



Audit and Governance Committee

Meeting: Monday, 20th June 2016 at 6.30 pm in Meeting Room 1, North Warehouse, The Docks, Gloucester, GL1 2EP

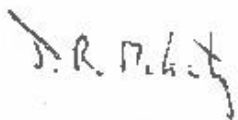
Membership:	Cllrs. Gravells, Cook, Stephens, Wilson, Taylor, Patel and Pullen
Contact:	Atika Tarajiya Democratic and Electoral Services Officer 01452 396127 Atika.tarajiya@gloucester.gov.uk

AGENDA

1.	<p>APPOINTMENT OF CHAIR AND VICE-CHAIR</p> <p>To note the appointments made by Council at the Annual Meeting:-</p> <p>Chair – Councillor Andrew Gravells Vice Chair – Councillor Richard Cook</p>
2.	<p>APOLOGIES</p> <p>To receive any apologies for absence.</p>
3.	<p>DECLARATIONS OF INTEREST</p> <p>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.</p>
4.	<p>MINUTES (Pages 7 - 14)</p> <p>To approve as a correct record the minutes of the meeting held on 14th March 2016.</p>
5.	<p>PUBLIC QUESTION TIME (15 MINUTES)</p> <p>To receive any questions from members of the public provided that a question does not relate to:</p> <ul style="list-style-type: none"> • Matters which are the subject of current or pending legal proceedings, or • Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers

6.	<p>PETITIONS AND DEPUTATIONS (15 MINUTES)</p> <p>To receive any petitions and deputations provided that no such petition or deputation is in relation to:</p> <ul style="list-style-type: none"> • Matters relating to individual Council Officers, or • Matters relating to current or pending legal proceedings
7.	<p>AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN (Pages 15 - 16)</p> <p>To consider the Action Plan.</p>
8.	<p>KPMG INTERIM LETTER (Pages 17 - 18)</p> <p>To consider the KPMG Interim letter outlining progress of their audit work to date.</p>
9.	<p>POSITION STATEMENT ON STATEMENT OF ACCOUNTS</p> <p>Verbal update to be presented by the Head of Finance.</p>
10.	<p>BENEFITS AUDIT UPDATE ON ACCURACY RATE</p> <p>Verbal update to be presented by the Head of Finance.</p>
11.	<p>INTERNAL AUDIT PLAN 2015/16 FINAL MONITORING REPORT (Pages 19 - 32)</p> <p>To consider the report of the Head of Audit, Risk and Assurance Members updating Members on the remaining audits completed as part of the agreed Internal Audit Plan 2015/16.</p>
12.	<p>HEAD OF AUDIT RISK ASSURANCE ANNUAL REPORT 2015/16 (Pages 33 - 42)</p> <p>To consider the report of the Head of Audit, Risk Assurance which provides Members with a brief overview of Internal Audit work, compliance with Financial Regulations, Contract Standing Orders, and general probity issues for the financial year ending 31st March 2016, and, to provide an opinion on the overall adequacy and effectiveness of the organisation's control environment, comprising risk management, control and governance.</p>
13.	<p>AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2015/16 (Pages 43 - 54)</p> <p>To consider the report of the Chair of Audit which sets out the work and achievements of the Council's Audit and Governance Committee during 2015/16.</p>
14.	<p>TREASURY MANAGEMENT ANNUAL UPDATE 2015/16 (Pages 55 - 62)</p> <p>To consider the report of the Cabinet Member for Performance and Resources updating Members on Treasury Management activities for quarter 4, (1st January 2016 to 31st March 2016) and a summary of the 2015/16 financial year.</p>

15.	<p>ANNUAL GOVERNANCE STATEMENT 2015/16 (Pages 63 - 90)</p> <p>To consider the report of the Head of Finance summarising Gloucester City Council's Corporate Governance arrangements in place during 2015/16, via the publication of an Annual Governance Statement.</p>
16.	<p>ANNUAL COMPLAINTS MONITORING REPORT (Pages 91 - 98)</p> <p>To consider the report of the Head of Finance considering statistics relating to complaints and compliments received by the Council between April 2015 and March 2016 and complaints made to the Local Government Ombudsman about the Council during the same period.</p>
17.	<p>ANNUAL STANDARDS REPORT</p> <p>Verbal update to be presented by the Monitoring Officer.</p>
18.	<p>INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (Pages 99 - 124)</p> <p>To consider the report of the Head of Audit, Risk Assurance which provides Members with an introduction to the Internal Audit Quality Assurance and Improvement Programme (QAIP) as required by the Public Sector Internal Audit Standards (PSIAS) 2013.</p>
19.	<p>AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME (Pages 125 - 128)</p> <p>To consider the Work Programme.</p>
20.	<p>DATE OF NEXT MEETING</p> <p>19th September 2016 at 6:30pm in Civic Suite, North Warehouse.</p>



