Gloucester City Council

Audit and Governance Committee

Members are asked to attend a private training session at 6pm in the Civic Suite immediately before the meeting

Meeting: Monday, 19th January 2015 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

Membership:	Cllrs. Wilson (Chair), Hobbs (Vice-Chair), Llewellyn, Noakes, Haigh, McLellan and Taylor
Contact:	Lucy Hamilton Democratic and Electoral Services Officer 01452 396192 lucyh@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 7 - 10) To approve as a correct record the minutes of the meeting held on 13 November 2014.
4.	**PUBLIC QUESTION TIME (15 MINUTES)** To receive any questions from members of the public provided that a question does not relate to: • 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 or deputation is in relation to:
	• Matters relating to individual Council Officers, or • Matters relating to current or pending legal proceedings
6.	**AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN** (Pages 11 - 14) To consider the Action Plan.
7.	**COMBINED HEAT AND POWER INSTALLATION AT GL1** To receive a verbal update on the Installation at GL1 from the Asset Manager.
8.	**PEER REVIEW ACTION PLAN** (Pages 15 - 24) To consider a report of the Business Improvement & Performance Service Manager which informs members of the progress made against the Corporate Peer Challenge.
9.	**RISK MANAGEMENT STRATEGY** (Pages 25 - 44) To consider the report of the Leader of the Council regarding the revised Risk Management Strategy.
10.	**KPMG UPDATE ON GRANTS AUDIT** (Pages 45 - 48) To receive an update from KPMG.
11.	**INTERNAL AUDIT PLAN** (Pages 49 - 58) To consider a report of the Audit, Risk & Assurance Manager which informs Members of the audits completed as part of the Internal Audit Plan 2014/15.
12.	**INTERNAL AUDIT SHARED SERVICE PROPOSALS** (Pages 59 - 68) To consider a report of the Head of Finance concerning proposals to form an Internal Audit and Risk Management Shared Service between Gloucester City Council, Stroud District Council and Gloucestershire County Council.
13.	**AUDIT AND GOVERNANCE WORK PROGRAMME** (Pages 69 - 72) To consider the committee's work programme.

14.	**EXCLUSION OF PRESS AND PUBLIC** **To resolve:-** "That the press and public be excluded from the meeting during the following item of business on the grounds that it is likely, in view of the nature of business to be transacted or the nature of the proceedings, that if members of the press and public are present during consideration of this item there will be disclosure to them of exempt information as defined in Schedule 12A of the Local Government Act 1972 as amended". **Agenda Item No.** **Description of Exempt Information** 14 Paragraph 3: Information relating to the financial or business affairs of any particular person (including the Authority holding that information). Paragraph 7: Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.
15.	**EXEMPT MINUTES** (Pages 73 - 74) To approve as a correct record the exempt minutes of the meeting held on 13 November 2014.
16.	**DATE OF NEXT MEETING** Monday, 16th March at 6:30pm.

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Martin Shields
Corporate Director of Services and Neighbourhoods

Date of Publication: Friday, 9 January 2015

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 –

Interest	Prescribed description
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

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For further details and enquiries about this meeting please contact Lucy Hamilton, 01452 396192, lucy.hamilton@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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Any recording must take place in such a way as to ensure that the view of Councillors, Officers, the Public and Press is not obstructed. The use of flash photography and/or additional lighting will not be allowed unless this has been discussed and agreed in advance of the meeting.

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- 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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Gloucester
City Council

AUDIT AND GOVERNANCE COMMITTEE

MEETING : Thursday, 13th November 2014

PRESENT : Cllrs. Wilson (Chair), Hobbs (Vice-Chair), Noakes, Haigh, McLellan, Taylor and Norman

Others in Attendance
Jon Topping, Head of Finance
Sue Mullins, Head of Legal and Policy Development
Terry Rodway, Audit, Risk and Assurance Manager
Stephanie Payne, Audit, Risk Management and Value for Money Officer
Andrew Cummings, Management Accountant
Darren Gilbert, KPMG LLP
Tony Wisdom, Democratic Services Officer

APOLOGIES : Cllrs. Llewellyn

38. DECLARATIONS OF INTEREST

Councillor Taylor declared a prejudicial interest in agenda item 7, Annual Governance Statement Action Plan 2014-15, as a Director of Gloucestershire Airport Ltd and left the meeting during the consideration of that item.

39. MINUTES

The minutes of the meeting held on 8 September 2014 were approved and signed by the Chair as a correct record.

40. PUBLIC QUESTION TIME

There were no questions from members of the public.

41. PETITIONS AND DEPUTATIONS

There were no petitions or deputations.

42. AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN

The Committee considered the Audit and Governance Committee Action Plan.

Councillor Noakes noted that the reference to Minute 6 of the meeting on 26 June 2014 required further information to make sense.

The Chair was advised that in reference to Minute 32, Internal Audit Plan and the Docks Catering Service, the requested Follow - Up audit to ensure all agreed recommendations had been implemented had been put on hold as the service was now part of the Regeneration Service Review which would be reported to Organisational Development Committee later in November and the implementation of the actions would be dependent on the outcome of that review.

RESOLVED that the Audit and Governance Committee Action Plan be noted.

43. **ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2014-15 UPDATE**

Councillor Taylor having declared a prejudicial interest as a Director of Gloucestershire Airport Ltd left the meeting for the consideration of this item.

The Head of Finance provided an oral update on the Annual Governance Statement Action Plan which included governance arrangements for Gloucestershire Airport Ltd.

The Head of Legal and Policy Development advised that an exempt report would be presented to Council on 20th November that detailed progress on the implementation of the governance arrangements for Gloucestershire Airport Ltd previously approved by the Council.

She confirmed that it was not considered appropriate for the Councillors who were Airport Board members to see the report at this stage. When the report had been approved by Council a copy would be sent to Gloucestershire Airport Ltd.

RESOLVED that the report be noted.

44. **PEER REVIEW ACTION PLAN**

The Committee considered the Peer Review Action Plan. Members expressed concern at the method of application of the RAG (red, amber, green) system.

They called for the report to be reviewed, closed matters to coloured blue and target dates incorporated.

Councillor Haigh enquired about the purpose of the Corporate Director's weekly blog identified in Section 4 of the report. The Head of Finance advised that it contained a personal element while highlighting current issues. It tried to be informative while highlighting activities and key issues of the current week.

The Head of Finance undertook to ensure that the report would be revised to address the Committee's concerns for the next meeting when an appropriate Officer would be in attendance.

RESOLVED that the Action Plan be noted.

45.   GLOUCESTER CITY COUNCIL ANNUAL AUDIT LETTER 2013-14

The Committee considered the Annual Audit Letter for 2013-14 prepared by KPMG.

The Chair questioned the proposed fee for 2015-16 and Mr Gilbert (KPMG) advised that details of the anticipated fee would be presented with the Audit Plan early in the Financial Year.

RESOLVED that the Annual Audit Letter 2013-14 be received.

46.   ANNUAL RISK MANAGEMENT REPORT

The Audit, Risk Management and Value for Money Officer outlined the report which provided Members with an update on the Council's risk management activities from the past year to date and confirmed future planned actions.

The Chair asked if there was a central log of risk registers. He was advised that a log was currently held, confirming that service registers were in place for the Council's 26 services units. This log will be extended to cover significant partnerships and projects, such as the King's Quarter development and the housing stock transfer, to confirm whether risk management arrangements are in place for these areas and to enable risk management support to be directed to areas of need.

RESOLVED that the risk management arrangements in place for the past year be endorsed and the proposals for future development be noted.

47.   REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) - ANNUAL REVIEW OF PROCEDURAL GUIDE

The Head of Legal and Policy Development introduced the report which reviewed and updated the Council's procedural guidance on the Regulation of Investigatory Powers Act 2000 together with minor amendments to the list of Authorised Officers.

The Chair noted that authorisations for direct surveillance were now restricted to offences that would carry a minimum prison term of six months and most offences prosecuted by local authorities did not carry custodial sentences.

RESOLVED that the proposed changes to the Council's Regulation of Investigatory Powers be noted.

48.   TREASURY MANAGEMENT UPDATE QUARTER 2 REPORT 2014-15

The Management Accountant introduced the report which provided Members with an update on treasury management activities for Quarter 2, 1 July – 30 September 2014.

He confirmed that the wording of Appendix 4 had been supplied by Capita.

RESOLVED that the report be noted and that no changes are required to the prudential indicators.

49.   **AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The Committee considered the Audit and Governance Committee Work Programme 2014-15.

The Chair was advised that the Whistleblowing Policy and Anti-fraud and Corruption Strategy would be included on the March 2015 meeting agenda.

RESOLVED that the Work programme be noted.

50.   **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED that the press and public be excluded from the meeting during the following item of business on the grounds that it is likely, in view of the nature of business to be transacted or the nature of the proceedings, that if members of the press and public are present during consideration of this item there will be disclosure to them of exempt information as defined in Schedule 12A of the Local Government Act 1972 as amended".

Agenda Item No.	Description of Exempt Information
15	Paragraph 3: Information relating to the financial or business affairs of any particular person (including the Authority holding that information).
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51.   **UPDATE ON COUNCIL IT SYSTEM ISSUES**

The Committee considered the exempt report of the Senior Information Risk Officer which provided an update on Council Information Technology systems issues.

RESOLVED that the report be noted.

52.   **DATE OF NEXT MEETING**

Monday, 19 January 2015 at 6.30pm.

