this into effect, all organisations need to actively review how well they measure up to best practice in ethical governance as a matter of routine. It is important to consider all those factors affecting individual behaviour, including recruitment processes, appraisal and reward structures, leadership and contemporaneous prompts to good behaviour alongside formal codes and sanctions for poor behaviour.
- The need now is not for more rules and stricter regulation so much as for standards to be addressed actively at organisational level. High standards should be seen as everyone's personal responsibility, but it should be recognised that personal behaviour is shaped by organisational culture. With this in mind high standards need to be positively driven by leadership and example.
 - Ethical issues should feature regularly on the agendas of the boards of public bodies and, where appropriate, on risk registers. All such boards should as a matter of course monitor standards of behaviour throughout their organisation, either directly or through their audit and risk committees.
 - Those in leadership positions of all organisations delivering public services should take personal responsibility for ethical standards in their organisations and certify annually in their annual report or equivalent document that they have satisfied themselves about the adequacy of their organisation's arrangements for safeguarding high standards.
- New ethical risks are being created by the development of new models of service delivery. There is a growing area of ambiguity occupied by people contracted to deliver public services who may not be public office-holders. We strongly believe that the ethical standards captured by the Seven Principles should also apply to such people.
 - In all cases where new methods of delivering public services are being created, commissioners and providers should give careful thought to the mechanisms necessary to maintain expected high standards of behaviour and promote the principles of public

life.

- Public servants designing and commissioning services should, in a consistent and proportionate way, address ethical issues throughout the procurement process. Contractors and others should acknowledge the particular responsibilities they bear when delivering public services, paid for by public money, to individuals who may not have the choice of going elsewhere.
- Where powers to regulate standards are devolved to promote local responsibility and leadership, care should always be taken to ensure that there is independent scrutiny, that the results of such scrutiny are made publicly available and that those who have responsibility for imposing sanctions have adequate legal or other powers to do so.
- Low and declining levels of confidence in the integrity of public institutions remain a matter of concern. While trust is a complex phenomenon, there is scope for trying to increase the confidence of the public in public office-holders and public institutions by addressing the outstanding standards issues identified in this report and by being more attentive to, and active in, addressing emerging issues rather than waiting until the pressures for reform become irresistible.
 - Public office-holders and organisations should seek to improve their own trustworthiness by establishing and promulgating robust mechanisms for detecting and dealing with wrongdoing, increasing public understanding of their role, and creating a culture which harnesses the power of the media to promote high standards and deter or expose misconduct.
 - There is at present a need to address certain areas of ethical risk in public life identified in the report (see further detail in standards check and outstanding risks set out below), and this should be done before they undermine public confidence.

14. As well as these conclusions and best practice points, the report re-examined the Seven Principles of Public Life, first established in the Committee's First Report, from the point of view of their modern relevance and applicability. We concluded that the Seven Principles should be kept as they are, but the brief descriptors appended to each one should be clarified and an explanatory preamble added. The updated text appears on the inside front cover of this report.

15. The Committee is monitoring and promoting the continuing impact of the review.

Fifth biennial survey

16. During 2012–13 the Committee carried out its fifth biennial survey of public attitudes to conduct in public life. We have conducted these surveys since 2004, in order to analyse the standards of behaviour the British public feel public office holders should be kept to, the extent to which these standards are believed to be upheld, and the perception of how well the systems put in place to enforce them are operating.
17. The survey carried out in 2012 maintained many of the core questions from earlier surveys. This allowed us to observe several continuing trends. For example, over the lifetime of the survey, specifically there has been a continuous and substantial decline of the percentage of respondents rating standards as “quite high” or “very high”, while the percentage of respondents rating standards as “quite poor” or “very poor” has steadily increased. Over the five surveys, public perceptions of whether a range of professions in the public domain can be trusted to tell the truth demonstrate consistent relative ratings: High Court Judges and Senior Police Officers score highly, while tabloid journalists, government Ministers and MPs, in general score poorly. When these findings are compared with other British and European data, it seems levels of trust in these professions are not especially low, except in comparison with the Netherlands and Scandinavia. Moreover the evidence suggests that low levels of stated trust may be accompanied by much higher and rising levels of confidence in institutions, such as the legal system.
18. Overall the survey is able to show that there is a deeper and more complex pattern of public attitudes to standards in public life than is generally recognised by public opinion research. In broad terms, drawing on a number of distinct areas of evaluation, a majority of the population express positive attitudes towards standards in Britain. Nonetheless, the proportion of people who feel positively has changed dramatically over time. In particular, positive evaluations increased steadily from 2004 to 2008 (from 62% of the population to 82%), followed by a collapse in 2010 to 55%, and with only a relatively minor recovery in 2012 (59%).
19. The survey also introduced several new questions, with the aim of broadening the examination of public expectations and beginning to explore how far these increasingly negative expectations are connected to people’s expectations of others who are not public office-holders. Key findings to have emerged include:
 - There is a widespread belief by the public that they will receive fair treatment from a range of public services.

- The public have more confidence in the probity of relatively junior front line staff – in terms of putting the public interest first, owning up to mistakes, and in being held accountable for mistakes – than in that of more senior managers.
 - The public believe that they personally are more likely than people in public office to act with probity in given situations.
 - There is support for the use of external scrutiny and audit mechanisms and the development of a strong internal culture fostering standards and openness as a means for improving professional integrity and increasing confidence in public institutions. However, the use of financial incentives is not favoured.
 - In the latest survey there has been some diminution of confidence in the authorities' commitment to upholding standards. Over the five surveys confidence that the media will uncover wrongdoing has also declined.
20. The evidence suggests that public responses to events and to their reporting can become more negative or positive. This demonstrates that confidence in public standards is not a fixed feature of British society that shows inevitable long term decline, but a feature of the British political scene that is influenced by events. This suggests that the public's perceptions of standards in public life can be repaired as well as damaged. It is therefore all the more important that high standards of behaviour are understood as a matter of personal responsibility, embedded in organisations and actively and consistently demonstrated, especially by those in leadership positions.
21. The results of the survey will be published in September 2013. Following a recommendation made in the Triennial Review of the Committee (see below), this will be the last time that we carry out the survey, but we believe it has been a useful longitudinal survey and hope that other organisations continue to use the data and to monitor developments. The Committee is considering with its Research Advisory Board how best to monitor the trends we have studied as they develop in future.

Triennial Review

22. In September 2012 the Minister for the Cabinet Office announced the start of a Triennial Review of the Committee, now a requirement for all Non-Departmental Public Bodies. The review, carried out by the Rt Hon Peter Riddell CBE, was chiefly based on written evidence received in response to a call for submissions and personal consultations. It was carried out over approximately six months, and reported in February 2013.

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23. The primary function of the review was to judge whether there was a continuing need for the Committee to exist. The review concluded that *“There is a continuing need for an ethics monitor/reviewer.”*
24. The review also included a number of recommendations relating to the Committee’s strategy and working practices, including the cessation of the Committee’s biennial survey of public attitudes to allow the resources to be diverted elsewhere, the reduction of the membership of the Committee from ten to seven, and the production of more frequent, briefer reports with less reliance on public hearings and more use of seminars.
25. The Government issued a Written Ministerial Statement on 5 February 2013 stating that it broadly accepted the recommendations made in the review. It also clarified two points in the Committee’s terms of reference, as detailed in paragraph 4, above. The Committee is grateful for the detailed work put into the review, and will bear its recommendations in mind when considering its future work.

Following the Triennial Review, the secretariat has been reduced to three and like most public bodies our budget continues to follow a downward trajectory from £504k in 2012-13 to £400k in 2013-14. Our reduced resources will necessarily affect the ways in which the Committee is able to fulfil its terms of reference. We will need to prioritise the ethical risks we identify carefully and focus our work accordingly.

Strategic Plan 2012–15

26. In October 2012 the Committee published its strategic plan 2012–15. This set out our vision for our work over the next few years and we hope it will increase public knowledge and understanding of our work. As well explaining how we will set our priorities and monitor ethical standards across public services, the plan also identified the priority areas the Committee may choose to investigate in future such as:
- The maintenance of appropriate ethical standards within an increasingly mixed economy with greater involvement of the private and voluntary sectors in delivering public services.
 - Ethical standards in the police, including Police and Crime Commissioners.
 - Local Government standards, following up a previous inquiry to review how the new system introduced by the Localism Act 2011 is bedding down and whether it is delivering its objectives.