Jon McGinty
Managing Director

Date of Publication: Friday, 10 June 2016

NOTES

Disclosable Pecuniary Interests

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

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

<u>Interest</u>	<u>Prescribed description</u>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made or provided within the previous 12 months (up to and including the date of notification of the interest) in respect of any expenses incurred by you carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between you, your spouse or civil partner or person with whom you are living as a spouse or civil partner (or a body in which you or they have a beneficial interest) and the Council (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged
Land	Any beneficial interest in land which is within the Council's area. For this purpose "land" includes an easement, servitude, interest or right in or over land which does not carry with it a right for you, your spouse, civil partner or person with whom you are living as a spouse or civil partner (alone or jointly with another) to occupy the land or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the Council's area for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge) – (a) the landlord is the Council; and (b) the tenant is a body in which you, your spouse or civil partner or a person you are living with as a spouse or civil partner has a beneficial interest
Securities	Any beneficial interest in securities of a body where – (a) that body (to your knowledge) has a place of business or land in the Council's area and (b) either – i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with

whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

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

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

Access to Information

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

For further details and enquiries about this meeting please contact Atika Tarajiya, 01452 396127, atika.tarajiya@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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If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions:

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

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AUDIT AND GOVERNANCE COMMITTEE

MEETING : Monday, 14th March 2016

PRESENT : Cllrs. Llewellyn, Gravells, McLellan, Hobbs, Taylor and Hampson

Others in Attendance

Darren Gilbert, KPMG LLP
Terry Rodway, Audit, Risk and Assurance Manager
Theresa Mortimer, Head of Audit Risk Assurance
Sadie Neal, Head of Business Improvement
Andrew Cummings, Management Accountant
Atika Tarajiya, Democratic services Officer

APOLOGIES : Cllrs. Patel and Norman

64. DECLARATIONS OF INTEREST

There were no declarations of interest.

65. MINUTES

RESOLVED:

That the minutes of the meeting held on 18th January 2016 be approved and signed by the Chair as a correct record.

66. PUBLIC QUESTION TIME (15 MINUTES)

There were no public questions.

67. PETITIONS AND DEPUTATIONS (15 MINUTES)

There were no petitions or deputations.

68. AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN

The Committee considered the Action Plan.

The Audit, Risk and Assurance Manager noted that he had addressed the actions arising from minute items 58 and 61 in his email to Members on the 1st March 2016.

AUDIT AND GOVERNANCE COMMITTEE
14.03.16

The Head of Business Improvement updated the Committee with regards to Minute 17. She advised that the system had been purchased, with a target implementation date for the end of April 2017, acknowledging that the delay in implementation had been caused by incompatible hardware. She reported that a test environment would be applied for a period of two weeks to ensure the system was fully functional, commenting that staff had been receiving training in the meantime.

Councillor Hobbs queried whether there were any checks, to ensure that staff leaving the organisation had security permissions withdrawn to prevent them from accessing secure systems, noting that there had been instances in the past when this had been overlooked. The Head of Business Improvement reported that the respective policy on this was currently being reviewed and would be shared with staff across organisation through the refreshed Net Consent software. She commented that withdrawal of security permissions also formed of the audit process that managers were monitored against.

The Chair was encouraged to note the progress that had been made in implementing the software.

69. BENEFIT AUDIT UPDATE ON ACCURACY RATE

The Head of Business Improvement presented Members with an update on the benefit accuracy rate. She reported that the internal changes implemented following the audit in the previous year, had demonstrated an improvement in the accuracy rate. She reported that the City Council took into account any inaccuracies regardless of the size, unlike other authorities within the district that discounted inaccuracies of £3.00 and under. She summarised by noting that accuracy rates remained an ongoing KPI with Civica as part of the wider performance management.

In response to the Chair's query regarding the 10% benchmark rate, the Head of Business Improvement advised that this figure was set at the start of the contract with Civica and was a benchmark that other authorities in the district also worked too.

Councillor McLellan advised that the Committee had previously been informed that only Cheltenham Borough Council (CBC) discounted inaccuracies of £3.00 and under. The Head of Business Improvement reported that currently CBC, Stroud District Council and Tewkesbury all implemented the same policy.

Councillor Gravells stated that the City Council's accuracy rates would be more likely to be comparable if a policy similar to other councils were to be implemented. He noted that a like for like comparison could not be made due to these differences. The Head of Business Improvement reported that it had been deemed to be appropriate to improve the overall accuracy rate, before considering any changes to the policy. She acknowledged the difficulty in data comparison which was further hindered by the lack of national data.

The Committee requested a breakdown of inaccuracies rates for the previous year, both with and without inaccuracies of £3.00 and under discounted.

AUDIT AND GOVERNANCE COMMITTEE
14.03.16

RESOLVED:

That the update be noted.

70. KPMG - EXTERNAL AUDIT PLAN 2015/16

Darren Gilbert, KPMG summarised key areas of the report, advising Members that based on new guidance issued by the National Audit Office, a new approach for the VFM Audit would be applied from the 2015/16 audit year. He reported that this was broadly similar to the previous approach with some differences in the criteria. He summarised by explaining Matthew Arthur had now joined the team and had significant experience in working in partnership with Local Authorities.