Time of commencement: 18:30 hours
Time of conclusion: 19:45 hours

                                                                                        Chair

AUDIT AND GOVERNANCE COMMITTEE – 19 JANUARY 2015

ACTION PLAN

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
Actions arising from meeting held on 24 September 2012:					
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. **NB** A review of the Guildhall operations, including IT requirements, is currently being undertaken by Consultants and a cross party working group of Members. A decision on whether to purchase new software has been put on hold pending the results of the consultants' review, the findings from which are due to be reported in early 2015..	**G**	~~31.03.14~~ ~~30.11.14 (revised date)~~ Early 2015 (revised date)	~~SG~~ ~~MS~~ MS
Actions from meeting held on 26 June 2014:					
6	Combined Heat & Power installation at GL1	The Asset Manager to provide a further update at the Audit & Governance Committee in January.	**G**	19.01.15	RW

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
Actions arising from meeting held on 8 September 2014:					
27	Annual Complaints Monitoring	It was agreed that future reports would reflect where action on a complaint had led to a change in a Council policy or procedure.	**G**	30.06.15	SM / WJ
32	Internal Audit Plan 2014-15 – Monitoring Report	It was agreed that the outcome of follow up audits on Docks Catering and Members' Allowances would be reported to the Committee in January 2015	**G**	19.01.15	TR
33	Annual Governance Statement Action Plan 2014-15 Update	Agreed that the report be deferred to the next meeting in November 2014 and that Appendix A1 'Peer Review Action Plan' be resubmitted in a 'RAG' style format showing clearly which actions had been completed. It was further agreed that the Head of Business Improvement should attend the November meeting to answer any queries.	**Action Complete (See also Min. 44 13/11/14)**	13.11.14	JT / SN

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
36	Audit and Governance Committee Work Programme	Noted that the Committee would be receiving a report (probably to the January 2015 meeting) on the ICT issues experienced by the City Council in July 2014. Some appendices to the report might have to be restricted. Also a 'technical expert' would be attending this meeting to give advice to the Committee.	Action Complete	~~19.01.15~~ 13.11.14	SN
Actions arising from meeting held on 13 November 2014:					
44	Peer Review Action Plan	The committee requested that the report be reviewed, closed matters to be coloured blue and target dates incorporated.	G	19.01.15	SN

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:	SMT	Date:	6th January 2015
	Audit & Governance Committee		19th January 2015
Subject:	Peer Review		
Report Of:	Cabinet Member for Performance & Resources		
Wards Affected:	All		
Key Decision:	No Budget/Policy Framework: No		
Contact Officer:	Sadie Neal, Head of Business Improvement		
	Email: sadie.neal@gloucester.gov.uk Tel: 396326		
Appendices:	1. Peer Challenge Action Plan		

FOR GENERAL RELEASE

1.0   Purpose of Report

1.1   To inform members of the progress made against the Corporate Peer Challenge and provide a copy of the Peer Challenge Action Plan.

2.0   Recommendations

2.1   Cabinet are asked to **RESOLVE** that the report and action plan be noted and that updates be received on a quarterly basis.

3.0   Background and Key Issues

3.1   Members will recall that the Peer Challenge took place between 11th to 13th December 2013 with the final report being signed off on 12th March 2014. The report highlighted many areas of good performance and particularly praised the work done on regeneration in the City but also made reference to areas for improvement. Since then officers have been working with colleagues from the local Government Association (LGA), Cabinet, staff and wider Members to address key points in the action plan.

3.2   The Action Plan has been evolving since September and continues to do so as an ongoing piece of work. Significant progress has been made in terms of staff engagement, budget consultation, understanding of the financial pressures and linking priorities to resources. In order to raise awareness of the action plan consultation sessions have been held with Senior Managers, all staff through team meetings and email briefings, Cabinet, Group Leaders and all Councillors'. The feedback from these sessions are all included in the Action Plan which is attached at Appendix 1.

3.3   As a result of the above activities an agreed set of recommendations and challenges were identified for the Council to consider and arrangements have been put in place

with the support of the LGA to develop the actions in the plan. This includes support from Peers for each of the political parties. Meetings between political peers and their own political groups took place during September to November.

3.4   As Members will see in the action plan a number of issues have already been addressed and in order to monitor progress a RAG (blue, red, amber, green) rating has been added to the action plan for ease of reference

4.0   Alternative Options Considered

4.1   This approach has been specifically tailored for the City Council and agreed with Group Leaders. The LGA are responsible for peer challenges nationwide. While other models could be formulated they would not have the cross local government recognition that this will do.

5.0   Reasons for Recommendations

5.1   To ensure members are aware of the plans in place to meet the requirements of Cabinet and Audit Governance Committee.

6.0   Future Work and Conclusions

6.1   Delivery of the Action Plan will be monitored over the coming year and outcomes reported at the end of financial year 2014/15.

7.0   Financial Implications

7.1   There have been no financial implications identified.

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

8.0   Legal Implications

8.1   There have been no legal implications identified.

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

9.0   Risk & Opportunity Management Implications

9.1   This is an opportunity for the Council to identify areas for improvement using a 'critical friend' approach provided by the LGA.

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   None

Sustainability

11.2   None

Staffing & Trade Union

11.3   None

Background Documents: None

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No	Issue Identified		Actions Required	Progress / Outcomes	Current Status	RAG	Original Completion Target Date	Revised Completion Target Date	Owner
1	Development of member and staff understanding of the scale of the future financial challenge	a	Ongoing dialogue throughout the year with Group Leaders and Political Groups in relation to savings, forecasting and challenges	Portfolio holders to receive monthly budget monitoring updates	Ongoing	Completed	01/09/14		JT/MS
				Monthly report of management accounts to SMT and portfolio holders	Ongoing	Completed	01/06/14		JT/MS
				Quarterly budget monitoring forecast reports to cabinet & O&S	Ongoing	Completed	30/04/14		JT/MS
		b	Pick up actions from Financial Peer review report on creating more comprehensive information and management understanding	Combine the budget monitoring information and council performance reporting	To be scoped between Business Improvement & Finance	G	27/02/15		SN/JT
				Improved training and support now offered to managers through monthly meetings with Management Accountant and updated budget information	Ongoing	Completed	01/06/14		JT
		c	Independent advice for members in relation to Council finance and risk	LGA arranged for all parties to meet with their political peer.	Cabinet member for performance and resources visited LGA with Head of Finance for a briefing on Local Government Finance and Gloucester City Council finances	Completed	10/11/14		JT
2	Alignment of budget setting process	a	Involve members, staff and partners in budget consultation	Management Accountant meeting to consult with and identify savings from budgets		Completed	01/09/14		JT
				Portfolio holders consulted through cabinet away days, identifying areas for future savings		Completed	13/11/14		JT/Cabinet

No	Issue Identified		Actions Required	Progress / Outcomes	Current Status	RAG	Original Completion Target Date	Revised Completion Target Date	Owner
				Communications sent out from SMT and Inhouse to alert all staff of opportunity to take part in online budget consultation.		Completed	01/07/14		WJ
				Budget consultation undertaken earlier than previous consultations with reports going to O&S in December 2014		Completed	August – September		JT
				Budget savings with partners agreed through strategic meetings and based upon performance and previous savings targets. Ongoing operational / strategic discussion to agree future savings targets		Completed	01/04/14		JT/SN/RC
3	Priorities linked to resources agreed by Cabinet and communicated to staff	a	Review of Council Plan and resources required for delivery	Council Plan to be reviewed annually, alongside performance and budget monitoring	Council plan and measures reviewed for 2014/15	Completed	27/02/14		SN/JT
				Annual review of performance indicators		Completed	27/02/14		SN
		b	Familiarise staff with Council Plan and link service performance across the Council	Annual individual service plans developed in line with Council Plan and shared with SMT and cabinet members		Completed	01/04/14		SMT/SN
				Staff event 2014, themed around Council Plan to promote understanding of strategic direction and to reinforce the importance of everyone's contribution in achieving successful delivery		Completed	08/10/14		SMT/WJ
				Appraisals aligned to service delivery plans to identify performance and contribution	Council in discussion with County and external provider	G	01/03/15		
4	Improve internal communications with staff	a	Review current use of internal communication channels and format	Introduce a 'get to know your cabinet member' briefing note for all staff	These were rolled out over 8 weeks	Completed	01/08/14		MS
				SMT to attend service 'Team Times' to discuss key issues, performance, events, changes		A	01/12/14 – 31/03/15		SMT
				Weekly blog from Corporate Director	An ongoing initiative	G	01/05/14		

No	Issue Identified		Actions Required	Progress / Outcomes	Current Status	RAG	Original Completion Target Date	Revised Completion Target Date	Owner
				Introductions between cabinet members and teams		Completed	01/07/14 – 31/09/14		SMT/MS
				Development of Council Intranet to enable discussion on hot topics, wellbeing, updates and news	This is yet to be scoped with Civica	G	01/03/15		SN/Civica
		b	Staff survey to be undertaken to understand and inform engagement and organisational health	Annual staff survey to collect baseline information on staff engagement, adaption of change and how we are doing	In discussion with County Council OD service	G	31/03/15		SMT
5	United leadership approach across Directors, SMT and Cabinet	a	Visibility, jointly supportive, avoiding duplication or crossing into each others roles	'Top Team' event facilitated by the LGA to cover member / officer relations. Review of the member / officer protocol. Facilitated discussion to include agreement of roles and responsibilities of officer and members	This initiative will run over a couple of months, the staff sessions have already taken place and member session to be held on 8th January 2015	G	24/11/14		SMT/Members
				Include members in the distribution of 'In House' publications	Ongoing	Completed	01/05/14		SMT
6	Training for members and officers to improve understanding of respective roles	a	Support from LGA to establish and agree roles, responsibilities and existing protocols	LGA attending Cabinet / SMT away days and further meetings with Corporate Directors	Held in Bluecoat room Guildhall	Completed	24/07/14		
				Offer training for all staff through the South West council on understanding working in Local Government	This has been scoped with the provider and dates to be agreed	G	31/01/15		SN/HR
				Staff inductions to include information relating to working in local government and associated roles		G	31/03/15		HR
				Make available training for members on professional matters e.g planning, heritage, conservation, urban design etc..	Being scoped with the LGA and awaiting feedback	G	01/04/15		SMT
				The LGA New Members guide has been shared with Group Leaders for it to be shared with Groups		Completed	01/06/14		LGA