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27. The plan is available on the Committee's website.

Online engagement

28. As part of its public consultation of best practice, the Committee ran a blog from September to October 2012, with contributions from Committee members and guest bloggers and the facility for members of the public to respond. The Committee also launched a Twitter feed in September 2012. We intend to build on this work over the coming months within available resources, to develop a cost effective online engagement programme.

STANDARDS CHECK

Party funding

29. The Committee is disappointed not to have seen any significant progress made in dealing with the problems in party funding it identified in its Thirteenth Report³. On the 4 July 2013, the Deputy Prime Minister made a Written Ministerial Statement on the Funding of Political Parties confirming that discussions convened following publication of the Committee's Thirteenth Report had reached no agreement. This is despite all three of the main political parties making manifesto commitments to take the big money out of party funding, and funding reform being part of the Coalition Agreement. The Committee appreciates the political difficulty of aspects of the proposed reforms, but nonetheless we feel it is time to act. The current party funding arrangements foster suspicion and distrust among the public. It is essential that political parties obtain funding in ways free of suspicion that donors receive favours or improper influence in return.

30. The main recommendations of the Thirteenth Report were the introduction of a cap on donations from individuals or organisations of £10,000, a reduction in the party expenditure limits and a slight increase in public funding for political parties. We feel that these would be very valuable in reassuring the public that large donations are not a source of undue influence in UK politics.

31. Attention was focussed on this issue by the case of so-called 'cash for access' in March 2012, in which the then treasurer of the Conservative Party was alleged to have suggested to undercover journalists posing as potential donors that large donations would allow privileged access to the Prime Minister and Chancellor of the Exchequer. Despite the prominence that this gave the issue

³ Thirteenth Report, *Political party finance: Ending the big donor culture* Cm 8208 November 2011

of funding, the Committee has yet to see evidence of real progress being made, although the political debate has recently been reignited by the Leader of the Labour Party making proposals to reshape the party's relationship with the Trade Unions, including the possibility of "opting in" to affiliation fees.

32. For this reason we welcome the recent initiative⁴ by several parliamentarians to commission a Draft Bill as a basis for the development of phased reform of political party funding, as an attempt to achieve an agreed legislative framework for reform. The Committee submitted a response to the consultation on the Bill which is published on the Committee's website.
33. The Committee notes that proposals in the Draft Bill for the phasing in of the donations cap and the identification of savings within the existing envelope of public spending to finance the proposals with a cap on the total public spend on political parties, are measures the consultation document indicates are a response to address two criticisms of the Committee's Report. The proposals set out in the Committee's Report were regarded by the Committee as a package. Whilst the Committee's expectation was that the financial impact of the complete package of proposals was likely to be even handed between the two largest political parties, the illustrations of the possible impacts were based on historical information only and with a number of important limitations and caveats. The Committee acknowledged in its Report that there was a need to introduce the arrangements so as to allow the parties to adjust to the new circumstances, and that the new arrangements should not be introduced until the start of the next Parliament in 2015. For these reasons, in particular, the Committee would want to be reassured that the measures proposed in the Draft Bill are sustainable over time.
34. The Committee remains concerned about the risk presented of third parties being used to avoid the cap on donations and as such it considers it might be appropriate to take proportionate action, guarding against unnecessary bureaucracy to address this issue. The Committee is also alert to the implications of reform for smaller parties, which may have low levels of membership, elected representation and little income.
35. Sustainable reform will, in our view, require a concerted effort from the main parties to put aside self interest and resist the inclination to cherry pick proposals that benefit only them, to arrive at a solution that is in the national interest, has cross party agreement, and will restore public confidence in the integrity of the funding system.

⁴ Funding Democracy Breaking the deadlock A Draft Bill for consultation April 2013

Lobbying

36. The Committee continues to regard lobbying as an area in which there are genuine concerns involving suspicions that some lobbying may be taking place in secret and some individuals or organisations have more access to policy makers, so that it is not known who or what is influencing a particular decision. However, we remain doubtful that a statutory register of third party lobbyists, as proposed by the Government in a consultation paper in 2012, is the key to further reform. We believe it would be better to build on the steps already taken to increase transparency. Greater transparency might include, for example, enhancing the level of disclosure around meetings between ministers and those lobbying on behalf of a particular interest, as proposed in a report published in July 2012 by the Political and Constitutional Reform Committee. The Government renewed its commitment to introducing a statutory register of lobbyists and increasing transparency around lobbying in its mid-term review of the Coalition published in January and has recently restated that legislation will be introduced in July 2013.
37. As set out in our annual work plan, the Committee has been considering the transparency issues around lobbying, focusing particularly on those who are lobbied. To progress this work, the Committee issued a call for evidence in June and will be holding a meeting after the Parliamentary recess with interested parties, to look at what more can be done to bring greater integrity to existing arrangements. With the evidence gathered we aim to produce proportionate recommendations which will complement the proposed statutory provision and help restore the public's trust and confidence.

Local government standards

38. Under the Localism Act 2011 the new local government standards regime came into effect on 1 July 2012. The Committee welcomed the introduction of a mandatory requirement for local authorities to adopt a local code of conduct based on the Seven Principles of Public Life and the intention to encourage a greater sense of local responsibility for standards and to reduce the number of vexatious complaints.
39. While we recognise that the new system needs time to properly bed in, we do, however, have certain concerns:
- Due to the emphasis on local ownership of standards we would expect the new regime, like the previous one, to function well in those areas where party leaders are prepared to provide the

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necessary leadership and example. It is likely to do less well where such leadership is inadequate.⁵ History suggests that problems are most likely in areas with monolithic political cultures and correspondingly little political challenge, where partisan rivalry is most bitter and tit-for-tat accusations most common, or in those predominantly rural areas with significant numbers of independent members without the benefit of party discipline.

- Under the previous arrangements local authorities and an independent tribunal had the power to suspend members for varying periods of time as a sanction against poor behaviour. The only sanctions now available, apart from through the use of a political party's internal discipline procedures are censure or criminal prosecution for deliberately withholding or misrepresenting a financial interest. We do not think these are sufficient. The last few years have seen a number of examples of inappropriate behaviour which would not pass the strict tests required to warrant a criminal prosecution, but which deserves a sanction stronger than simple censure. While censure may carry opprobrium in the political arena it is often considered unacceptably lenient by the public relative to other areas of their experience. Coercion of other members or officers is one category of offence with which it will be difficult to deal adequately under the new arrangements.
- Under the previous arrangements allegations about poor behaviour were determined by standards committees independently chaired by individuals who were not themselves members of the local authority. Under the new arrangements every local authority must appoint at least one independent person whose views it will seek, and take into account, before making its decision on an allegation that it has decided to investigate. We doubt that this will be sufficient to provide assurance that justice is being done and, equally important, that it is seen to be done.
- In the transition to the new system local authorities may have lacked proper time to prepare. In early June 2012 we wrote to all local authorities in England to ask about their preparations for implementing the new regime which came into force on 1 July 2012. The Committee was concerned that so late in the day, nearly half of those who responded had yet to adopt a new code and around four fifths had yet to appoint an independent person. The fact that the Regulations and Order which took effect from 1 July were laid only on 6 June cannot have helped their preparations.

⁵ Not forgetting that in several prominent recent cases it is the behaviour of leaders themselves that have been under question.

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40. While inevitably there have been various teething problems with the new regime, the Committee will continue to monitor the implementation and its effectiveness, particularly in relation to public confidence that any wrongdoing is tackled promptly and transparently in the absence of any external investigation and scrutiny.

Independent Adviser on Ministerial Interests

41. In a report published in March 2012, the Public Administration Select Committee (PASC) raised the possibility that the Independent Adviser on Ministerial Interests was in practice insufficiently independent, as he or she is appointed personally by the Prime Minister, is supported from within the Cabinet Office, and cannot instigate his or her own investigations. Investigations can only be undertaken at the request of the Prime Minister. We agreed, and argued for the independence of the role to be increased and the power to instigate investigations to be granted.
42. The Independent Adviser on Ministerial Interests has carried out one investigation since then, finding in June 2012 that the then Conservative Co-Chairman had committed a minor breach of the Ministerial Code by not declaring a business relationship. However, there has also been controversy over the Prime Minister's decisions not to refer allegations made in 2012 about a possible breach of the code by the then Secretary of State for Culture, Media and Sport in relation to the bid by News Corporation for BSkyB to the Independent Adviser, on the basis that the issue would be looked at during evidence sessions for the Leveson Inquiry. It would in our view have taken much of the politics out of the issue, to everyone's advantage, if the decision on whether to investigate separately had been taken by the Independent Adviser – even if, as he might well have done, he had taken the same view. It is too easy for a Prime Ministerial decision not to refer, to be interpreted, however unfairly, as being motivated by a desire to avoid uncomfortable revelations.
43. In July 2012 our then Chair, Sir Christopher Kelly, issued a statement arguing for the Adviser to have the power to instigate investigations. The debate is still ongoing, and we continue to monitor it with interest.