In response to Councillor McLellan's query regarding future issues with the Business Rates Pool, the Management Accountant reported that this remained unknown but that the pool continued to monitor the levels of appeals very closely.

In response to Councillor McLellan's query regarding the frequency of other authorities experiencing similar appeals to that of the successful Virgin Media appeal, Darren Gilbert, KPMG replied that this was considered unusual. He noted that there were not many authorities in a shared pool, an inherent risk of which was to increase exposure to risk. He reported that many authorities were however experiencing an increase in business rates appeals.

71. KPMG - EXTERNAL AUDIT TECHNICAL UPDATE

Darren Gilbert, KPMG reported that CIPFA had issued greater clarity on the Code of Practice on Transport Infrastructure Assets which would exempt City Council from this requirement. He noted that this would prevent substantial costs from being accrued.

In response to Councillor Gravells' query why the Better Care Fund Support Programme had been included within the report, Darren Gilbert, KPMG explained that it was a piece of work that had been carried out by the firm that was considered to be of interest, acknowledging that this was a service area that the City Council were not directly responsible for.

Councillor Gravells stated that the research undertaken on the housing provision was insightful and suggested that it be shared with Officers and the appropriate Cabinet Member to aid with policy development. The Committee acknowledged the usefulness of the research and agreed that it should be shared with the Cabinet Member for Housing and Planning for comment.

RESOLVED:

That the report be noted.

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72. INTERNAL AUDIT PLAN 2015/16 - MONITORING REPORT

The Audit, Risk & Assurance Manager highlighted key areas of the report, advising that he was confident of achieving the target of 90% completion of the 2015/16 Annual Audit Plan. This had been possible with the aid of additional temporary resources within the team.

Councillor McLellan referred to the Information Governance audit in Appendix 1 of the report. He stated that select Members had not been made aware that information relating to them personally would be made public following a FOI request, which had subsequently appeared in a local media article. He also noted that he had been misinformed of which service area dealt with FOI requests. The Audit, Risk and Assurance Manager advised that work was underway to refresh the current FOI policy which was out of date and which, when updated, would be shared with all staff.

Councillor McLellan's queried which service area dealt with FOI request and whether responses were subject to quality control before release. The Audit, Risk and Assurance Manager explained that Democratic Services had recently taken over acting as a focal point for FOI requests, with the appropriate service area compiling an individual response. He was unaware if some measure of quality control was applied on responses, and confirmed that he would query this with the Democratic Services Manager and circulate a response to Members via email.

In response to the Chair's query regarding the alleged theft at one of the Council's outstations, the Audit, Risk and Assurance Manager provided Members with brief details relating to the case. He assured Members that the Service Manager had agreed to implement the recommendations arising from the Audit and commented that a follow up audit in the new financial year would review whether these were in place.

RESOLVED:

That the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited be endorsed.

73. INTERNAL AUDIT PLAN 2016/17

The Audit Risk & Assurance Manager highlighted key areas of the report, advising that the proposed Plan was risk based and had input from a number of managers. It was a dynamic plan that potentially could change due to in-year demand.

In response to Councillor McLellan's query regarding the Shared Service working arrangements, The Head of Audit Risk Assurance advised that the team would work across Stroud District Council, Gloucestershire County Council, Gloucestershire Police and the City Council, noting that this would aid professional development and ensure best practice was shared with all partners.

Councillor Hobbs queried why an audit of zero hour staff had been included in the plan, stating that that Council had passed a motion to prevent individuals being employed on zero hour contracts. The Management Accountant reported that he

AUDIT AND GOVERNANCE COMMITTEE
14.03.16

was unsure if this was the case, as there were staff employed at Guildhall and Blackfriars on zero hour contracts who assisted with events being held there.

The Committee requested clarification on the motion resolved by Council and a breakdown of the service areas employing zero hour staff.

In response to Councillor McLellan's query regarding Marketing Gloucester Limited (MGL), the Audit, Risk & Assurance Manager reported that Officers were in the process of carrying out an audit of MGL, results of which would be reported to Members at the next Committee meeting.

In response to Councillor Gravell's query regarding implementing findings from national institutions or groups, the Audit, Risk & Assurance Manager reported that the service formed part of the Midlands Chief Auditors Group, who exchanged views and shared best practice where appropriate.

The Head of Audit Risk Assurance confirmed that all priority 1 audits had been included within the plan, in response to Councillor Gordon's query.

RESOLVED:

That the Internal Audit Plan 2016/17 as detailed in Appendix 1 be approved.

74. INTERNAL AUDIT CHARTER

The Head of Audit Risk Assurance reported that the Charter had been refreshed based on the Shared Service arrangements and was required to comply with Account and Audit Regulations 2015 and the Public Sector Internal Audit Standards 2013. She confirmed that the Charter applied to all partners within the Shared Service.

Councillor Gravells referred Members' attention to the statement under Other Activity within the Internal Audit Charter. He noted that this was open statement which broadened the scope of the Audit Team. The Head of Audit Risk Assurance agreed with this statement, acknowledging that the team could be called to consider aspect of the City Council's service that were based around risk.

The Chair highlighted the importance of training for Members, to aid understand the full scope and remit of the Audit Committee.