No	Issue Identified		Actions Required	Progress / Outcomes	Current Status	RAG	Original Completion Target Date	Revised Completion Target Date	Owner
7	Provide opportunities for all staff to have input and feed ideas, encouraging staff to make decisions without fear of getting them wrong	a	Ensure that decision making responsibilities are correctly aligned with roles and recorded	Constitution updated with new responsibilities identified for relevant officers		Completed	30/04/14		SM
				Revised spending limits to meet operational requirements and support decision making responsibilities		Completed	31/03/14		JT
		b	Build confidence amongst staff by ensuring decision making processes are understood by officers (correct delegation and forms signed by relevant officer / member)	Guidance made available for all managers to share with teams		G	31/01/15		SMT
		c	Do 'pulse checks' quarterly amongst staff. Consisting of a few open ended questions to encourage and enable 'fearless feedback'(covering engagement,	Pilot to be held at staff event	Over – ran with time at event and needs to be rescheduled	A	08/10/14	10/03/15	SMT
					Liaising with County Council OD service				
		d	Provide channel for all staff to put forward ideas and suggestions in relation to service and organisational improvements	Café conversations have been held with staff and feedback received. Future dates to be agreed to take forward actions	Dates to be arranged for February 2015	G	10/11/14	31/03/15	SMT
8	Link the physical and social aspects of regeneration together	a	Ensure that social regeneration features in all regeneration schemes and those considered for new development	Work has already began with initiatives involving jointly funded 'community builders' as part of the ABCD agenda.		Completed	01/04/14		EP
				Work with relevant stakeholders to make most of employment, skills, training and development initiatives in local areas. Using information in City Plan to engage and develop linkages between social and physical regeneration	City Plan in development	G	01/04/15		AH

No	Issue Identified		Actions Required	Progress / Outcomes	Current Status	RAG	Original Completion Target Date	Revised Completion Target Date	Owner
9	Develop Councils organisational values, attitudes and behaviours in line with evolving environment and challenges	a	Work with all staff and members to identify what type of organization we are and need to be in order to thrive and be successful	Workshops were started in November 2014 to engage staff	Discussions with County Council OD service to assist with development of workshops	G	31/03/15		SMT/HR/County
		b	Progress the achievements of the workshops provided by the LGA, Sfj and Birmingham City Council: • Business Canvas Model • Workforce Canvas	Workshops identified 3 key areas for the Council to work on ; • Key Activities • Value propositions • Cost structure	To be built into OD plan	G	01/04/15		SMT/HR
10	SMT & Cabinet to lead the way in demonstrating the values, attitudes and bahaviours desired by the Council	a	Joint walkabouts with SMT & Cabinet members to engage teams	To build on engagement and promote discussion on services		G	31/01/15		SMT
		b	Acknowledgement of good performance	Development of reward scheme linked to appraisal	Being considered with County Council	G	31/03/15		SMT/HR/County
				Excellent performance / achievements to be reported 'In House' communications and at staff awards	Has started and will be ongoing	G	08/10/14		SMT/WJ
		c	Ensure appropriate resource is allocated to support Head of Paid Service	Peter Jones, Gloucestershire County Council to support Head of Paid Service	Ongoing support being received	Completed	01/06/14		MS

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Gloucester City Council

Meeting:	SMT	Date:	21st October 2014
	Cabinet Briefing		19th November 2014
	Audit & Governance Committee		19th January 2015
	Cabinet		28th January 2015
Subject:	Risk Management Strategy - revised		
Report Of:	Leader of the Council		
Wards Affected:	Not applicable		
Key Decision:	No Budget/Policy Framework: No		
Contact Officer:	Stephanie Payne – Audit, Risk Management and Value for Money Officer		
	Email: stephanie.payne@gloucester.gov.uk Tel: 396432		
Appendices:	1: Risk Management Strategy – revised		

FOR GENERAL RELEASE

1.0   Purpose of Report

1.1   To present the revised Risk Management Strategy to Members for their consideration and approval.

2.0   Recommendations

2.1   Audit & Governance Committee is asked to endorse the revised Risk Management Strategy and **RECOMMEND** to Cabinet that the revised Risk Management Strategy (at Appendix 1) is approved.

2.2   Cabinet is asked to **RESOLVE** that the revised Risk Management Strategy (at Appendix 1) is approved.

3.0   Background and Key Issues

3.1   '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.

3.2   Risk management is a core part of the Council's corporate governance framework and internal control environment. It is one of the six core principles within the Council's Code of Governance (part of the Council Constitution) –

'taking informed and transparent decisions which are subject to effective scrutiny and managing risk'.

3.3   A Risk Management Strategy should provide a framework for the effective management of risks and opportunities within the Council, support decision making at all levels, and aid delivery of the Council Plan priorities and objectives.

3.4   The Risk Management Strategy was last updated and approved by Members in March 2012. Whist the main principles of the Strategy remain relevant, the document does require update to take account of the Council's current structure, objectives and up to date best practice guidance.

4.0   Risk Management Strategy - main areas of revision

4.1   The Risk Management Strategy (Appendix 1) main areas of revision include consideration and reflection of:

- The Council Plan 2014/17
- The Council's management and service structure
- Good practice guidance – e.g. CIPFA: Audit Committees – Practical Guidance for Local Authorities & Police (2013 edition)
- Member review of the strategic risk register by Audit & Governance Committee and Cabinet on a biannual basis (issue raised by the Leader and Member Risk Management Champion)

4.2   The revised Strategy is intended to reaffirm and improve effective risk management in the Council, comply with good practice and in doing so, effectively manage potential opportunities and threats to the organisation achieving its objectives.

4.3   Ensuring that there is an understanding of 'risk' and that the Council adopts a consistent approach to identifying, prioritising and reporting risks, should lead to conscious and transparent choices over the most appropriate method for dealing with each   risk – e.g. risk elimination, reduction, transfer or risk acceptance.

5.0   Alternative Options Considered

5.1   No other options have been considered.

6.0   Reasons for Recommendations

6.1   The Council Code of Governance requires the Council to ensure that an effective risk management approach is in place. The existence and application of an up to date and effective Risk Management Strategy is a fundamental part of this.

7.0   Future Work and Conclusions

7.1 Implementation of the revised Risk Management Strategy will support the development of the Council's risk management approach and ensure that it is in line with current good practice.

7.2 Following approval, the revised Risk Management Strategy will be rolled out within the Council through corporate communication and update workshops for both officers and Members. The Member and Officer Risk Management Champions will support this process and help embed the approach.

7.3 In order to ensure the Strategy remains relevant, an annual review will be undertaken by officers. Where revision is required, the revised Strategy will be reported to Audit & Governance Committee for endorsement and Cabinet for approval.

8.0 Financial Implications

8.1 The delivery of the Risk Management Strategy will be completed by responsible officers and delivered within existing resources.

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

9.0 Legal Implications

9.1 It is fundamental that the Council has and maintains a Risk Management Strategy which considers identification, recording and management of risks to the Council in the delivery of its priorities and objectives.

9.2 The existence and application of an effective Risk Management Strategy assists prudent decision making. Failure to deliver and embed the Strategy could lead to unnecessary liability and costly legal challenge as a result of the non management of risks.

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

10.0 Risk & Opportunity Management Implications

10.1 The lack of a robust approach to the management of risks and opportunities could result in inappropriately informed decision making and non achievement of the Council's priorities and objectives at both strategic and service levels.

11.0 People Impact Assessment (PIA):

11.1 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:

CIPFA: Audit Committees – Practical Guidance for Local Authorities & Police (2013 edition)

RISK MANAGEMENT STRATEGY

2014 DRAFT

Author: Stephanie Payne, Audit, Risk Management and Value for Money Officer

Endorsed by: Cllr Debbie Llewellyn, Member Champion for Risk Management

Updated: November 2014

CONTENTS

Document version control

Version number	Version date	Summary of changes
1	March 2008	Original document
2	March 2012	Updated version – approach update due to cessation of use of Performance Plus system (for performance and risk management)
3	November 2014	Updated version – inclusion of strategic risk register biannual review by Committee and alignment of approach, roles and responsibilities with the Council's up to date structure

1. Foreword

> *'If a Council doesn't have effective risk management then it doesn't have effective management'*
>
> **- 'Chance or Choice' the Society of Local Authority Chief Executives**

At Gloucester City Council we understand risk management plays an integral part in our journey of transformation, supporting the delivery of the Council priorities which are detailed within the Council Plan 2014/17:

- Prosperity – growing Gloucester's economy
- People – working with our communities
- Place – creating pride in our city and improving our environment
- Performance – sound finances and strong performance

Risk management is a key principle of effective corporate governance at the Council and a main contributor to a sound internal control environment.

The Council's Members and Senior Management Team support and endorse the work of embedding a risk management culture across all levels of Gloucester City Council's operations. The importance of integrating risk management techniques in planning, decision making and delivery is recognised, as is the need to raise overall awareness and understanding of risk.

The Council's aim is to apply recognised best practice in the identification, evaluation and management of risks and opportunities, through delivery of a structured and consistent risk management approach to ensure decisions made by the Council consider all relevant risk and opportunity implications and that identified risks and opportunities are proactively managed.

The Risk Management Strategy details our framework and approach to how we deliver risk management and embed it at Gloucester City Council. The Leader of the Council, Members and the Senior Management Team are committed to this Strategy and see it as part of our commitment to driving improvement strategically and in our services.

Paul James
Leader of the Council

Martin Shields
Corporate Director,
Services& Neighbourhoods

2. What is risk management?

2.1 Definition and scope

> *'Risk management is the culture, processes and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and objectives'*
>
> **ALARM**

This Strategy is intended to reaffirm and improve effective risk management in the Council, comply with good practice and in doing so, effectively manage potential opportunities and threats to the organisation achieving its objectives.