The Leveson Inquiry

44. Part 1 of the Leveson Inquiry into the culture, practice and ethics of the press was published in November 2012. The Committee submitted written evidence to the Inquiry in 2011, and welcomed the contribution it made to the debate on press regulation and public standards in the UK more

generally.

45. We were struck by certain points of similarity between Lord Justice Leveson's conclusions concerning the promotion of high standards, and our own in our most recent report, *Standards matter*. His report, for example, stressed the importance of standards regulators being both demonstrably independent and armed with robust sanctions, and of the appropriate tone and culture being set at the level of the leadership of an organisation.
46. Part 2 of the Inquiry will examine specific cases of alleged wrongdoing, but cannot commence until the current police investigations and any subsequent criminal proceedings have been completed.

MPs' pay and expenses

47. Controversy arose when it was reported in the press in October 2012 that certain MPs had been in the practice of renting out property they owned in London, sometimes to other MPs, and then renting separate London accommodation for themselves and claiming expenses for doing so. Such an arrangement is not against the current rules and a press notice issued by the Independent Parliamentary Standards Authority (IPSA) noted that 'this is an issue of their own private financial affairs over which we rightly have no authority'. In the case of a number of MPs, the problem arose mainly due to transitional arrangements from the previous system. Nonetheless, because of the way in which it was presented, this issue dealt another blow to public confidence in the financial propriety of MPs and were it to continue, with new MPs, the compliance of those involved with the spirit of the rules would be open to question even if their compliance with the letter is not. The financial propriety of MPs, therefore, continues to be an issue of public confidence.
48. The Committee also notes that IPSA has carried out a review of MPs' pay and pensions, which is out to public consultation until the autumn of 2013. When finalised, this will be effective from the next Parliament in 2015.

OUTSTANDING RISKS

49. The Committee's Fourteenth Report *Standards matter: A review of best practice in promoting good behaviour in public life* identified 12 areas that pose a particular outstanding risk to standards in public life, and are set out in the register below. More detail on developments in some of these

areas in 2012–13 can be found in the standards check above. These outstanding risks should be actively addressed before they become even more problematic and further undermine confidence in our public institutions.

Issues which the **Committee** will investigate will include:

- *lobbying* (concerns about unequal access to decision-makers and inadequate transparency)

Issues which the **Committee** is likely to investigate in the near future include:

- *how best to maintain high standards as new models of delivering public services are developed; and*
- *interchange between the public and private sectors* (suspicions of impropriety in relation to people moving between the public and private sectors).

Issues over which the **Committee** intends to keep a watching brief, and investigate if necessary include:

- *local government standards* (concerns about the impact of the regime introduced by the Localism Act 2011);
- *behaviour and conduct of the police* (concerns arising from recent incidents and reports, some of which are currently the subject of further investigation elsewhere);
- *electoral arrangements* (concerns about electoral fraud, particularly in relation to the electoral register and postal voting);
- *the role of the media in the public sector's promotion and maintenance of standards* (including its effects on public confidence, in the light of the Leveson inquiry); and

Issues which need to be addressed by the **Government** include:

- *the Prime Minister's Independent Adviser on Ministers' Interests* (the lack of a power for the Adviser to initiate his own investigations);
- clarification of the some of the aspects relating to the arrangements for *Special Advisers*; and
- *the House of Lords* (by facilitating the efforts of the House itself to address its own powers to sanction the most severe breaches of the Lords' Code of Conduct).

An issue which urgently needs to be resolved by the **political parties** is:

- *political party funding* (suspicion about the motivation behind large donations and what is received in return).

REPRESENTATIONS AND SPEECHES

50. Over the course of the year, the then Chair spoke at a number of events on standards issues:

- In July 2012 Sir Christopher Kelly gave a speech to the All-Party Parliamentary Group on the British Constitution, organised by the Constitution Society
- In September 2012 Sir Christopher gave a speech at a conference organised in London by Transparency International.
- In November 2012 Sir Christopher spoke to a group from the Public Administration International (PAI) Public Service Commission's study programme on the role of the Committee.
- In March 2013 Sir Christopher gave a speech at the inaugural conference of the Association of Chief Police Officers (ACPO) Professional Ethics Portfolio.

51. In January 2013 the Committee held a panel discussion to mark the publication of its Thirteenth Report, *Standards matter: A review of best practice in promoting good behaviour in public life*. Panellists were Sir Christopher, Dame Anne Owers (Chair of the Independent Police Complaints Commission), Gerard Elias QC (Public Services Ombudsman for Wales) and Philippa Foster Back OBE (Director of the Institute for Business Ethics). The event was open to the public.

52. Transcripts of key speeches and the panel discussion are available on our website: www.public-standards.org.uk.

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- Other Committee Members also spoke about the work of the Committee and standards issues, including at the Chartered Institute for Public Finance and Accountancy (CIPFA)'s Better Governance Forum in October 2012.

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Gloucester City Council

Meeting:	Cabinet	Date:	13 November 2013
	Audit and Governance Committee		25 November 2013
	Council		28 November 2013
Subject:	Regulation of Investigatory Powers Act 2000 (RIPA) – Annual Review of Procedural Guide		
Report Of:	Chief Executive		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Sue Mullins , Head of Legal and Policy Development		
	Email: sue.mullins@gloucester.gov.uk	Tel:	39-6110
Appendices:	1. Procedural Guidance		

1.0 Purpose of Report

- 1.1 To request that Members review and update the Council's procedural guidance on RIPA.
- 1.2 To request that the use by the Council of its RIPA powers in the last year be noted.

2.0 Recommendations

- 2.1 Cabinet is asked to **RECOMMEND**, subject to any comments Cabinet wishes to make, that the changes to the Procedural Guide at Appendix 1 be approved;

and

to **RESOLVE** that the Council's use of its RIPA powers in the last year be noted.

- 2.2 Audit and Governance Committee is asked to **RESOLVE**, subject to any comments the Committee wishes to make, that

- (1) the proposed changes to the Council's RIPA Procedural Guide and the Council's use of its RIPA powers in the last year be noted.

- 2.3 Council is asked to **RESOLVE** that

- (1) the changes to the Procedural Guide at Appendix 1 be approved.

3.0 Background and Key Issues

- 3.1 The Regulation of Investigatory Powers Act 2000 (RIPA) came into force in 2000. Both the legislation and Home Office Codes of Practice strictly prescribe the

situations in which and the conditions under which councils can use their RIPA powers. All authorities are required to have a RIPA policy and procedure to which they adhere in using their RIPA powers.

- 3.2 The Council reviews and updates its RIPA Procedural Guide at least annually. The Council last updated its RIPA Procedural Guide in November 2012.
- 3.3 The Council's use of its RIPA powers is subject to annual reporting and triennial inspection by the Office of Surveillance Commissioners (OSC). The Council received its most recent inspection by the OSC on 27 July 2012. The suggestions for amendment and improvement of the Council's RIPA Procedural Guide arising from the inspection have been incorporated into the draft Procedural Guide at Appendix 1.
- 3.4 Since the changes made to the Council's RIPA powers by the Protection of Freedoms Act 2012, the Council has not made use of its RIPA powers. This is most likely due to the change restricting RIPA authorisations for directed surveillance to offences which carry a maximum custodial sentence of 6 months or more. It should be noted that most offences prosecuted by local authorities do not carry custodial sentences, either at all or of this length. As a result of this, it is not possible to say whether or not any changes to the Guide are required from an operational point of view.
- 3.5 Given the level of the Council's use of its RIPA powers, Cabinet has requested that reports on use of the Council's RIPA powers are made bi-annually rather than quarterly. This requested change is reflected in paragraph 5.5 of the attached Procedural Guide. A further minor change relates to a job title change for the RIPA Co-ordinator and this is shown at paragraph 6 of the Guide.