RESOLVED:

That the Internal Audit Charter and IA Code of Ethics be adopted.

75. ANNUAL RISK MANAGEMENT REPORT

The Audit, Risk & Assurance Manager summarised key areas of the report, noting that a review has been planned for 2016/17 using the latest ISO 31000 risk management standard.

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In response to Councillor McLellan's query regarding a progress update on the risk champion role, Councillor Gravells reported that he had been offered training but had been unable to attend due to scheduling conflicts. The Head of Audit, Risk and Assurance highlighted that risk management training was open to all Members.

In response to the Chair's query regarding training for new members of staff, The Head of Audit Risk Assurance advised that an Auditor Lead had been allocated to each directorate, working closely with Officers, attending team meetings and provided 1-2-1 sessions and who would be aware of recent staff changes.

RESOLVED:

- (1) That the risk management arrangements in place for the past year be noted.
- (2) That the proposals for future development of risk management be endorsed.

76. TREASURY MANAGEMENT STRATEGY

The Management Accountant highlighted key areas of the report noting that that the Council's position over the past twelve months has changed considerably. He explained that this was predominantly due to the £62.75m of historic debt being written off following the successful completion of the housing stock transfer.

RESOLVED TO RECOMMEND TO COUNCIL:

That the Treasury Management Strategy be approved.

77. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Committee considered the Work Programme.

78. ANNOUNCEMENTS

The Chair advised Members that Gloucestershire County Council were offering training on Audit Committee Effectiveness in June or July 2016. The Committee agreed that this would be useful training that should be open to all Members of the Audit Committee to attend.

The Committee placed on record their thanks to the departing Audit, Risk & Assurance Manager in recognition for his 42 years of service in local government, with the last 28 years being spent at the City Council, and in particular for his support with the Audit and Governance Committee.

The Chair reported that his last day would be April 28th 2016, noting that she had worked with him for eight years. She expressed her thanks for the support he provided to her, both as Chair of Audit and Governance Committee and as a Cabinet Member.

The Audit, Risk & Assurance Manager thanked the Committee for their comments.

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14.03.16

Councillor Gravells thanked the Chair, who would be stepping down as a Councillor at the forthcoming election, for her hard work as Chair of the Audit Committee and wished her a happy retirement.

Councillor McLellan thanked Councillor Hobbs, who would be stepping down as a Councillor at the forthcoming election, for his contribution as Vice-Chair and Member of the Audit Committee.

79. DATE OF NEXT MEETING

Monday 20th June 2016 at 6:30pm.

Time of commencement: 6.30 pm hours

Time of conclusion: 8.05 pm hours

Chair

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AUDIT AND GOVERNANCE COMMITTEE – 20 JUNE 2016

ACTION PLAN

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
<u>Actions arising from meeting held on 24 September 2012:</u>					
Page 15	Implementation of purchased software with a modern stock control facility at the Guildhall.	<p>A review of the Guildhall operations, including IT requirements, has been undertaken by Consultants and a cross party working group of Members. A decision on whether to purchase new EPOS software with stock control functionality has been made and a new system is expected to be implemented in July 2016.</p> <p>A Guildhall follow up review was undertaken by Internal Audit in November 2015 which confirmed that a manual stock control system was in place. Internal Audit has included a further review of this area within the 2016/2017 Internal Audit plan.</p>	A	31.03.14	SG
				30.11.14 (revised date)	MS
				June 2015 (revised date)	MS
				March 2016	JT
				Implementation date April 2016	SN
				Implementation date July 2016	JT
<u>Actions arising from meeting held on 14 March 2016:</u>					
69	Report to committee on inaccuracy rate for previous year with and without minor inaccuracies (£3.00) discounted.	The Head of Business Improvement to liaise with Civica and report back to Committee on the 20 June 2016	A	20 June 2016	JT
71	Share research on the housing provision in the KPMG technical update with the Cabinet Member for Housing and Planning.	Democratic Services Officer to share information with Cabinet Member for Housing and Planning.	A	Prior to June 2016	AT
73	Clarify Council Motion on zero hour contracts and the services that employ zero hour contracts.	The Management Accountant to report back to Committee on the 20 th June 2016	A	20 June 2016	AC

Agenda Item 7

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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Our ref dg/cs

28 April 2016

Dear Jon

Gloucester City Council – Audit progress

We have now completed our planning and interim audit work in line with the timetable set out in our detailed External Audit Plan, dated April 2016. In that plan we indicated that we would report to the Council's Audit Committee to report on the outcome of the planning and control evaluation phases of our audit. This was to ensure that, in line with good practice, any significant matters are reported to those charged with governance in a timely manner.

As our audit work to date has gone smoothly and we have not identified any significant issues, we no longer consider it necessary to report to the Audit Committee at this stage.

Planning audit work on some areas is still ongoing, notably in relation to payroll expenditure, for which we are awaiting the results of the testing of internal audit before performing our controls work. We will report our findings on these areas if relevant in the ISA260 report which we will produce at the conclusion of the audit and present to the Audit Committee in September 2016.