Ensuring that there is an understanding of 'risk' and that the Council adopts a consistent approach to identifying, prioritising and reporting risks should lead to conscious choices over the most appropriate method for dealing with each risk – e.g. risk elimination, reduction, transfer or acceptance.

2.2 Risk management objectives

Gloucester City Council is aware that, as a multi-service organisation, it is exposed to a very wide range of risks and threats to the delivery of key services to the community it serves.

The Risk Management Strategy is to support a structured approach to risk management through adopting best practice in the identification, evaluation and the cost effective management of risks to ensure that they are reduced to an acceptable level.

The objectives of Gloucester City Council's Risk Management Strategy are to:

- Integrate risk management into the culture of the Council.
- Manage risks in accordance with best practice.
- Anticipate and respond to changing social, environmental and legislation requirements.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of the need for risk management in all those connected with the Council's delivery of services.
- Enable the Council to achieve its key corporate priorities and objectives.

This will be achieved by:

- Establishing clear roles, responsibilities and reporting lines for risk management.
- Providing and using a robust and systematic framework for identifying, managing and responding to risk.
- Reinforcing the importance of effective risk management through communication and risk management awareness training.
- Incorporating risk management into the Council's corporate, financial and service planning processes.
- Reinforcing the value of risk management within the Council's (and partnerships') project management, performance management and procurement processes.
- Monitoring arrangements on an ongoing basis.

3. Risk appetite

> *'The alternative to risk management is crisis management but that is far more expensive, embarrassing and time consuming'*
>
> **- James Lam, risk management author**

An organisation's risk appetite is the amount of risk it is prepared to accept, tolerate or be exposed to in order to achieve its objectives. This is then factored into planning, decision making and delivery.

The Council's goal is to be risk and opportunity aware. Gloucester City Council's risk appetite is determined by individual circumstances. In general, the Council's approach to service provision is to be innovative, seek continuous improvement and provide value for money within a framework of robust corporate governance. The framework includes a risk management approach that identifies and evaluates risks relating to actions being considered. Decisions on whether to proceed with such actions are only taken after full assessment of the identified risks and an analysis of the risks compared to the benefits.

However, in all circumstances:

- The Council should secure the legal integrity of its actions at all times.
- The Council should manage its financial affairs so that no action would be taken which would jeopardise its ability to continue as a going concern.

4. How is risk management delivered?

4.1 Types of risk

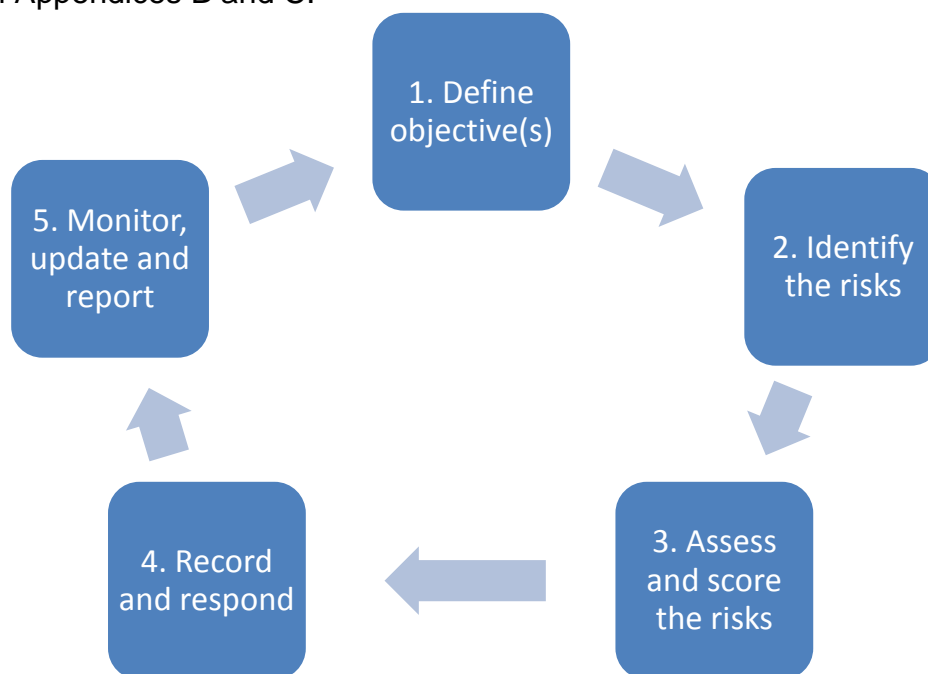Risks should be assessed at appropriate levels within the Council. These are as follows:

Type	Responsible officers	Risk assessment method
Strategic	Senior Management Team (SMT) and Members	Strategic risk register
Service	Heads of Service and Service Managers	Service risk registers
Projects	Project Boards/Lead officer	Risk assessment pre commencement – i.e. within the project decision Risk management criteria within project agreement/contract Project risk register
Partnership	Partnership Boards/Lead officer	Risk assessment pre commencement – i.e. within the partnership decision Risk management criteria within partnership agreement/contract Partnership risk register
Decision making	Report Author	Committee report template
Procurement	Lead officer for procurement of item/service	Compliance with the Council Constitution Standing Orders and procurement work flow criteria

Appendix A gives further details on risk types and examples.

4.2 Risk management cycle

The risk management cycle applies to all types of risk and involves a number of key stages which are outlined below. The scoring and recording of risk is shown in more detail in Appendices B and C.

Stage	Description
1: Define objective(s)	This applies to all risk types. Objectives form part of the risk management cycle as they will often change/develop, requiring review as appropriate.
2: Identify the risks	Risk registers should document the risks/opportunities that could impact or prevent the achievement of the defined objective(s). It is the responsibility of all parties associated with an objective to help identify potential risks and report them to the manager responsible for the objective. Risks should be recorded in enough detail to enable identification of the objective the risk affects, the specific risk, and the impact of the risk.
3: Assess and score the risks	Risk is scored using a 4*4 (risk likelihood multiplied by risk impact) scoring matrix – detailed at Appendix B. The Council use a three stage risk assessment approach and this is reflected within the risk register template at Appendix C: - **Original Risk**: The impact and likelihood of the risk without any controls in place – the inherent risk score if no action was taken. - **Current Risk**: The impact and likelihood of the risk considering the existing controls in place – i.e. what is being currently delivered. Current controls should be evaluated and documented.

Stage	Description
4: Record and respond	- **Mitigated Risk**: If the current risk with existing controls is above the level of risk appetite, the risk score should be assessed to determine whether it can be revised to an acceptable level through implementation of further risk mitigating controls. This will include actions such as: - Avoiding the risk. - Limiting or reducing the risk. - Mitigating the risk. - Transferring the risk, e.g. take out insurance. - Defer or stop – due to the risk being unacceptable. This process records the further mitigating controls that are required and realistic time scales for their implementation. Once the further mitigating controls have been identified, the risk is reassessed to confirm the mitigated risk score (i.e. the target for acceptable risk). Risks should be recorded within a risk register, in line with the Council's template – see Appendix C. Each risk needs to be allocated a risk owner to take responsibility for managing the risk, ensuring controls remain effective and mitigating actions implemented.
5: Monitor and report	All risks can change over time and therefore need close monitoring to ensure that current controls remain in place and are effective, and that mitigating actions are achieved within the stated timeframe. Also new/emerging risks should be considered on the risk register and those that are no longer a risk should be removed. All changes must be recorded and reported appropriately. Risk registers should be reviewed and updated as appropriate to ensure they reflect the current risk position. The strategic risk register is formally reviewed by SMT on a monthly basis, and biannually by Members through Audit and Governance Committee and Cabinet. Service business plans and risk registers are reviewed by SMT on an annual basis. Independent monitoring of risk management arrangements will be completed as part of the Risk Based Internal Audit Plan. An annual risk management report is also submitted to Audit & Governance Committee.

5. Roles and responsibilities

Everyone has a role to play in managing risk and delivering the Risk Management Strategy. All Members, managers, employees and partners must understand the nature of risk and accept responsibility for managing risks associated with their area of activity.

These roles and responsibilities are confirmed within the following table.

Post	Role and responsibilities
Leader and Cabinet	- Consider and approve the Council's corporate Risk Management Strategy. - Receive and endorse the Council's strategic risk register on a biannual basis. - Nominate a Member Risk Management Champion (role defined below).
Audit and Governance Committee	- The following roles and responsibilities are in line with the Council Constitution requirements. - Consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council, while integrating risk management into the governance and decision making processes. - Monitor the effective development and operation of risk management in the Council, including review of the Risk Management Strategy for recommendation to Cabinet and receipt of the annual report on risk management activity. - Monitor progress in addressing risk-related issues reported to the Committee. - Consider and confirm that reports to Audit & Governance Committee properly reflect the risk environment and any actions required to improve it (including but not exclusive to the Risk Based Internal Audit Plan, Annual Governance Statement, and reports from both internal and external audit). - Provide independent assurance to Council on the adequacy and effectiveness of the risk management framework. - The ability to require the Leader, Cabinet Members, and Corporate Directors to attend and be questioned on risk management matters relating to their roles and responsibilities. - Receive and endorse the Council's strategic risk register on a biannual basis.
Members	- Be aware of the risk management implications of decisions and ensure that all identified risks have been considered in decision making.
Member and Officer Risk Management Champions	- Ensure that the Council manages risk effectively through the development, implementation and review of a robust and comprehensive Risk Management Strategy. - Arrange training and guidance in Risk Management as appropriate (Officer Champion only). - Be pro-active in supporting, promoting and challenging risk management activities across the Council. - Support the Council officers and Members in delivering the Risk Management Strategy – including raising awareness, providing advice and support, and assisting with risk registers.