4.0 Alternative Options Considered

- 4.1 The Council still has and can make use of other investigatory powers, such as overt surveillance, when investigating potential criminal offences, but must comply with RIPA when it carries out Directed Surveillance or CHIS. There are therefore no real alternative options relevant to the Council's use of its RIPA powers.

5.0 Reasons for Recommendations

- 5.1 The revisions set out in the draft Procedural Guide are to ensure that the Guide remains up-to-date.

6.0 Future Work and Conclusions

- 6.1 Further revisions to the Procedural Guide may be required, depending on any changes to the legislation or statutory Home Office Guidance.

7.0 Financial Implications

- 7.1 There are no direct financial implications arising out of this report.

8.0 Legal Implications

8.1 These are set out in the main body of the report.

9.0 Risk & Opportunity Management Implications

9.1 Having a procedural guide that complies with the legislation and guidance and ensuring that officers using RIPA powers are fully trained in the use of the powers will help to reduce the risk of the Council using its RIPA powers unlawfully.

10.0 People Impact Assessment (PIA):

10.1 The impact of the changes to the RIPA legislation will have been considered by the Government during the drafting of the legislation. The RIPA legislation requires the Council to give substantial consideration to the people impact of using its RIPA powers each and every time a RIPA application is authorised.

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 The use of RIPA powers by the Council can contribute to ensuring community safety.

Sustainability

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

Staffing & Trade Union

11.3 There are no staffing or Trade Union implications arising out of this report.

Background Documents: None.

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GLOUCESTER CITY COUNCIL

REGULATION OF INVESTIGATORY POWERS ACT 2000

PROCEDURAL GUIDE

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1. INTRODUCTION

- 1.1 This policy document shall be readily available at the offices of Gloucester City Council (“the Council”).
- 1.2 The purpose of this document is to ensure that the Council complies with the Regulation of Investigatory Powers Act 2000 (RIPA).
- 1.3 This document provides guidance on the regulation of any covert surveillance that is carried out by Council officers. This includes the use of undercover officers, informants and private investigators and other agents of the Council.
- 1.4 Any covert surveillance will have to be authorised and conducted in accordance with RIPA, the statutory codes of practice and this Guide and shall only be for one of the purposes set out in this Guide and for a purpose which the Council is legally required or empowered to investigate as part of its functions.
- 1.5 Covert surveillance will only be used by the Council where it judges such use to be proportionate to the seriousness of the crime or matter being investigated, and the history and character of the individual(s) concerned.
- 1.6 Before requesting authorisation, Investigating Officers will have regard to this document and the statutory Codes of Practice issued under section 71 of RIPA. The Codes of Practice are available from the RIPA co-ordinator and direct from the Home Office at <http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-codes-of-practice/>
- 1.7 Authorising officers will have to consider whether it is necessary and proportionate for Investigating Officers to undertake covert surveillance and whether it is possible to obtain the evidence through other means.
- 1.8 Authorising Officers must give detailed consideration to the risk of collateral intrusion, ie. the risk of intruding into the privacy of others while watching someone else. Steps will have to be taken to minimise this risk.
- 1.9 There should be no situation where an officer engages in covert surveillance without obtaining authorisation in accordance with the procedures set out in this document, the statutory Codes of Practice and from RIPA.
- 1.10 Any queries concerning the content of the document should be addressed to the RIPA co-ordinator.

2. THE REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

2.1 The background to RIPA

RIPA provides a legal framework for the control and regulation of surveillance and information techniques which public authorities undertake as part of their duties. As was highlighted in the introduction to the Guide the need for such control arose as a result of the Human Rights Act 1998. Article 8 of the European Convention on Human Rights states that:-

1. Everyone has the right to respect for his private and family life, his home and his correspondence.
2. 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 wellbeing of the country, for the prevention of disorder or crime, for the protection of health and morals or for the protection of the rights and freedoms of others.

The right under Article 8 is a qualified right and public authorities can interfere with this right for the reasons given in paragraph 2 of Article 8. RIPA provides the legal framework for lawful interference.

2.2 The scope of this Guide

This Guide intends to cover the surveillance and information gathering techniques which are most likely to be carried out by the Council.

Neither RIPA nor this Guide covers the use of any overt surveillance, general observation that forms part of the normal day to day duties of officers, the use of equipment to merely reinforce normal sensory perception, such as binoculars, or circumstances where members of the public who volunteer information to the Council.

RIPA does not normally cover the use of overt CCTV surveillance systems since members of the public are aware that such systems are in place.

If an Investigating Officer envisages using any CCTV system for surveillance they should contact the RIPA co-ordinator.

RIPA deals with a wide variety of surveillance types. Some of the other techniques that are covered by RIPA but will not or cannot be used by local authorities are listed below. These include:-

1. The interception of any communication such as postal, telephone or electronic communications without both the sender and receiver's permission;
2. The acquisition and disclosure of information to who has sent or received any postal, telephone or electronic communication; and
3. The covert use of surveillance equipment within any premises or vehicle, including business premises and vehicles with the intention of covertly gathering information about the occupant(s) of such premises or vehicles.

2.3 Consequences of not following RIPA

Section 27 of RIPA provides that surveillance shall be lawful for all purposes if authorised and conducted in accordance with an authorisation granted under RIPA.

Lawful surveillance is exempted from civil liability

Although not obtaining authorisation does not make the authorisation unlawful per se, it does have some consequences:-

- (i) evidence that is gathered may be inadmissible in court;
- (ii) the subjects of surveillance can bring their own proceedings or defeat proceedings brought by the Council against them on human rights grounds, ie. we have infringed their rights under Article 8;
- (iii) if a challenge under Article 8 is successful the Council could face a claim for financial compensation;
- (iv) a complaint could be made to the Office of Surveillance Commissioners; and
- (v) the government has also introduced a system of tribunal. Any person who believes that their rights have been breached can have their complaint dealt with by way of a tribunal.

2.4 The Surveillance Commissioner

The government has appointed a Surveillance Commissioner to review the way in which public authorities implement the requirements of RIPA. The Commissioner has a wide range of powers of access and investigation. The Council will receive periodic visits from the Office of the Surveillance Commissioners. They will check to see if the Council is complying with RIPA.

It is important that the Council can show that it complies with this Guide and with the provisions of RIPA.

3. COVERT SURVEILLANCE

There are three categories of covert surveillance:-

1. Directed surveillance
2. Covert human intelligence sources; and
3. Intrusive surveillance (but nothing in this procedure permits the authorising of "Intrusive surveillance" as defined in RIPA (ie. in respect of anything taking place on residential premises or in a private vehicle, involving the presence of an investigator on those premises/vehicles or carried out through a surveillance device).

3.1 Directed Surveillance (DS)

3.1.1 The majority of covert surveillance that will be undertaken by the Council will fall under the heading of Directed Surveillance (DS).

3.1.2 DS is defined as surveillance which is covert, but not intrusive, and is undertaken:-

- (a) for the purpose of a specific investigation or operation;

- (b) in such a manner as it is likely to result in obtaining private information about a person (whether or not that person is the target of the investigation or operation); and
- (c) in a planned manner and not by way of an immediate response whereby it would not be reasonably practicable to obtain an authorisation prior to the surveillance being carried out.

3.1.3 It is irrelevant where the subject of the DS is being observed.

3.1.4 If you intend to instruct an agent to carry out the DS the agent must complete and sign the form marked "agent's agreement form" contained in Appendix C. The agent will be subject to RIPA in the same way as any employee of the Council would be.

3.1.5 The flow chart in Appendix D gives guidance on when authorisation might be needed.

3.2 **Covert Human Intelligence Sources (CHIS)**

3.2.1 This involves the establishment or maintenance of a personal or other relationship with a person for the covert purpose of obtaining or disclosing private information. A CHIS is a person who:-

- (a) s/he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph (b) or (c);
- (b) he covertly uses such a relationship to obtain information or to provide access to any information to another person; or
- (c) he covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

3.2.2 A relationship is established or maintained for a covert purpose if and only if it is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the purpose.

3.2.3 A relationship is used covertly and information obtained is disclosed covertly, if and only if the relationship is used or the information is disclosed in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the use or disclosure in question.