In the absence of the need for an Interim Audit Report, please feel free to table this letter at the next meeting of your Audit Committee, to provide them with an update on the progress of our audit.



KPMG LLP
Gloucester City Council – Audit progress
28 April 2016

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Darren Gilbert', with a small flourish at the end.

Darren Gilbert

Director, KPMG LLP



Meeting:	Audit and Governance Committee	Date: 20 th June 2016
Subject:	Internal Audit Plan 2015/16 – Final Monitoring Report	
Report Of:	Head of Audit Risk Assurance (Chief Internal Auditor)	
Wards Affected:	Not applicable	
Key Decision:	No	Budget/Policy Framework: No
Contact Officer:	Theresa Mortimer - Head of Audit Risk Assurance	
	Email: Theresa.Mortimer@gloucester.gov.uk	Tel: 01452 396338
Appendices:	1: List of the remaining audits completed as part of the 2015/16 Internal Audit Plan 2: Details of Internal Audit Rank 1 High Priority Recommendations not implemented by the agreed date	

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To inform Members of the remaining audits completed as part of the agreed Internal Audit Plan 2015/16.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** that the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited be endorsed.

3.0 Background and Key Issues

- 3.1 At the Audit and Governance Committee meeting held on 16th March 2015, Members approved the Internal Audit Plan 2015/16. In accordance with the Public Sector Internal Audit Standards 2013, this final monitoring report details the outcomes of internal audit work carried out in accordance with the approved Plan.
- 3.2 Regular Internal Audit Plan 2015/16 monitoring reports have been submitted to Audit and Governance Committee within the 2015/16 Civic Year, to confirm progress against the approved Plan. The last report was presented at the 14th March 2016 Committee meeting.
- 3.3 This final monitoring report includes details of the remaining audits completed as part of the Internal Audit Plan 2015/16. The performance monitoring information is based on the number of completed audits vs. the number of planned audits (i.e. an output measure). The final position for the 2015/16 Plan is 90.6% (29 out of 32 planned audits completed) compared to a target of 90%.

3.4 Details of the audits completed, together with the overall conclusion reached on each audit, have been provided in **Appendix A**. This should provide Members with a view on the adequacy of the controls operating within each area audited.

3.5 Members can take assurance that where Limited or Unsatisfactory levels of assurance have been allocated, Internal Audit will undertake a follow up review on the area to confirm whether the management agreed recommendations have been implemented within the agreed timescale. See report section 4.1 for the approach regards non implemented High Priority audit recommendations.

4.0 Results from Follow-Up Audits

4.1 It has previously been agreed that Members would be notified of all 'Rank 1 High Priority' recommendations that have not been fully implemented within the agreed timescale. See **Appendix B** for details.

5.0 Asset Based Community Development (ABCD) Considerations

5.1 There are no ABCD implications as a result of the recommendation made in this report.

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 and processes audited.

7.0 Reasons for Recommendations

7.1 The Public Sector Internal Audit Standards 2013 state that the Chief Internal Auditor 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 Consideration of reports from the Chief Internal Auditor on internal audit's performance during the year, including updates on the work of internal audit, is also a requirement of the Audit and Governance Committee's terms of reference (part of the Council Constitution).

8.0 Future Work and Conclusions

8.1 The role of the Audit, Risk and Assurance service is to examine, evaluate and provide an independent, objective opinion on the adequacy and effectiveness of the internal control environment, comprising risk management, control and governance. Where weaknesses have been identified, recommendations have been made to improve the control environment.

9.0 Financial Implications

9.1 There are no financial implications arising out of this report.

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

10.0 Legal Implications

10.1 There are no direct legal implications arising out of this report.

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

11.0 Risk and Opportunity Management Implications

11.1 Delays in acceptance and implementation of audit recommendations may lead to a weakened control environment, which potentially impacts on the achievement of the Council's strategic/operational objectives, financial irregularity and/or fraud, reputation and safeguarding the well-being of the Council's stakeholders.

12.0 People Impact Assessment (PIA):

12.1 A requirement of the Accounts and Audit Regulations 2015 is for the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance. The internal audit service is delivered by Audit, Risk, Assurance which is an internal audit and risk management shared service between Gloucester City Council, Stroud District Council and Gloucestershire County Council. 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.

Staffing & Trade Union

13.3 There are no 'Staffing and Trade Union' implications arising out of the recommendations in this report.

Background Documents: Public Sector Internal Audit Standards (PSIAS) 2013
CIPFA Local Government Application Note for the UK PSIAS
Internal Audit Plan 2015/16
Internal Audit monitoring reports 2015/2016

List of the remaining audits completed as part of the 2015/16 Internal Audit Plan