Post	Role and responsibilities
SMT	- Ensure the Council identifies and manages risk effectively through the development, implementation and review of a robust and comprehensive Risk Management Strategy. - Ensure the risk appetite for the Council is identified and reviewed regularly. - Strategic risk register ownership, review and update (monthly review and update as a minimum). - Receipt and review of service and significant partnership risk registers on an annual basis, to consider risks affecting delivery of services as reported by Managers. - Ensure that risks are fully considered in management processes and all strategic decision making.
Managers	- Support the Council in the effective implementation, review and promotion of the Risk Management Strategy within services. - Support the embedding of risk management within the culture of the Council as an integral part of the planning, decision making and performance management framework. - Own their service risk register and ensure they are managed, monitored and communicated effectively (including delivery of mitigating action activity) – review and update should be completed on a regular basis to ensure that new and/or emerging service risks are considered. - Ensure that risks are identified, evaluated and managed appropriately in projects and partnerships (see Appendix C). - Promptly advise SMT of any service/partner/project risks that may require escalation to the strategic risk register. - Provide assurance to SMT regarding risk management compliance at service, partner and project level. - Ensure risks relating to Committee report recommendations are appropriately considered and reported. - Ensure that any policies or procedures for which they are responsible make the appropriate linkages to risk management.
Employees and Volunteers	- Identify and assess risks and opportunities effectively in their job. Report identified risks/opportunities to their managers. - Undertake their job within contractual, policy and statutory guidelines.
GAAP – Internal Audit service provider	- Produce and deliver an annual Risk Based Internal Audit Plan to monitor the effectiveness of internal controls. - Report where controls are not in place/operating effectively and provide recommendations for management consideration and action. - Facilitate an independent audit of the Risk Management Strategy and processes (including risk register review).
Insurance officer role (Financial Services)	- Day to day management of the insurance function, including arrangement, claims, provision of advice/support etc. - Ensure appropriate arrangements are in place to mitigate against identified insurable risks.

6. Business continuity planning

As a Council, and in undertaking our role as a Category One Responder under the Civil Contingencies Act (2004), there is a legal requirement to have robust business continuity procedures in place.

Business continuity planning is an element of risk management and is a process to ensure continuity of service delivery following an unplanned disruption to normal working. There should be a Business Continuity Plan (BCP) in place in all Council services and at each of our key service delivery partners.

The Gloucester City Council BCP lead document is our Corporate Recovery Plan and the approach is supported by our corporate recovery team.

For further information on business continuity planning, please e mail the business.continuity@gloucester.gov.uk or contact the Deputy District Emergency Planning Liaison Officer directly - edward.pomfret@gloucester.gov.uk

7. Further guidance and support

Further advice on risk management can be obtained from the Officer Risk Champion or by e mailing the risk management in box – details below:

Stephanie Payne
Audit, Risk Management and Value for Money Officer
01452 39 6432
stephanie.payne@gloucester.gov.uk

riskmanagement@gloucester.gov.uk

Other risk management relevant documentation is available on the Council intranomic - under the corporate information and democratic and decision making sections:

- Risk register template
- Council report writing guide (including the Committee report template)
- Procurement flow chart and risk examples to consider

Risk types

Strategic level

Strategic risk may impact the achievement of the Council's corporate priorities and objectives, detailed within the Council Plan 2014/17. Strategic risks are documented within the strategic risk register.

Strategic risk categories include:

- **Political** – e.g. failure to meet local administration commitments or central government policy
- **Economic/Financial** – impacting the Council's ability to meet the Money Plan
- **Social/Customer** – e.g. failure to meet changing needs of residents
- **Technological** – e.g. obsolescence of technology; confidentiality/security breach
- **Legislative** – e.g. non application and compliance with statutory regulations resulting in legal challenges, judicial review or public interest reports
- **Environmental** – environmental consequences (e.g. energy, efficiency, pollution etc) of Council objective delivery
- **Reputation** – e.g. lost confidence in the Council to deliver objectives; adverse media attention
- Risks faced as an **Employer** – e.g. a lack of competence and professionalism within the authority leading to diminished performance and failure to comply with legislation and Council rules, regulations and procedures
- **Regeneration (Property Assets)** – due to the significance of City regeneration within the Council Plan 2014/17

The strategic risk register is formally reviewed by SMT on a monthly basis and risk owners are at SMT level. Review by Members at Audit and Governance Committee and Cabinet is completed on a biannual basis.

Service level

Each service should establish a service risk register, a document that should sit alongside and link with the service's business plan.

The service risk register should consider and document the risks/opportunities that could impact the delivery of service objectives. Service risks may change within the year, therefore service risk registers should be reviewed and updated as appropriate to ensure they reflect the current risk position.

Service business plans and risk registers are reviewed by SMT on an annual basis.

Example service risk categories include (but are not exclusive to):

- **Financial** – e.g. non achievement of budget due to overspend/reduced income
- **Human Resources** – e.g. staff turnover or resourcing issues impacting a service's ability to deliver objectives
- **Legal** – e.g. breach of legislation or non compliance with statutory deadlines
- **Contractual** – e.g. failure of contractor/partner to deliver services/products or over reliance on key suppliers

- **Physical/assets** – related to security, accident prevention and health & safety
- **Professional** – associated with the service's professional delivery e.g. homelessness services ability to provide temporary accommodation for households in need within statutory and local requirements

The top risks should be detailed in the service business plan under the 'factors that may affect service delivery'.

Projects

Risks must be identified, managed and reported to the appropriate Project Board. Project risks should be fed into the strategic risk register if required.

Partnership

Risks are required to be identified for all partnerships in which the Council is involved. These could be risks for the Council itself and/or the partnership.

Managing risks in partnerships should be undertaken in accordance with the Best Practice principles outlined in the HM Treasury document 'Managing Risks with Delivery Partners'. Such principles will be agreed between the Council and its partner (through contract or service level agreement) and will include:

- Common understanding of the objectives of the partnership
- Common understanding of the risks and how they can be managed
- Agreed standards for assessing risks and prioritising mitigating actions
- Preparation of a joint risk register   -   Joint risk reviews are undertaken
- Clarity on who owns risk   -   Use of same risk language
- Review of the partner's business continuity plan
- Clarifying requirement for monitoring information and who has access
- Ensure perceptions of risk are shared and consider logging different perspectives

Partnership risks should be fed into the Council's strategic risk register where appropriate.

Risks in decision making

Committee reports should identify potential risks and opportunities to the Council arising from the report recommendations. This should be completed within the 'risk & opportunity management implications' section of the Committee report template – which should demonstrate that the risks and opportunities have been assessed, and that there are risk management actions planned to ensure the proposal has a successful outcome.

Not all reports will require detailed risk analysis and it is the responsibility of the report author to gauge the extent of the risk analysis to be undertaken. Where a full risk analysis has been completed (e.g. a risk register) it should be held as a background document and not accompany the report, but may be called upon by Committee.

If there are no/minimal risks, then the report author should document this to confirm that risk implications have been considered. A suggested wording is 'Risk and opportunity implication review has identified minimal/no risk to the Council connected with the recommendations made in this report'.

Scoring risk

The impact and likelihood of any risk is evaluated on a scale of 1 – 4, with the produce of the two (impact score multiplied by likelihood score) representing the risk score.

Impact				
Catastrophic	Low 4	High 8	Very High 12	Very High 16
	Low 3	Medium 6	High 9	Very High 12
	Low 2	Low 4	Medium 6	High 8
Minor	Low 1	Low 2	Low 3	Low 4
	Likelihood Very Unlikely			Very Likely

The interpretation of the scores is as follows:

Impact: rated 1 – 4

1: Low negligible impact e.g.
- Minor service disruption/short term inconvenience
- Minor injury
- Financial loss of £49,999 and under
- Isolated service user complaints

2: Medium impact e.g.
- Service disruption
- Loss time injury
- Financial loss between £50,000 and £249,999
- Adverse local media coverage/number of justified service user complaints

3: High negligible impact e.g.
- Significant service disruption
- Major/Disabling injury
- Financial loss between £250,000 and £499,999
- Adverse local media coverage/high number of justified service user complaints

4: Extreme/catastrophic impact e.g.
- Total service loss for a significant period
- Fatality to employee service user or other person
- Financial loss of £500,000 and above
- Adverse national media coverage/significantly high number of justified service user complaints

Likelihood: rated 1 – 4

1: Unlikely/rarely happens
2: Moderate chance/could happen
3: Likely
4: Almost certain

Overall risk score

The overall risk score can be interpreted as follows:

Overall risk score	Level of risk appetite
12 - 16	Very high risk – take further mitigating action to manage the risk and reduce its impact and likelihood. If risk cannot be mitigated, consideration should be given to confirming a contingency plan or stopping/altering the objective. Operational risks (service/partner/project/etc) should be escalated to SMT for awareness and consideration for the strategic risk register, where the operational residual risk score (the mitigated score) is at this level.
8 - 9	High risk – take further mitigating action to manage the risk and reduce its impact and likelihood.
6	Medium risk – consider further mitigating action where appropriate and cost effective.
1 - 4	Low risk – monitor to ensure conditions remain unchanged.

Risk Management Strategy 2014 DRAFT

Appendix C

Recording risk – risk registers

The standard template for the recording of risks at all levels (i.e. strategic, service, partnership and project) and for assessing risks in decision-making is detailed below. The risk register template is available on the Council's intranet – via the corporate information, risk management section.