3.2.4 Covert Human Intelligence Sources may only be authorised if the following arrangements are in place:

- that there will at all times be an officer within the local authority who will have day to day responsibility for dealing with the source on behalf of the authority, and for the source's security and welfare;
- that there will at all times be another officer within the local authority who will have general oversight of the use made of the source;

- that there will at all times be an officer within the local authority who has responsibility for maintaining a record of the use made of the source; and
- that the records relating to the source maintained by the local authority will always contain particulars of all matters specified by the Secretary of State in Regulations.

- 3.2.5 Legal advice should always be sought where any matters for investigation may involve the use of other enforcement agencies, including the police.
- 3.2.6 Special consideration must be given to the use of vulnerable individuals for CHIS. A 'vulnerable individual' is a person who is or may be in need of community care services by reason of mental or other disability, age or illness and who is or may be unable to take care of himself, or unable to protect himself against significant harm or exploitation. Any individual of this description, or a juvenile as defined below, should only be authorised to act as a source in the most exceptional circumstances and only then when authorised by the Chief Executive (Head of Paid Service) (or, in his absence, by the person acting as Head of Paid Service).
- 3.2.7 Before an Investigating Officer undertakes any surveillance involving a vulnerable individual they **must obtain legal advice** and consult the RIPA co-ordinator concerning any clarification on the administrative process. Also in these cases, the Chief Executive (Head of Paid Service) (or in his absence, by the person acting as Head of Paid Service) must authorise the use of a vulnerable individual as a CHIS.
- 3.2.8 Special safeguards also apply to the use or conduct of juvenile sources; that is sources under the age of 18 years. On no occasion should the use or conduct of a source under 16 years of age be authorised to give information against his parents or any person who has parental responsibility for him.
- 3.2.9 In other cases, authorisations should not be granted unless the special provisions contained within The Regulation of Investigatory Powers (Juveniles) Order 2000; SI No. 2793 are satisfied. Authorisations for juvenile sources should be granted by the Chief Executive (Head of Paid Service) (or in his absence, by the person acting as Head of Paid Service). Before an Investigating Officer undertakes any surveillance involving a juvenile they must consult the RIPA co-ordinator.
- 3.2.10 If an Investigating Officer intends to instruct an agent to carry out the CHIS the agent must complete and sign the form marked "agent's agreement form" contained in Appendix C. The agent will be subject to RIPA in the same way as any employee of the Council would be.
- 3.2.11 The flow chart in Appendix D gives guidance on when authorisation might be needed.
- 3.2.12 Any Investigating Officer considering the use of a CHIS must seek advice from the RIPA Co-ordinator before taking any steps in relation to a CHIS.

3.3 **Intrusive surveillance**

3.3.1 Intrusive surveillance is defined as covert surveillance that:-

- (a) is carried out in relation to anything taking place on any residential premises or in any private vehicle; and
- (b) involves the presence of any individual on the premises or in the vehicle or is carried out by means of a surveillance device.
- (c) if the device is not located on the premises or in the vehicle, it is not intrusive surveillance unless the device consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle.

3.3.2 Local authorities are not authorised to conduct intrusive surveillance.

4. **Procedure for Obtaining Authorisations**

4.1 The Senior Responsible Officer:-

Role:

4.1.1 The Chief Executive Officer is designated the Council's Senior Responsible Officer (SRO) with responsibilities for:-

- (a) ensuring the integrity of the Council's RIPA processes;
- (b) ensuring compliance with RIPA legislation and the Home Office Codes of Practice;
- (c) engaging with the OSC when its inspector conducts an inspection;
- (d) overseeing the implementation of any post-inspection plans;
- (e) ensuring that all Authorising Officers are of an appropriate standard in light of any recommendations made by the OSC inspection reports;
- (f) ensuring that concerns are addressed, where OSC inspection reports highlight concerns about the standards of Authorising Officers.

4.2 Authorising Officers

Role:

Authorising Officers can authorise, review and cancel directed surveillance, and can authorise, review and cancel the employment of a juvenile or vulnerable CHIS, or the acquisition of confidential information.

4.2.1 The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 prescribes that for local authorities the Authorising Officer shall be a Director, Head of Service, Service Manager or

equivalent as distinct from the officer responsible for the conduct of an investigation.

4.2.2 Officers of a lower rank **cannot** grant authorisations.

4.2.3 A designated Authorising Officer must qualify **both** by rank and by competence. Officers who wish to be designated must have been trained to an appropriate level so as to have an understanding of the Act and the requirements that must be satisfied before an authorisation can be granted.

Appendix A sets out the officers within the Council who can grant authorisations.

4.2.4 Authorisations must be given in writing by the Authorising Officer. .

4.2.5 Authorising Officers are also responsible for carrying out regular reviews of applications which they have authorised and also for the cancellation of authorisations.

4.3 **Investigating Officers - What they need to do before applying for authorisation**

4.3.1 Investigating Officers should think about the need to undertake DS or CHIS before they seek authorisation. Investigating Officers need to consider whether they can obtain the information by using techniques other than covert surveillance. There is nothing that prevents an Investigating Officer discussing the issue of surveillance beforehand. Any comments by a supervisor should be entered into the application for authorisation.

4.3.2 The Codes of Practice do however advise that Authorising Officers should not be directly responsible for authorising investigations or operations in which they are directly involved although it is recognised that this may sometimes be unavoidable.

4.3.3 If an Investigating Officer intends to carry out DS or use CHIS they should complete and submit an Application for Directed Surveillance form which is marked Application for Directed Surveillance or an Application for the use of CHIS which is marked Application for CHIS to an Authorising Officer. An electronic version of the most up-to-date forms and Codes of Practice are available from the RIPA Co-ordinator, via the RIPA folder within SmartAccess or from the Home Office website address in Appendix B.

4.3.4 Appendix D shows the steps which are required as part of the authorisation process.

4.3.5 The person seeking the authorisation should obtain a Unique Reference Number from the RIPA Co-ordinator and complete parts 1 and 2 of the form having regard to the guidance given in this Guide and the statutory Codes of Practice.

4.3.6 The form should then be submitted to the Authorising Officer for authorisation.

4.4 Authorising Officers - What they need to do before authorising surveillance

4.4.1 Before giving authorisation an Authorising Officer **must** be satisfied that the reason for the request is the permitted reason under the Act and permitted under the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010, i.e.

in the case of directed surveillance, for the purpose of the prevention and detection of conduct which constitutes one or more criminal offences that are:

- (i) punishable by a maximum term of at least 6 months imprisonment; or
- (ii) are offences under:
 - a. Section 146 of the Licensing Act 2003 (sale of alcohol to children)
 - b. Section 147 of the Licensing Act 2003 (allowing the sale of alcohol to children)
 - c. Section 147A of the Licensing Act 2003 (persistently selling alcohol to children); or
 - d. Section 7 of the Children and Young Persons Act 2003 (sale of tobacco etc. to persons under eighteen); and

or

in the case of CHIS, for the purpose of the prevention and detection of crime or for the preventing of disorder;

and

- the desired result of the covert surveillance cannot reasonably be achieved by other means; and
- the risks of collateral intrusion have been properly considered, and the reason for the surveillance is balanced proportionately against the risk of collateral intrusion; and
- there must also be consideration given to the possibility of collecting confidential personal information. If there is a possibility of collecting personal information the matter should be passed to the Senior Responsible Officer for consideration.

4.4.2 An Authorising Officer **must** also be satisfied that the surveillance in each case is **necessary** and **proportionate**.

This is defined as:-

Necessity

- Obtaining an authorisation under the 2000 Act will only ensure that there is a justifiable interference with an individual's Article 8 rights if it is necessary and proportionate for these activities to take place. The 2000 Act first requires that the person granting an authorisation for directed surveillance believe that the authorisation is necessary in the circumstances of the

particular case for the statutory ground in section 28(3)(b) of the 2000 Act being “*for the purpose of preventing or detecting crime or of preventing disorder*” .

Proportionality

- The following elements of proportionality should be considered:
 - i) balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
 - ii) explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
 - iii) considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
 - iv) evidencing as far as reasonably practicable, what other methods have been considered and why they were not implemented.

When the Authorising Officer has considered if the surveillance is necessary and proportionate they must complete the relevant section of the form explaining why in his/her opinion the surveillance is necessary and proportionate.

4.5 Judicial Approval

4.5.1 From 1 November 2012, any DS or CHIS authorisation granted by an Authorising Officer **does not** take effect until an order has been made by a Justice of the Peace (“Magistrate”) approving the grant of the authorisation.