Audit	Comments	Level of Assurance
Rugby World Cup	<p><u>Audit Objective</u> The objective of the audit was to ensure the following controls were in place and operating effectively:</p> <ul style="list-style-type: none"> • Objective(s) and budget have been appropriately defined and approved. • Risks have been identified and appropriately managed at all project stages. • Project governance & delivery responsibility has been assigned, and satisfactory performance monitoring exercised. • Budgetary responsibility has been assigned (budget monitoring and expenditure approval) and satisfactory budgetary control exercised. • Income and expenditure items: <ul style="list-style-type: none"> - Actuals: are in line with the approved project objectives and budget; are compliant with the Council's Constitution and financial procedures (e.g. order through to payment); have adequate audit trail; and have been coded correctly and appropriately treated for VAT. - Estimates: are in line with the approved project objectives and budget; and are reasonable based on appropriate supporting documentation and business cases (where relevant). • RWC15 tickets purchased and distributed to the Council have been appropriately logged and allocated in line with defined terms and conditions • Review of the project outcome is planned to confirm whether the Council objective(s) and budget have been achieved. <p><u>Period of Audit</u> Internal audit scope was to review the processes and controls in place for the term of the project i.e. 2013/14 (initiation and bid) to end delivery September and October 2015. The audit work was completed in September 2015 and February 2016.</p> <p><u>Audit Opinion</u> On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing, the audit opinion is that there is a Good level of assurance on the adequacy and operating effectiveness of controls in place for the majority of the areas covered by the audit</p>	Good/ Satisfactory/ Limited

Audit	Comments	Level of Assurance
	<p>except for the adequacy and operating effectiveness of controls in place for 'Budget responsibility and control' for which a Satisfactory level of assurance has been provided; and the adequacy and operating effectiveness of controls in place for 'Income and expenditure testing – including Constitution Contract Standing Order compliance and RWC ticket allocation' for which a Limited level of assurance has been provided.</p> <p>The main area of weakness identified, for which four Rank 1 'High Priority' recommendations and one Rank 2 'Medium Priority' recommendation has been made (ranking definitions are confirmed within the subsequent two tables), relate to:</p> <ul style="list-style-type: none"> • The recovery of two income items was identified as outstanding at the point of audit and required resolution by the Council before determination of the final project costs and comparison against budget. • Audit review of a sample of expenditure of non-payroll items identified the procedures followed were not compliant with the Council's Constitution Contract Standing Orders. • Audit testing identified a few areas where action was required to ensure the RWC15 cost centre contained RWC15 costs and income only. • The audit confirmed the Council had a defined approach (including allocation criteria) and supporting audit trail for allocation of 3 pots of RWC15 tickets. However audit testing identified that allocation audit trail was incomplete and that allocation criterion was not met in all cases. • The request for exemption from tendering/quotation procedures form should be reviewed and updated to ensure that the form is in line with the requirements of the Council Constitution Contract Standing Orders. <p>The recommendations made as a result of this audit have been agreed by management with the latest implementation date for the recommendations being Quarters 1 & 2 2016/17.</p>	
Benefits	<p><u>Audit Objective</u></p> <p>The objective of the audit was to ensure the following controls were in place and operating effectively:</p> <ul style="list-style-type: none"> • Periodic reconciliation of the Benefits system to the appropriate feeder systems. • Periodic review of Exception Reports. • Identification and recovery of Housing Benefit Overpayments. • Receipt and approval of claims for Discretionary Housing Payments. 	Satisfactory

Audit	Comments	Level of Assurance
	<ul style="list-style-type: none"> • Housing Benefit Claims - Quality Assurance Checks. <p><u>Period of Audit</u> The audit covered the period April 2015 to February 2016.</p> <p><u>Audit Opinion</u> On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a Satisfactory level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit.</p> <p>The main area of weakness identified, for which two Rank 2 'Medium Priority' recommendations have been made, relate to:</p> <ul style="list-style-type: none"> • Formal approval for the 'local' weekly income disregards to be obtained from the Cabinet Member for Performance and Resources. • Regular meetings with Civica Housing Benefit managers should be introduced to ensure that the recovery process for outstanding debtors is being optimised and actioned appropriately. <p>The recommendations made as a result of this audit have been agreed by management with the implementation targeted for within 2016/17.</p>	
Payroll	<p><u>Audit Objective</u> The objective of the audit was to ensure the following controls were in place and operating effectively:</p> <ul style="list-style-type: none"> • The payroll system is reconciled to the general ledger. • Establishment lists are circulated to managers for verification of officer numbers in their respective areas. • Production and review of exception reports. • Access restrictions payroll system. • Contracts are in place to define both parties' obligations. • Client Monitoring arrangements are working effectively. • Payments to the 'supplier' are made in line with the formal agreement/SLA. <p><u>Period of Audit</u> The period of the audit covered the ten month period from April 2015 to January 2016.</p> <p><u>Audit Opinion</u> On the basis of the work carried out during this audit review, and the number and classification of</p>	Satisfactory