The key elements of the risk register format are as follows:

- Description of the risk
- Original risk score – assessment of the risk impact and likelihood if no controls were in place (inherent risk)
- Confirmation of the current controls in place that are being fully delivered
- Current risk score – assessment of the risk impact and likelihood considering the current controls in place
- Assessment of whether further mitigating action is required to reduce the current risk score – considering the level of risk appetite
- Documentation of the planned further mitigating actions with target timescales
- Mitigated risk score – assessment of the risk impact and likelihood considering the current controls and further mitigating actions to be taken – i.e. what is the targeted acceptable level of risk
- The name of the risk owner

Council template for recording risk - example

No	Risk	Original score			Current controls	Current score			Further mitigating action	Target timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
1.	Failure to meet service delivery and statutory requirements due to contractor failure to perform	4	4	16	*Agreed contract specification – including service criteria, KPIs & penalty clauses *Defined contract contacts (both parties)	4	2	8	*Establish monthly performance monitoring meetings with action plan and timescales where targets not met *Performance reports to Committee on a quarterly basis	April 2015 July 2015	4	1	4	A.N.Officer

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Template: risk register
To be completed in line with the Risk Management Strategy guidance

Risk register purpose:
(e.g. service risk register to support a service business plan; partnership risk register; project risk register to support project planning & delivery; to support a procurement exercise; to support a policy decision; etc)

Responsible officer:
Service:

Date of risk register update/review:

No	Risk	Original score			Current controls	Current score			Further mitigating action	Target timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
1.														
2.														
3.														
4.														
5.														

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Jon Topping
Head of Finance
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Our ref

7 January 2014

Dear Jon

Certification of claims and returns - annual report 2013/14

The Audit Commission requires its external auditors to prepare an annual report on the claims and returns it certifies for each client. This letter is our annual report for the certification work we have undertaken for 2013/14.

In 2013/14 we carried out certification work on the following claims/returns:

Claim/return	Certified value (£)
BEN01 – Housing Benefit subsidy claim	45,896,693
CFB06 – Pooling of Housing Capital Receipts	1,290,189
Total	**47,186,882**

Matters arising

We did not identify any errors on the Pooling of Housing Capital Receipts return, which we certified unqualified without amendment.

Our certification work identified issues with the Housing Benefit subsidy claim that were the result of software bugs in the Civica Open Revenues system. These issues were reported to the Department of Work and Pensions (DWP) in our qualification letter. Only a small number of benefit claims are affected, relating to four cells within the subsidy form. Nevertheless, DWP has subsequently requested that additional work is undertaken once the software bugs have been fixed to be able to quantify the impact.

As the only issues identified were as a result of software problems which were outside of the Authority's control, we have not made any recommendations to the Authority to improve its claims completion process.

In our 2012/13 Certification Annual Report we raised one recommendation relating to ensuring that the Authority completed the Housing & Council Tax Benefit Scheme claim form using the correct version of the Civica Open Revenues System. We are satisfied that the Council has improved its arrangements and has addressed the recommendation.

Certification work fees

The Audit Commission set an indicative fee for our certification work in 2013/14 of £12,550. Our actual fee was the same as the indicative fee, and this compares to the 2012/13 fee for these claims of £11,540.

The details are set out in the table below.

Claim	2013/14 Indicative fee (£)	2013/14 Final fee (£)	2012/13 Final fee (£)
BEN01 – Housing Benefit subsidy claim	11,364	11,364	10,670
CFB06 – Pooling of Housing Capital Receipts	1,186	1,186	870
Total	**12,550**	**12,550**	**11,540**

Yours sincerely

Darren Gilbert
Director, KPMG LLP

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, who is the engagement leader to the Authority (telephone 02920 468205, e-mail darren.gilbert@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail trevor.rees@kpmg.co.uk) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 444 8330.

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![Gloucester City Council logo](Gloucester City Council)

Meeting:	SMT	Date:	6th January 2015
	Audit & Governance Committee		19th January 2015
Subject:	Internal Audit Plan 2014/15 – 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: Audits completed as part of the 2014/15 Internal Audit Plan – September to December 2014		
	B: Revised Internal Audit Plan – January 2015 to March 2015		

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 2014/15.

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.

(2)   Members approve the revised Internal Audit Plan – January 2015 to March 2015 as detailed in **Appendix B**.

3.0   Background and Key Issues

3.1   At the Audit & Governance Committee meeting held on 17th March 2014, Members approved the Internal Audit Plan 2014/15. 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 details of the audit work completed during the period September to December 2014, as part of the approved 2014/15 Annual Plan.

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 9 month period April to December 2014 is 52% (11 out of 21 planned audits completed) compared to a target of 90%. These figures do not include 2 audits that were at Draft Report stage, and 3 audits that were substantially complete, as at 31st December 2014.

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   The main reason for non achievement of the Audit Plan is due to staffing issues. A member of the Audit & Assurance team left the organisation last May. Since then, the vacancy has been advertised twice, however, this did not attract any suitable candidates. This lack of resource has been mitigated to a certain extent via the use of agency employees.

3.5   As a result of the above, it is clear that the original agreed Annual Plan will not be achieved. A proposed revised Internal Audit Plan for the period January 2015 to March 2015 has therefore been produced for Members review and approval. This revised Plan takes into account the identified 'higher level' risk audits that are required to be carried out, and the available level of resource to carry out these audits. The revised Plan is included at **Appendix B** to this report.

3.6   The following audits that were in the original agreed Annual Plan, will not now be carried out this financial year:-

        Risk Management; Benefit Fraud; and Treasury Management.

        The revised Plan also includes a reduced number of days for Contract Audit.

4.0   Results from Follow-Up Audits

4.1   It has previously been agreed that Members would be notified of all 'Rank 1 Fundamental' recommendations that have not been fully implemented within the agreed timescale. Subject to the comments in paragraph 4.2.and 4.3 below, there were none identified during the period covered by this report.

4.2   At the September 2014 meeting of the Audit & Governance Committee, Members requested that the outcome of the Follow-Up audits on Members Allowances and Docks Catering be reported to this meeting.

4.2.1   Members Allowances

4.2.1.1 At the point of audit follow up (December 2014), out of a total of 14 recommendations made in the original audit report, 1 High Priority, 2 Medium Priority, and 5 Low Priority recommendations were still in progress

of implementation. This was due to the following impending planned actions:

- January 2015: The Members' Allowance Panel review of the Members Allowances Scheme and the proposed 2015/16 Members Allowances Scheme being formally reported to Council (refers to Low Priority recommendations).
- Quarter 4 2014/15: Payroll adjustments to correct the identified inaccurate Scheme payments and apply the approved Scheme uplift (refers to High and Medium Priority recommendations).

4.2.1.2   For Members information, the Democratic & Electoral Services Manager has requested that another review of Members' Allowances is included within the 2015/16 Internal Audit Plan.

4.2.2   Docks Catering

4.2.2.1   At the November 2014 meeting of the Audit & Governance Committee, Members were informed that the Follow-Up audit on the Docks Catering had been put on hold as the service was being reviewed as part of the Realignment of the Regeneration and Economic Development Service. Since that meeting, the review has been completed and the Realignment report was considered by the Organisational Development Committee on 17th December 2014.

4.2.2.2   At that meeting the Committee agreed "*that a decision on the future of the Docks Catering Service be deferred pending the outcome of the Cultural Service review, and that in the interim, it is proposed to change the staff (hours) and opening hours.*"

4.2.2.3   A decision on whether to carry out any further internal audit work will be based on the outcome of the Cultural Services review which is due during the early part of 2015.

4.3   Streetcare Contract

4.3.1   This audit was undertaken to determine the progress in implementing the recommendations arising from the June 2013, Streetcare Internal Audit Report. Of the 17 recommendations made in the report, the majority have been, or are in the process of being implemented, however, key aspects of two 'High Priority' recommendations have yet to be implemented. These relate to:-

- Staff have been tasked with completing Operational Delivery Statements (Method Statements). However, with the exception of Waste & Recycling (which has been fully completed and is being used as the template) they are still in the process of being completed. After the Operational Delivery Statements have been completed the next stage is for the appropriate supporting

documents to be collected so there is a complete record of the services that should be provided.

The Head of Neighbourhood Services has stated that the revised completion date for this work is the end of January 2015.

- The remaining aspects of the contract that were not reviewed as part of the original Contract Review need to be identified and appropriate actions implemented where required.

The Head of Neighbourhood Services has stated that implementation of this recommendation is subject to the completion of the Operational Delivery Statements, and the commencement of employment of the Amey Client Officer within the Business Improvement Team. This employment is due to commence on 2nd February 2015.

5.0 Other Audit Work Completed

5.1 <u>Election Fee Account</u>

5.1.1 The objective of the audit was to review the Gloucester European Parliamentary election fee accounts for 2014 to confirm the content as complete and accurate. The testing approach included:

- Review of the election accounts approach;
- Casting and cross agreement of the accounts;
- Verification of the costs claimed under each category of expenditure; and
- Performance of sample testing to relevant supporting documentation.

5.1.2 The audit identified a total of ten individual adjustments required to the accounts (total value, +£1,264.88 and -£1,218.62**)**, which resulted in a net increase of £46.16 to the total election fee claimed of £87,694.

6.0 Alternative Options Considered

6.1 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.

7.0 Reasons for Recommendations

7.1 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.

7.2 The Standards also require the Audit, Risk & Assurance Manager to communicate the impact of resource limitations on the Internal Audit Plan to senior management and the Audit & Governance Committee.

8.0 Future Work and Conclusions

8.1 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.

9.0 Financial Implications

9.1 As detailed in this report.

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

10.0 Legal Implications

10.1 None specific to this report.

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

11.0 Risk & Opportunity Management Implications

11.1 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.

12.0 People Impact Assessment (PIA):

12.1 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.