4.5.2 When an authorisation has been granted by an Authorising Officer, an Officer authorised by the Council to appear on its behalf in Magistrates’ Court proceedings (the “Applicant”) needs to make an application to the Magistrates’ Court for judicial approval of the authorisation before the authorisation can take effect (i.e. before lawful surveillance can begin).

4.5.3 Under the Criminal Procedure Rules 2012, the Applicant must:

- (i) apply in writing and serve the application on the court officer;
- (ii) attach the authorisation which the Applicant wants the court to approve (NB the original authorisation should be shown to and a copy provided to, the Magistrate. The original authorisation should be retained by the Investigating Officer) ;
- (iii) attach such other material (if any) on which the Applicant is relying to satisfy the court that the authorisation was necessary for the purposes of the prevention and detection of crime and was proportionate (as set out in paragraph 4.4.1) and that the authorisation was granted by a person designated for the purposes of RIPA .

The Applicant should also provide the Magistrate with two copies of a partially completed judicial application/order to assist the process.

4.5.4 The relevant Magistrate may approve the granting of a DS authorisation if, and only if, they are satisfied that:

- (i) at the time of the grant (i.e. when approval was given by the Authorising Officer):
 - a. there were reasonable grounds for believing that the authorisation was necessary for the purposes of the prevention and detection of crime and was proportionate (as set out in paragraph 4.4.1); and
 - b. that the authorisation was granted by a person designated for the purposes of authorising DS; and
- (ii) at the time when the relevant Magistrate is considering the matter, there remain reasonable grounds for believing that the authorisation is necessary and proportionate (as set out in paragraph 4.4.1)

4.5.5 The relevant Magistrate may approve the granting of a CHIS authorisation if, and only if, they are satisfied that:

- (i) at the time of the grant (i.e. when approval was given by the Chief Executive (Head of Paid Service)):
 - a. there were reasonable grounds for believing that the authorisation was necessary for the purposes of the prevention and detection of crime or disorder and was proportionate (as set out in paragraph 4.4.1) and that the arrangements set out in paragraph 3.2.3, together with any other prescribed requirements, were in place; and
 - b. that the authorisation was granted by a person designated for the purposes of authorising CHIS, and
- (ii) at the time when the relevant Justice of the Peace is considering the matter, there remain reasonable grounds for believing that the authorisation is necessary and proportionate (as set out in paragraph 4.4.1)

4.5.6 Where an application is approved by a Magistrate, the Investigating Officer should:

- (i) retain a copy of the judicial application/order that has been signed by the Magistrate;
- (ii) retain the original authorisation; and
- (iii) notify the RIPA Co-Ordinator of the JP approval for the authorisation and provide a copy of the authorisation, application and Order for the RIPA records.

4.5.7 Where an application is not approved by a Magistrate, the authorisation does not take effect and the surveillance proposed in the authorisation should not be carried out.

4.5.8 Where an application is refused by a Magistrate, the Magistrate may make an order quashing the authorisation.

5. **Duration, Review, Renewal and Cancellation of Authorisations**

5.1 **Duration**

5.1.1 DS authorisations will cease to have effect after three months from the date of judicial approval unless renewed (also subject to judicial approval) or cancelled.

5.1.2 Authorisations should be given for the maximum duration (i.e. three months) but reviewed on a regular basis and formally cancelled when no longer needed.

5.1.3 CHIS authorisations will cease to have effect after twelve months from the date of approval.

5.1.4 Investigating Officers should indicate within the application the period of time that they estimate is required to carry out the surveillance, this will be proportionate to the objectives of the investigation and give due consideration to collateral intrusion.

5.1.5 From 1 November 2012, urgent verbal authorisations are no longer available.

5.1.6 For CHIS authorisations, legal advice must be sought, particularly those that involve the use of juveniles (for which the duration of such an authorisation is one month instead of twelve months).

5.1.7 It is the responsibility of the Investigating Officer to make sure that the authorisation is still valid when they undertake surveillance.

5.2 **Review**

5.2.1 An Investigating Officer must carry out a regular review of authorisations. If an authorisation is no longer required it **must** be cancelled.

5.2.2 The results of any review must be included on the review form (see forms "Review of Directed Surveillance" and "Review of CHIS" available from the RIPA Co-ordinator, via SmartAccess or the Home Office website address given in Appendix B).

5.2.3 The Authorising Officer also has a duty to review authorisations that have been granted when it is necessary or practicable to do so. Particular attention should be given to authorisations involving collateral intrusion or confidential material.

5.2.4 The Authorising Officer should keep a copy of the review form and a copy should be given to the Investigating Officer. A copy of the review form must also be sent to the RIPA Co-ordinator.

5.3 Renewals

- 5.3.1 An Investigating Officer can ask for and an Authorising Officer can grant, subject to judicial approval, a renewal of an authorisation before it would cease to have effect.
- 5.3.2 An application for a renewal must not be made more than seven days before the authorisation is due to expire.
- 5.3.3 A renewal can last for up to three months, effective from the date that the previous authorisation would cease to have effect.
- 5.3.4 An Authorising Officer can grant more than one renewal, subject to judicial approval, as long as the request for authorisation still meets the requirements for authorisation. An Authorising Officer must still consider all of the issues that are required for a first application before a renewal can be granted.
- 5.3.5 If the reason for requiring authorisation has changed from its original purpose it will not be appropriate to treat the application as a renewal. The original authorisation should be cancelled and a new authorisation should be sought, granted by an Authorising Officer and approved by a Magistrate.
- 5.3.6 An application for a renewal must be completed on the appropriate form (see forms "Renewal of Directed Surveillance" and "Renewal of CHIS" available from the RIPA Co-ordinator, via SmartAccess or the Home Office website address given in Appendix B).
- 5.3.7 The Authorising Officer should keep a copy of the renewal and a copy should be given to the Investigating Officer. A copy of the renewal form, judicial application and order must also be sent to the RIPA Co-ordinator.

5.4 Cancellations

- 5.4.1 If the reason for requiring the authorisation no longer exists, the authorisation must be cancelled and in any event as soon as the operation for which an authorisation was sought ceases to be necessary or proportionate. This applies to both original applications and renewals (see forms "Cancellation of Directed Surveillance" and "Cancellation of CHIS" available from the RIPA Co-ordinator, via SmartAccess or the Home Office website address given in Appendix B).
- 5.4.2 Authorisations must also be cancelled if the surveillance has been carried out and the original aim has been achieved. Authorising Officers will ensure that authorisations are set to expire at the end of the appropriate statutory period.
- 5.4.3 It is the responsibility of the Investigating Officer to monitor their authorisations and seek cancellation of them where appropriate.
- 5.4.4 The Authorising Officer should keep a copy of the cancellation form and a copy should be given to the Investigating Officer. A copy of the cancellation form must also be sent to the RIPA Co-ordinator.

5.5 **Review of Policy and Procedure**

- (i) The Cabinet will receive bi-annual reports on the use of RIPA.
- (ii) The Cabinet will review the use of RIPA and report any recommendations to the Overview and Scrutiny Committee and Council on an annual basis.

6. **The RIPA Co-ordinator**

6.1 **Role**

The RIPA Co-ordinator will:-

- (i) provide a Unique Reference Number for each authorisation sought;
- (ii) keep copies of the forms for a period of at least three years;
- (iii) keep a register of all of the authorisations, reviews, renewals and cancellations, including authorisations granted by other public authorities relating to joint surveillance by the Council and that other public authority;
- (iv) provide administrative support and guidance on the processes involved;
- (v) monitor the authorisations, reviews, renewals and cancellations so as to ensure consistency throughout the Council;
- (vi) monitor each department's compliance and act on any cases of non-compliance;
- (vii) provide training and further guidance on and awareness of RIPA and the provisions of this Guide; and
- (viii) review the contents of the Guide, in consultation with Investigating Officers, Authorising Officers and the Senior Responsible Officer.

All original applications for authorisations and renewals including those that have been refused must be passed to the RIPA Co-ordinator as soon as possible after their completion with copies retained by the Authorising Officer and the Investigating Officer.

The RIPA Co-ordinator shall be the Head of Legal and Policy Development.

All cancellations must also be passed to the RIPA Co-ordinator.