Audit	Comments	Level of Assurance
	<p>recommendations identified through audit testing the audit opinion is that there is a Satisfactory level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit.</p> <p>The main area of weakness identified, for which one Rank 2 'Medium Priority' recommendation has been made, relates to:</p> <ul style="list-style-type: none"> • The signed and dated shared service level (SLA) agreement should be located and held securely. If one cannot be located an additional SLA should be produced. <p>The recommendation made as a result of this audit has been agreed by management with the implementation targeted for within 2016/17.</p>	
VAT	<p><u>Audit Objective</u> The objective of the audit was to ensure the following controls were in place and operating effectively:</p> <ul style="list-style-type: none"> • VAT returns are completed each and every month. • The Fees and charges booklet details the correct VAT status for each source of income. • All Income is correctly recorded with the VAT status and calculations. • That all Invoices processed by the Council, whether direct or through grant-aided bodies, are correctly coded to allow the recovery of VAT <p><u>Period of Audit</u> The period of the audit covered the transactions within the 2015/16 financial year.</p> <p><u>Audit Opinion</u> On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a Satisfactory level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit.</p> <p>No Rank 2 'Medium Priority' or Rank 1 'High Priority' recommendations were raised within the VAT internal audit report. VAT relevant Rank 2 'Medium Priority' recommendations have been made as part of the Cash to Bank internal audit (see below).</p>	Satisfactory
Cash and Bank	<p><u>Audit Objective</u> The objective of the audit was to ensure the following controls were in place and operating effectively:</p> <ul style="list-style-type: none"> ▪ A regular bank reconciliation is performed and subject to management review and approval. 	Good/ Satisfactory

Audit	Comments	Level of Assurance
	<ul style="list-style-type: none"> ▪ Reconciliation(s) of the cash receipting system to General Ledger. • Reviews performed upon the unallocated cash suspense account. • Issuing corporate procurement cards and reconciling the monthly transactions. • Setting up and reviewing Direct Debits to suppliers. <p><u>Period of Audit</u> The period of the audit covered the eleven month period from April 2015 to February 2016.</p> <p><u>Audit Opinion</u> On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a Good level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit, except for the adequacy and operating effectiveness of controls in place for reconciling the cash receipting system to the general ledger for which a Satisfactory level of assurance has been provided.</p> <p>The main area of weakness identified, for which four Rank 2 'Medium Priority' recommendations have been made, relate to:</p> <ul style="list-style-type: none"> • Actions are required to identify and resolve the reasons why there are still instances where a VAT rate of 17.5% is being accounted for at some point within the interface of the Sundry Debtor income to the General Ledger. • Actions are required to identify and resolve the reasons why when posting income from the Cash Receipting system to the General Ledger that the VAT values are not being fully transferred. • Actions are required to identify and resolve the reasons why more gross income is posted to the General Ledger than is advised through the Cash Receipting system fund analysis reports. • Reasons for variances between the Flex to General Ledger interface and the flex report values should be investigated and addressed at the point of interface, with the details being recorded on the interface spreadsheets to highlight recurring reasons from which actions can be taken as appropriate. <p>The recommendations made as a result of this audit have been agreed by management with the latest implementation date for the recommendations being</p>	

Audit	Comments	Level of Assurance
	December 2016.	
Creditors	<p><u>Audit Objective</u> The objective of the audit was to ensure the following controls were in place and operating effectively:</p> <ul style="list-style-type: none"> • Reconciliation of the creditors system to the general ledger. • Review of exceptions such as payments to new suppliers, potentially duplicated payments etc. • Review of orders for which invoices have not been received (open orders). • Access restrictions and review of access rights to relevant software. <p><u>Period of Audit</u> The period of the audit covered the 2015/16 financial year to February 2016.</p> <p><u>Audit Opinion</u> On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a Good level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit, except for review of user access for which a Satisfactory level of assurance has been provided.</p> <p>The main area of weakness identified, for which one Rank 2 'Medium Priority' recommendation has been made, relates to:</p> <ul style="list-style-type: none"> • Actions are to be taken to ensure that the 'new user' and 'role changes' reports are run and reviewed on a quarterly basis in order to provide assurance that user access rights within the Creditors system have been appropriately approved and actioned. <p>The recommendations made as a result of this audit have been agreed by management with the latest implementation date for the recommendations being June 2016.</p> <p>The Creditors audit also identified issues with system administrators not receiving notification of leavers and changes of officer roles. This area has been raised within the IT internal audit report 2014/15 (issued 12th June 2015) and the subsequent follow up review report (issued 11th April 2016). See Appendix B for the current position.</p>	Good/ Satisfactory
Garden Waste	<p><u>Audit Objective</u> The objective of the audit was to ensure the following controls were in place and operating effectively:</p>	Good/ Satisfactory