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

13.0 Other Corporate Implications

Community Safety

13.1 There are no community safety implications arising out of the recommendations in this report.

Sustainability

13.2 There are no sustainability implications arising out of the recommendations in this report.

<u>Staffing & Trade Union</u>

13.3 There are no staffing and trade union implications arising out of the recommendations in this report.

Background Documents:

Internal Audit Plan 2014/15
Public Sector Internal Audit Standards

Appendix A: Audits completed as part of the 2014/15 Internal Audit Plan – September 2014 to December 2014

Audit	Comments	Level of Assurance
S106 Agreements	<u>Audit Objective</u> The objectives of this audit were to ensure that: • Procedures are operating and records are maintained, to enable S106 Agreements to be monitored and relevant action to be taken when key dates or specified events/conditions (trigger points) are reached. • All Section 106 Agreements are effectively recorded and monitored. • The calculations of agreed developer's contributions are mathematically correct and are based on approved criteria. <u>Audit Opinion</u> On the basis of work carried out during this audit review the audit opinion is that there is a **Satisfactory** level of assurance on the adequacy and effectiveness of controls in place in relation to Section 106 Agreements. The main area of weakness identified, for which a Rank 2 Medium Priority recommendation has been made, related to the lack of documented procedures.	Satisfactory

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

CONTROL LEVEL	DESCRIPTION
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 or two 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		DESCRIPTION
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 in-efficiencies.

Appendix B: Revised Internal Audit Plan – January 2015 to March 2015

Work on Fundamental Financial Systems	Est. No. of Days	Total
Budgetary Control	10	
Capital Accounting	10	
General Ledger	10	
Civica - Sundry Debtors	8	
Payroll/Client monitoring	15	
Creditors	8	
Cash & Bank	10	71
Work of a service based or cross council nature		
IT	10	
Gloucester Supports Business Grants	10	
Contract Audit	15	35
Audit Work Brought Forward (incl GCH)	15	15
TOTAL		**121**

The following audits that were included within the original agreed Annual Plan will not now be carried out this financial year:-

     Risk Management – 15 days
     Benefit Fraud – 10 days
     Treasury Management – 8 days

The revised Plan also includes a reduced number of days for Contract Audit (-10 days).

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Gloucester City Council

Meeting:	Senior Management Team	Date:	16th December 2014
	Cabinet Briefing		7th January 2015
	Audit & Governance Committee		19th January 2015
	Cabinet		28th January 2015
	Council		18th March 2015
Subject:	Internal Audit & Risk Management Shared Service		
Report Of:	Jon Topping, Head of Finance		
Wards Affected:	N/A		
Key Decision:	No	**Budget/Policy Framework:**	No
Contact Officer:	Jon Topping, Head of Finance		
	Email: Jon.Topping@gloucester.gov.uk		Tel: 396242
Appendices:	None		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To provide the background and rationale underlying the proposals to form an Internal Audit and Risk Management Shared Service between Gloucester City Council, Stroud District Council and Gloucestershire County Council.

1.2 Authority is also sought to delegate this Council's Internal Audit Function to Gloucestershire County Council in accordance with the provisions of Section 101, of the Local Government Act 1972, Sections 19 and 20 of the Local Government Act 2000 and all other enabling powers.

2.0 Recommendations

2.1 Audit & Governance Committee is asked to note the information contained in the report and make any recommendations to Cabinet.

2.2 Cabinet is asked to **RECOMMEND** to Council that it:-

(1) Agrees to the creation of a Shared Internal Audit and Risk Management Service with effect from 1 April 2015 ("the Commencement Date) or such other date as is agreed between Gloucester City Council, Stroud District Council, and Gloucestershire County Council on the basis set out in this report;

(2) Delegates this Council's Internal Audit Function to Gloucestershire County Council in accordance with the provisions of Section 101, of the Local Government Act 1972, Sections 19 and 20 of the Local Government Act 2000 and all other enabling powers subject to (6) below;

(3) Agrees to enter into an Administrative Collaboration Agreement, under S101 of the Local Government Act 1972 with the partner authorities;

(4) Delegates authority to the Corporate Director Services and Neighbourhoods, in consultation with the Cabinet Member for Performance and Resources, to approve the terms of the Administrative Collaboration Agreement;

(5) Agrees to the transfer of staff to Gloucestershire County Council as Host Authority on the terms set out in the Administrative Collaboration Agreement from the Commencement Date;

(6) Agrees to the formation of an Internal Audit and Risk Management Shared Services Board involving the Section 151 officers from each of the participating authorities, to oversee the implementation and ongoing monitoring of the s101 Agreement; and

(7) Authorises the Monitoring Officer to make any consequent changes to the Council's Constitution to reflect the shared services arrangements and delegation of the internal audit service function to the Head of the Internal Audit and Risk Management Shared Service at Gloucestershire County Council.

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

(1) Agrees to the creation of a Shared Internal Audit and Risk Management Service with effect from 1 April 2015 ("the Commencement Date) or such other date as is agreed between Gloucester City Council, Stroud District Council, and Gloucestershire County Council on the basis set out in this report;

(2) Delegates this Council's Internal Audit Function to Gloucestershire County Council in accordance with the provisions of Section 101, of the Local Government Act 1972, Sections 19 and 20 of the Local Government Act 2000 and all other enabling powers subject to (6) below;

(3) Agrees to enter into an Administrative Collaboration Agreement, under S101 of the Local Government Act 1972 with the partner authorities;

(4) Delegates authority to the Corporate Director Services and Neighbourhoods, in consultation with the Cabinet Member for Performance and Resources, to approve the terms of the Administrative Collaboration Agreement;

(5) Agrees to the transfer of staff to Gloucestershire County Council as Host Authority on the terms set out in the Administrative Collaboration Agreement from the Commencement Date;

(6) Agrees to the formation of an Internal Audit and Risk Management Shared Services Board involving the Section 151 officers from each of the participating authorities, to oversee the implementation and ongoing monitoring of the s101 Agreement; and

(7)   Authorises the Monitoring Officer to make any consequent changes to the Council's Constitution to reflect the shared services arrangements and delegation of the internal audit service function to the Head of the Internal Audit and Risk Management Shared Service at Gloucestershire County Council.

3.0   Background and Key Issues

3.1   "A range of factors are forcing councils to think of new approaches to the delivery of both front-line and back-office services. These include external drivers (particularly government policies, grant settlements and customer expectations) as well as internal pressures, such as improving service quality, bringing down costs, attracting skilled staff, and accessing best practice techniques and technologies" – *Sharing the Gain, Collaborating for Cost Effectiveness – CIPFA 2010.*

3.2   In responding to this challenge, public service leaders and managers will need to consider radical changes to their organisational structures and operating models. One option they will need to explore is whether greater collaboration with other bodies offers a route to reducing costs while maintaining service quality.

3.3   Gloucester City Council (GCC), Stroud District Council (SDC), and Gloucestershire County Council (Glos CC) are all committed to improved service delivery and efficiency within their respective Councils.

3.4   GCC's Council Plan 2014-2017 sets out four priorities, one of which is "sound finances and strong performance". One of the key measures within this priority is savings delivered through joint and collaborative working.

3.5   SDC's Corporate Delivery Plan for 2014-18 sets out five key tasks, one of which is to "provide value for money to our taxpayers and high quality services to our customers". Achieving this will include redesigning services and innovation.

3.6   Glos CC's Council Strategy 2011-15 (2014/15 update): Meeting the Challenge sets out three council values, one of which is "living within our means". This will be achieved by being as efficient as possible, saving money by joining up with partners, and, by finding the best, most efficient, way of delivering services which satisfy customers.

4.0   The Rationale for Change

4.1   Discussions have taken place over many years between the various Councils within Gloucestershire regarding the benefits of joint working between the authorities' respective internal audit teams.

4.2   Following the successful partnering agreement for the management of the internal audit team in Stroud which had been in place for the preceding 15 months, in December 2010 GCC and SDC entered into a formal shared internal audit service for the provision of an internal audit service to both Councils.

4.3   Known as *G A A P* (Gloucestershire Audit & Assurance Partnership) the service is hosted by Gloucester City Council, and is managed by the City Council's Audit, Risk

& Assurance Manager. Both Councils agree that the shared service arrangement is a success with the sharing of audit skills between the two teams and the development of a common audit approach and documentation.

4.4   Due to the success of the current internal audit shared service arrangements between GCC and SDC, the S151 Officers of GCC, SDC and Glos CC agreed to consider extending the current shared service arrangement to include Glos CC and review the opportunities available to:

- Formally share internal audit and risk management services between the three Councils; and
- Bring the management of an extended shared service under one manager

5.0   Proposed Shared Service Arrangements

5.1   <u>Governance Arrangements</u>

5.1.1   The recommended option for the delivery of the shared service is via a Delegated Function Model. Under this option, one Council (the Lead Authority) undertakes the functions of another Council under delegated powers set out in an Administrative Collaboration Agreement entered into under s101 Local Government Act 1972 ("s101 Agreement"). The Lead Authority employs all staff (i.e. staff who work for the Council which has delegated its functions to the Lead Authority, transfer to the Lead Authority).

5.1.2   This option is recommended for the following reasons:-

- It has a proven track record through benchmarking for delivering services between Councils. Examples include the current Audit & Assurance partnership in operation between Gloucester City Council and Stroud District Council; Devon Audit Partnership (Devon County Council, Plymouth City and Torbay Council); and The Southern Internal Audit Partnership (Hampshire County Council, Southampton City Council and West Sussex County Council); and

- It is relatively straightforward to set up, in that it only requires a s101 Agreement to be prepared and implemented and staff to TUPE to the Lead Authority.

5.1.3   The main risk to the Council is the loss of control by delegating its functions to a host authority. In order to address this, a Shared Services Board would need to be created comprising of the s151 officers (or duly authorised senior financial representative) in each Council to oversee the implementation of and delivery of the function under the s101 Agreement, quality, performance, risks and consider major changes to the service.

5.1.4   In addition, to mitigate the risk of pension liabilities to the host authority, the s101 Agreement would specify that up to the date of transfer, all pension liabilities remain with the originating authority and that they would not get transferred to the host authority.

5.2   <u>Recommended Shared Services Framework</u>

5.2.1 The main driver behind the sharing of back office services such as Internal Audit & Risk Management is essentially to produce efficiency savings, but importantly, also to improve business resilience.

5.2.2 It is recommended that Glos CC becomes the host authority under a section 101 Agreement with effect from the 1st April 2015. The duration of the agreement will initially be for a three year period (from the commencement date) and shall continue in force thereafter, unless and until one year's notice in writing is given by any of the Councils to withdraw from the agreement.