6.2 It is however the responsibility of the Investigating Officer, the Authorising Officers and the Senior Responsible Officer to ensure that:-

- (i) authorisations are only sought and given where appropriate;
- (ii) authorisations are only sought and renewed where appropriate;
- (iii) authorisations are reviewed regularly;

- (iv) authorisations are cancelled where appropriate; and
- (v) they act in accordance with the provisions of RIPA.

7. **Legal Advice**

Legal Services will provide legal advice to staff making, renewing or cancelling authorisations, including making applications for judicial approval.

8. **Joint Investigations**

Where joint investigations are carried out with other agencies, such as the Department of Work and Pensions (DWP) or the Police, the RIPA Co-ordinator should be notified of the joint investigation and provided with a copy of any RIPA authorisation granted by another agency in respect of a joint investigation involving Council officers

Officers

The following officers are the Senior Authorising Officer and the Authorising Officers for the purposes of RIPA.

Senior Responsible Officer

Chief Executive - Julian Wain

Authorising Officers – Directed Surveillance

Chief Executive – Julian Wain

Corporate Director of Resources - Peter Gillett

Corporate Director of Services and Neighbourhoods - Martin Shields

Authorising Officer – CHIS

Chief Executive (Head of Paid Service) – Julian Wain

Authorisation Forms

The authorisation, review and cancellation forms will be the forms that are current on the home page of

<http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-codes-of-practice/>

Regulation of Investigatory Powers Act 2000

Gloucester City Council

Agent's Agreement Form

I (insert Agent's name) of
 (address) confirm that in
 relation to

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... (name or description of
 the surveillance) I agree to comply with the Regulations of Investigatory Powers Act 2000,
 with all statutory provisions, statutory Codes of Practice and with Gloucester City Council's
 Procedural Guide when undertaking any and all surveillance authorised by Gloucester City
 Council under the Regulation of Investigatory Powers Act 2000.

I acknowledge receipt of a copy of the Council's Authorisation Form reference number
 dated the and I agree not to
 carry out any surveillance that is contrary to this authorisation.

Signed

Dated

Will Directed Surveillance authorisation be required?

Are you carrying out the surveillance in a way that people are going to be unaware that it is being carried out?	No →	Surveillance is unlikely to be covert and therefore authorisation will not be required
↓ Yes		
Is the surveillance part of a specific investigation?	No →	Unlikely to require authorisation
↓ Yes		
Are you going to be collecting information about a person's private or family life?	No →	Unlikely to require authorisation
↓ Yes		↓ No
Will the surveillance require the presence of an individual or use a surveillance device on a person's premises or private vehicle?	Yes →	This may fall within the definition of intrusive surveillance
↓ No		
You will need to obtain authorisation		Seek advice from RIPA co-ordinator

Will Covert Human Intelligence Sources authorisation be required?

Are you carrying out the surveillance in a way that people are going to be unaware that it is being carried out?	No →	It is unlikely that the CHIS is covert and authorisation will be required
↓ Yes		
Are you going to establish a personal or other relationship with someone in order to obtain, provide access to, or disclose information as part of that relationship?	No →	Unlikely to require authorisation
↓ Yes		
Are you going to be using a vulnerable person or persons under 18 years old?	Yes →	Speak to the RIPA co-ordinator
↓ No		
Is the person establishing a relationship with employee or agent?		
↓ Yes		
Authorisation for CHIS should be obtained and an agent's agreement form should be completed when an agent is used		

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Gloucester City Council

Meeting:	Audit & Governance Committee	Date:	25 November 2013
Subject:	Review of Terms of Reference for Audit and Governance Committee		
Report Of:	Monitoring Officer		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Sue Mullins, Head of Legal and Policy Development		
	Email: sue.mullins@gloucester.gov.uk	Tel:	396110
Appendices:	1. Current Terms of Reference		

1.0 Purpose of Report

- 1.1 To request that a Working Group of the Committee reviews the Terms of Reference for the Committee and identifies any changes to the Terms of Reference that should be recommended to Constitutional and Electoral Working Group and Council.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE:**

- (1) That a Working Group be formed comprising of at least 3 members of the Committee to review the Terms of Reference for the Committee;
- (2) That the Working Group be instructed to consider and make recommendations on the frequency of Audit and Governance Committee meetings.

3.0 Background and Key Issues

- 3.1 The Audit & Governance Committee's current Terms of Reference were set in 2012 and include Terms of Reference from the former Standards Committee. The Terms of Reference therefore currently represent an amalgamation of the Terms of Reference for the Audit Committee (as it was previously known) and the former Standards Committee and there is potentially some duplication that could be removed and variation in terminology that could be improved upon.
- 3.2 It is recommended that a Working Group be formed to consider the Terms of reference for the Committee for three reasons:
- Firstly, the Committee's next meeting is on 17th March 2014 and this may be too late for any changes to the Committee's Terms of Reference to be included in this year's Constitutional review as Council will be asked to approve Constitutional changes for the forthcoming year at its meeting on 27 March 2014).

- Secondly, a Working Group will be more appropriate for detailed review of the Terms of Reference and is likely to be easier to convene than the main Committee, as fewer Members will be involved;
- Thirdly, updated CIPFA guidance on review of the effectiveness of the audit committee is anticipated later this month, and this is too late for consideration of this item at this Committee meeting. Previous CIPFA guidance has included suggested best practice terms of reference for audit committees.

3.3 The Committee is asked to note that the anticipated CIPFA guidance will not suggest Terms of Reference in relation to the Committee's standards responsibilities. There is no similar guidance issued in relation to ethical standards, although the reports and other publications of the Committee on Standards in Public Life can be useful in informing the role of the Committee when carrying out its standards work.

3.4 Audit and Governance Committee Members have expressed concern at the volume of business at recent meetings and it is therefore recommended that the frequency of Committee meetings also be considered by the Working Group.

4.0 Alternative Options Considered

4.1 No other options have been considered.

5.0 Reasons for Recommendations

5.1 It is good practice to regularly review the Terms of Reference for the Committee to ensure that they remain up-to-date and reflect best practice and a Working Group can include input from officers more easily than a formal Committee meeting. Feedback from Committee members has expressed concern about the volume of business before each meeting of the Committee.

6.0 Future Work and Conclusions

6.1 As has been identified in the report

7.0 Financial Implications

7.1 There are no direct financial implications arising out of this report.

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

8.0 Legal Implications

8.1 Under the Local Government Act 2000, the Council is required to have a Constitution setting out its governance arrangements. CIPFA guidance also requires the Committee to regularly review its effectiveness and this includes ensuring that its Terms of Reference are appropriate for the functions an audit committee should perform.

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

9.0 Risk & Opportunity Management Implications

9.1 If the Terms of Reference for the Committee are not reviewed, there is a risk that they will cease to reflect best practice or be appropriate for the functions the Committee needs to perform.

10.0 People Impact Assessment (PIA):

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

11.0 Other Corporate Implications

Community Safety

11.1 There are no specific Community Safety implications relating to the recommendation made in this report.

Sustainability

11.2 There are no specific Sustainability implications relating to the recommendation made in this report.

Staffing & Trade Union

11.3 There are no staffing or trade union implications arising from this report.

Background Documents: None.

Extract from the Council's Constitution**8. Audit and Governance Committee**

The Committee shall have the functions, powers and responsibilities set out below and in Article 8 of this Constitution.

Membership: 7 (Quorum 3) [Politically Proportional].

Comprising: Non-Executive Members.

Frequency

of Meetings: 4 meetings per annum together with such other meetings as the Committee Chair shall consider necessary or appropriate.

Requirement: All Members appointed to the Audit and Governance Committee shall be obliged to receive regular and appropriate training, and frequent updates.

(a) Role:

- (i) To consider the Group Manager, Audit and Assurance's annual report and a summary of the internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements, including an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
- (ii) To consider summaries of specific internal audit reports, quarterly.
- (iii) To consider an annual report on the performance of the internal audit service and review the effectiveness of the service in accordance with the Accounts and Audit Regulations.
- (iv) To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- (v) To consider the external auditor's annual letter, relevant reports, and the report of those charged with governance.
- (vi) To consider specific reports as agreed with the external auditor.
- (vii) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (viii) To liaise with the Audit Commission over the appointment of the Council's external auditor.
- (ix) To consider and review changes to the Council's constitution in respect of Contract Standing Orders, Financial Regulations, and Codes of Conduct and behaviour.
- (x) To monitor the effective development and operation of risk management and corporate governance.
- (xi) To consider summaries of specific risk management reports, quarterly.
- (xii) To monitor the operation of the Council's codes and protocols (see Part 5 of this Constitution) and the Council's complaints process and to advise the Council on the adoption or revision of such codes.
- (xiii) To consider the Council's arrangements for corporate governance and recommend the necessary action to ensure compliance with best practice.
- (xiv) To consider the Council's compliance with its own published standards and controls.
- (xv) To approve the statement of accounts and the annual governance statement.
- (xvi) To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- (xvii) To consider the external auditor's report on issues arising from the audit of the accounts.
- (xviii) To commission work from internal and external audit.

- (xix) To review any issues referred to it by the Chief Executive or a Corporate Director or any Council body.
 - (xx) To approve the Council's anti-fraud and corruption policies and any other governance policies deemed necessary.
 - (xxi) To receive allegations and any accompanying report from the Monitoring Officer and to refer the allegation to the Monitoring Officer for formal investigation or informal resolution.
 - (xxii) To set up, where necessary, a Hearings Panel to consider any alleged breach of the Members' Code of Conduct.
 - (xxiii) To promote and maintain high standards of conduct by Councillors and co-opted Members.
 - (xxiv) To assist Councillors and co-opted Members to observe the Members' Code of Conduct.
 - (xxv) To advise the Council on the adoption, revision of, or publicity on the Members' Code of Conduct.
 - (xxvi) To advise, train or arrange to train Councillors and co-opted Members on matters relating to the Members' Code of Conduct.
 - (xxvii) To grant dispensations to Councillors and co-opted Members from the requirements relating to interests set out in the Members' Code of Conduct or other Council codes and protocols where:
 - (a) without the dispensation, the representation of different political groups on the body transacting the business would be so upset as to alter the outcome of any vote on the matter;
 - (b) the Committee considers that the dispensation is in the interests of persons living in the Council's area; or
 - (c) the Committee considers that it is otherwise appropriate to grant a dispensation.
 - (xxviii) To consider appeals against decisions made by the Monitoring Officer in exercise of their dispensation powers;
 - (xxix) The exercise of (xxii) to (xxiv) above in relation to Quedgeley Parish Council and the Members of the Parish Council;
 - (xxx) To set up, where necessary, a Sub-Committee to shortlist and interview candidates for the role of Independent Person and to make recommendations to Council regarding the appointment of Independent Persons.
 - (xxxi) To provide such advice and assistance as appropriate regarding the appointment of the Independent Person as required under Part 7 of the Localism Act 2011.
 - (xxxii) To set the allowances and expenses payable to the Independent Person and Reserve Independent Persons.
- (b) The power and responsibilities of the Committee shall be as follows:
- (i) The ability to require the Leader and Cabinet Members to attend and be questioned on audit, risk management and corporate governance matters relating to their roles and responsibilities.
 - (ii) The ability to require the Chief Executive, and Corporate Directors to attend and be questioned on audit, risk management and corporate governance matters relating to their roles and responsibilities.
 - (iii) The power to call expert witnesses from outside the Council to give advice on matters under review or discussion.
 - (iv) To discharge powers under section 101 of the Local Government Act 1972 acting as a Sub-Committee of the Council for Statement of Auditing Standards (610) purposes.
 - (v) To approve the Statement of Accounts and the Annual Governance Statement.
 - (vi) To approve the Internal Audit Periodic Plan, receive reports on progress and as a consequence approve any material changes to the plan.
- (c) All other matters will be recommended, as appropriate, to the Council, Leader, Cabinet or other Council body for decision.
- (d) Delegation to Officers

Those functions relating to statutory financial, audit and legal functions which have been delegated to officers are set out in the Council's Scheme of Delegation in Part 3 to this Constitution.

Gloucester City Council
Audit and Governance Work Programme 2013-14
(updated 15 November 2013)

Item	Format	Lead Officer	Comments
25 NOVEMBER 2013:			
1. Audit and Governance Committee Action Plan	Timetable	-----	Standing agenda item requested by the Committee
2. Response to Internal Audit Report Recommendations – Client Monitoring of Payroll System	Verbal update	Audit, Risk and Assurance Manager	As requested by Committee.
3. Response to Internal Audit Report Recommendations - Response Repairs Contract	Verbal update	Asset Manager	As requested by Committee.
4. Financial Services Improvement Plan	Written report	Head of Finance	Part of the Committee's annual work programme
5. Treasury Management Update – Quarter 2 Report 2013/14	Written report	Head of Finance	Part of the Committee's annual work programme
6. Annual Governance Statement Action Plan 2013/14	Written report	Corporate Director of Resources	Part of the Committee's annual work programme
7. Risk Management Annual Report 2013	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
8. Internal Audit Plan Monitoring Report 2013/14	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
9. Committee on Standards in Public Life – Annual Report 2012-13	Written report	Monitoring Officer	Part of the Committee's annual work programme

Item	Format	Lead Officer	Comments
10. R.I.P.A Annual Update	Written report	Head of Legal & Policy Development	Part of the Committee's annual work programme
11. Review of Terms of Reference for Audit and Governance Committee	Written report	Head of Legal & Policy Development	Part of the Committee's annual work programme
12. Peer Review Update	Verbal update	Corporate Director of Resources	Part of the Committee's annual work programme
13. Service Risk Registers	Verbal update	Audit, Risk and Assurance Manager	Rolling agenda item requested by Committee
14. Audit and Governance Committee Work Programme	Timetable	-----	Standing agenda item
17 MARCH 2014:			
1. Audit and Governance Committee Action Plan	Timetable	-----	Standing agenda item requested by the Committee
2. External Audit Plan 2013/14	Written report	Darren Gilbert, KPMG	Part of the Committee's annual work programme
3. Internal Audit Plan – Quarterly Monitoring Report	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
4. Treasury Management Performance 2013/14 – Quarter 3	Written report	Head of Finance	Part of the Committee's annual work programme
5. Internal Audit Plan 2014/15	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
6. Service Risk Registers	Verbal update	Audit, Risk and Assurance Manager	Rolling agenda item requested by Committee

Item	Format	Lead Officer	Comments
7. Audit and Governance Committee Work Programme	Timetable	-----	Standing agenda item
8. Standards Refresher Training & Update on national picture / any Code of Conduct developments	Written / Verbal?	Head of Legal & Policy Development	Part of the Committee's annual work programme
23 JUNE 2014:			
1. Audit and Governance Committee Action Plan	Timetable	-----	Standing agenda item requested by the Committee
2. Annual Audit Letter 2013/14	Letter	Darren Gilbert, KPMG	Part of the Committee's annual work programme
3. Annual Audit Fee 2014/15	Letter	Darren Gilbert, KPMG	Part of the Committee's annual work programme
4. Draft Statement of Accounts 2013/14	Written report	Corporate Director of Resources	Part of the Committee's annual work programme
5. Internal Audit Plan – Quarterly Monitoring Report	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
6. Internal Audit Annual Report 2013/14	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
7. Review of the Effectiveness of Internal Audit	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
8. Treasury Management Performance – Quarter 4	Written report	Head of Finance	Part of the Committee's annual work programme
9. Treasury Management Strategy 2014/15	Written report	Head of Finance	Part of the Committee's annual work programme

Item	Format	Lead Officer	Comments
10. Annual Governance Statement	Written report	Corporate Director of Resources	Part of the Committee's annual work programme
11. Annual Complaints Monitoring	Written report	Head of Legal & Policy Development	Part of the Committee's annual work programme
12. Annual Standards Report	Written report	Head of Legal & Policy Development	Part of the Committee's annual work programme
13. Business Rates Pooling Annual Report	Written report	Corporate Director of Resources	Part of the Committee's annual work programme
14. Annual Report of the Audit Committee	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
15. Service Risk Registers	Verbal update	Audit, Risk and Assurance Manager	Rolling agenda item requested by Committee
16. Audit and Governance Committee Work Programme	Timetable	-----	Standing agenda item
8 SEPTEMBER 2014:			
1. Audit and Governance Committee Action Plan	Timetable	-----	Standing agenda item requested by the Committee
2. Internal Audit Plan – Quarterly Monitoring Report	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
3. Service Risk Registers	Verbal update	Audit, Risk and Assurance Manager	Rolling agenda item requested by Committee
4. Audit and Governance Committee Work Programme	Timetable	-----	Standing agenda item