5.2.3 As a result of the above recommendation, GCC staff, including those based at Stroud District Council (i.e. 6.6 FTE staff) will be transferred, under TUPE arrangements, to Glos CC from the commencement date of the Agreement. During most of the first year of operation, i.e. 2015/2016, all of the three councils' audit staff will remain within their existing organisational structures and work bases and will retain their existing roles and responsibilities.

5.2.4 It is proposed that, with effect from the 1st April 2015, new arrangements are developed and implemented. This will include a review of the management arrangements for the new shared service, development of a new structure, implementation of the structure and review of processes and procedures to deliver efficiencies. This restructure and rationalisation of processes and procedures will be completed by the end of 2015/16.

5.2.5 This detailed review will ensure that the revised structure delivers the most effective outcome for each authority and will deliver a minimum 3% savings target from 2016/17 across partners.

5.3   The Key Benefits for Change

5.3.1 It is felt that the shared service proposal represents a real opportunity across the three authorities, namely:
- Economies of scale from the employment of a single Chief Internal Auditor, across the three authorities;
- Pooling of expertise to strengthen business delivery to the benefit of the clients;
- Provision of a critical mass and improved business resilience e.g. enabling the risk of sickness and vacancies to be better managed;
- Enhanced ability to undertake thematic reviews across the three authorities to share best practice across the partnership;
- Enabling succession planning, career opportunities and development for staff;
- Optimising use of resources through a modern collaborative approach;
- Achieving economies of scale through shared training and procurement; and
- Benefits of adopting common day to day audit reporting and procedural approaches driven by a single Audit Management System for the shared service.

5.3.2 In addition, the following benefits have been identified from Glos CC being the host authority for the shared service:-

- The Audit Management IT System used by Glos CC could be used to enable the automated management of the audit and risk functions across the shared service.

- Access to additional IT audit skills via the current ICT audit provision contract Glos CC has with a third party supplier.
- Access to additional support for the National Fraud Initiative work and investigatory work under the current agreement between Glos CC and the Gloucestershire NHS Counter Fraud Service; and
- GlosCC can offer the Partnership the expertise of IDEA, a powerful and user-friendly data analysis tool designed to help auditors and other financial professionals perform data analysis quickly to help improve audits and identify control breakdowns.

6.0 Alternative Options Considered

6.1 The alternative options identified and considered for the provision of Internal Audit Services, are as follows:

6.1.1 <u>No Change</u>

This option was considered. However, the Internal Audit and Risk Management service at all three Councils have limited capacity and resilience to respond to peaks in demand, increased irregularity work and absence of staff. There are limited opportunities for progression and training within the current audit and risk teams which is not beneficial to staff morale and/or a quality service being sustained.

6.1.2 <u>Outsourcing</u>

Research has identified that the large accountancy firms do not have the appetite for taking on Local Authority Internal Audit services due to the pension liabilities that come with TUPE transfers. The Councils concerned would be duty bound to ensure ongoing pension protection for the transferring staff outsourced under TUPE, under the Local Government Pensions Direction 2007. This would entail any prospective bidder either offering continued and ongoing membership of the Local Government Pension Scheme under an admissions agreement or a broadly comparable scheme certified as such by the Government Actuary's Department (GAD). Both of these options would involve employer contribution rates from the contractors in line with, if not more, than the current employer rates being paid by the County and the District Councils. This would clearly inflate their bid price and the cost per audit day would be significantly higher than is currently paid.

6.1.3 <u>Other Partnerships</u>

There are a growing number of Internal Audit Partnerships being set up around the country as the benefits of doing so are realised. They vary in scale and membership. Some benchmark costs were obtained for comparison and it was established that the partnership would benchmark in the bottom quartile.

The option to join other partnerships cannot be ruled out. Equally, to continue to grow the Gloucestershire shared service arrangement is also an option that can be pursued once the new shared service has been established.

7.0 Reasons for Recommendations

7.1 Due to the success of the current internal audit shared service arrangements between GCC and SDC, the s151 Officers of GCC, SDC and Glos CC agreed to consider extending the current shared service arrangement to include Glos CC and review the opportunities available to:

- o Formally share internal audit and risk management services between the three Councils; and
- o Bring the management of an extended shared service under one manager.

7.2 The recommended option for the delivery of the shared service is via a Delegated Function Model. This option is recommended as it has a proven track record and it is relatively straightforward to set up, in that it only requires a s101 Agreement to be prepared and implemented and staff to be TUPE'd to the host authority.

8.0 Future Work and Conclusions

8.1 As stated in para. 5.2.4 above, it is proposed that, with effect from the 1st April 2015, new arrangements are developed and implemented. This will include a review of the management arrangements for the new shared service, the development of a new structure, implementation of the structure and review of processes and procedures to deliver efficiencies. This restructure and rationalisation of processes and procedures will be completed by the end of 2015/16. This detailed review will ensure that the revised structure delivers the most effective outcome for each authority and will deliver a minimum 3% savings target from 2016/17 across partners.

9.0 Financial Implications

9.1 Opportunities for financial savings during 2015/2016 are limited given the transition phase required. Any costs associated with transition will be shared between the three authorities, as agreed by the s151 Officers, and will be contained within existing budgets.

9.2 The restructure and rationalisation of processes and procedures will be completed by the end of 2015/16 and therefore a minimum 3% savings target has been identified for 2016/17 across partners. This is within the context of continuing to deliver a quality, professional service. An investment in training is essential to the recruitment and retention of staff. The Shared Service would be expected to continue to focus on opportunities for further efficiencies.

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

10.0 Legal Implications

10.1 The report recommends that this Council delegates its Internal Audit Service function to Gloucestershire County Council with effect from 1st April 2015.

10.2 As the report states, the effect of this decision will be to hand over day to day operational responsibility for the carrying out of the internal audit function within this Council (and within Stroud District Council) to Gloucestershire County Council. All existing Council staff presently employed on the Internal Audit Service will transfer under TUPE arrangements to Gloucestershire County Council.

10.3 To coincide with this delegation, the three Councils will enter into an Administrative Collaboration Agreement, in accordance with recommendations in paragraph 2.0 above.

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

11.0 Risk & Opportunity Management Implications

11.1 The main risk to the Council is the loss of control by delegating its functions to a host authority. In order to address this, a Shared Services Partnership Board would need to be created comprising of the s151 officers (or duly authorised senior financial representative) in each Council to oversee the implementation of the s101 Agency Agreement, quality, performance, risks and consider major changes to the service.

11.2 In addition, to mitigate the risk of pension liabilities to the host authority, the s101 Agreement would specify that up to the date of transfer, all pension liabilities remain with the originating authority and they would not get transferred to the host authority.

12.0 People Impact Assessment (PIA)

12.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required. For the customers of the Internal Audit Service, who are largely internal customers, the introduction of shared services will not impact on service delivery. The transition will be seamless and generally, it will be 'business as usual.

12.2 For the staff transferring to the partnership, current terms and conditions will be protected. All staff will be given equal access to development opportunities as they arise.

13.0 Other Corporate Implications

Community Safety

13.1 No specific Community Safety implications resulting from the recommendations made in this report.

Sustainability

13.2 No specific Sustainability implications resulting from the recommendations made in this report.

Staffing & Trade Union

13.3 The audit teams of the three partnership authorities have been made aware of the proposed shared service and have been kept informed of progress to date.

13.4 The new arrangements will bring about development opportunities for staff which in turn will aid recruitment and retention of suitably qualified people.

13.5   Appropriate Trade Union consultation will be undertaken.

Background Documents:

-   Sharing the Gain, Collaborating for Cost Effectiveness – CIPFA 2010

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Gloucester City Council
Audit and Governance Work Programme 2014-15
(updated 8 January 2015)

Item	Format	Lead Officer	Comments
16 MARCH 2015:			
1. Audit and Governance Committee Action Plan	Timetable	------------	Standing agenda item requested by the Committee
2. KPMG External Audit Plan / Annual Audit Fee	Written report	Darren Gilbert, KPMG	Part of the Committee's annual work programme
3. Internal Audit Plan – Monitoring Report	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
4. Internal Audit Annual Plan	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
5. Treasury Management Strategy	Written report	Head of Finance	Part of the Committee's annual work programme
6. Treasury Management Quarter 3 Report	Written report	Head of Finance	Part of the Committee's annual work programme
7. Review of Anti-Fraud Policies	Written report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
8. Audit and Governance Committee Work Programme	Timetable	------------	Standing agenda item
15 June 2015:			
1. Audit and Governance Committee Action Plan	Timetable	------------	Standing agenda item requested by the Committee

2.	Position Statement on Statement of Accounts	Verbal report	Head of Finance	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.	Internal Audit Annual Report 2014-2015	Written Report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
5.	Review of Effectiveness of Internal Audit	Written Report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
6.	Treasury Management Performance	Written Report	Head of Finance/ Management Accountant	Part of the Committee's annual work programme
7.	Draft Annual Governance Statement	Written Report	Head of Finance	Part of the Committee's annual work programme
8.	Annual Complaints Monitoring Report	Written Report	Monitoring Officer	Part of the Committee's annual work programme
9.	Annual Standards Report	Written Report	Monitoring Officer	Part of the Committee's annual work programme
10.	Business Rates Pooling Annual Report	Written Report	Head of Finance	Part of the Committee's annual work programme
11.	Annual Report of the Audit Committee	Written Report	Audit, Risk and Assurance Manager	Part of the Committee's annual work programme
12.	Audit and Governance Committee Work Programme	Timetable	-----------------	Standing Agenda Item

FUTURE AGENDA ITEMS (NO DATE FIXED YET):

- Council IT – Lessons Learned

FUTURE AUDIT & GOVERNANCE COMMITTEE MEETING DATES:

- Monday, 21 September 2015

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