Audit	Comments	Level of Assurance
	<ul style="list-style-type: none"> • The Garden Waste collection charge has been appropriately set and applied. • Actions are in place to review the effectiveness of the scheme in meeting its objectives. • Income streams are appropriately controlled with the income being allocated to the correct budgets. • All related expenditure items are accounted for. • Only paying customers' waste is being collected <p><u>Period of Audit</u> The period of the audit covered the start of the 'revised' scheme (October 2015) to February 2016.</p> <p><u>Audit Opinion</u> On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing, the audit opinion is that there is a Good level of assurance on the adequacy and operating effectiveness of controls in place for the approval of the Garden Waste scheme's initial implementation, changes applied for 2015-16, measuring and reporting of the scheme's targets, and relaying the scheme details to the general public; and a Satisfactory level of assurance on the adequacy and operating effectiveness of controls in place for income, expenditure, and waste collection.</p> <p>The main area of weakness identified, for which three Rank 2 'Medium Priority' recommendations have been made, relate to:</p> <ul style="list-style-type: none"> • There have been issues with the online Direct Debit (DD) registration. A recommendation has been made to ensure that all internet links for signing up to, and paying for, the garden waste service are working as intended. • The City Council's Business Rates liability for the storage of garden waste bins to be reviewed and appropriate action taken. • Actions are required to ensure that the Debtor system correctly interfaces with the Customer Management System so that required information is relayed in a timely manner to all relevant parties. <p>The recommendations made as a result of this audit have been agreed by management with the latest implementation date for the recommendations being October 2016.</p>	
Sundry Debtors	<p><u>Audit Objective</u> The objective of the audit was to ensure the following controls were in place and operating effectively:</p>	Good/ Satisfactory

Audit	Comments	Level of Assurance
	<ul style="list-style-type: none"> • Reconciliations of the sundry debtor system to the general ledger are performed on a regular basis and to a zero variance. • Reconciliations of the sundry debtors system to the cash receipting system are performed on a regular basis and to a zero variance. • Sundry debtors arrears and credit reports are being produced and monitored on a regular basis with actions being taken to address reported issues. • Access to each key software application is restricted through adequate password-based access controls. • User access rights to key systems are being reviewed with amendments being effected as required. <p><u>Period of Audit</u> The period of the audit covered the period April 2015 to February 2016.</p> <p><u>Audit Opinion</u> On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a Good level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit, except for 'review of user access rights to key systems' for which a Satisfactory level of assurance has been provided.</p> <p>The main area of weakness identified relates to issues with system administrators not receiving notification of leavers and changes of officer roles. This area has been raised within the IT internal audit report 2014/15 (issued 12th June 2015) and the subsequent follow up review report (issued 11th April 2016). See Appendix B for the current position.</p>	

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:

OPINION ON 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).

OPINION ON CONTROL LEVEL	DESCRIPTION
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 or lack of 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 inefficiencies.

Details of Internal Audit Rank 1 High Priority Recommendations not implemented by the agreed date

The below recommendations were originally raised within the IT internal audit 2014/15 (audit report issued 12th June 2015) and agreed by management. An IT follow up internal audit was completed in quarter 4 2015/16 and identified that two rank 1 recommendations from the IT internal audit 2014/15 had not been implemented.

The below table confirms the original recommendation and management response, as well as the follow up audit findings with updated management response and agreed timings for recommendation implementation.

Date	Audit	Original Recommendation and Management Response	Imp. Date	Follow-Up Audit Findings/Management Response	Revised Imp. Date
June 2015	IT	<p>Original Recommendation The Client Team should ensure that all Council leavers with employment end dates up to 31/03/15 are deregistered from the Council network and all Council systems immediately.</p> <p>Management Response Accepted. This work has already been done. Validation of this will be undertaken by the Client Team.</p>	June 2015	<p>Follow-Up Audit Findings Verbal assurance was provided by the Business Analyst that as at October 2015 a piece of work was completed between himself and Civica to disable Council leavers with a leave date of October 2013 to October 2015. However audit trail of this exercise could not be provided. Audit sample testing of 2015/16 leavers and review of 2014/15 leavers identified a number of network user accounts (1/6 2014/15 cases and 5/8 2015/16 cases) which had not been appropriately disabled.</p> <p>Management Response Accepted.</p> <p>Review completed with HR for employees of City Council. Communications have been sent to all managers reminding them to deregister all leavers – work will have to be done to ensure that contract staff are captured as part of this.</p>	March 2016

Date	Audit	Original Recommendation and Management Response	Imp. Date	Follow-Up Audit Findings/Management Response	Revised Imp. Date
June 2015	IT	<p>Original Recommendation The IT deregistration process should be redefined and agreed by the Council immediately. The approach should consider and include:</p> <ul style="list-style-type: none"> • Regular reminders to Managers of the mandatory process to be completed for all Council leavers to ensure that IT access is appropriately disabled • Notification to system administrators of Council leavers on a regular and timely basis, to enable software system user access rights to be appropriately disabled or deleted and support regular, independent review of user access rights to key systems. • Review of the Council leavers report (HR – SAP) on a quarterly basis by the Client Team, to ensure that network access has been removed for all leavers (this is a secondary control). It is noted that this control will not capture agency staff not paid through SAP payroll. <p>Management Response Accepted. This work has already been completed and agreed. This will now form part of the paper to SMT to ensure management are fully aware of the manager's responsibilities. The Client team will then review on a quarterly basis moving forward.</p>	July-August 2015 and On-going	<p>Follow-Up Audit Findings The Business Analyst confirmed that the IT deregistration process has not been updated within 2015/16 and reminders to Managers of the current approach has not been completed.</p> <p>Management Response Accepted.</p> <p>Communications to go out to all managers to remind them to deregister staff, via the Business Bulletin. Electronic form still available via intranomic and city net. Original recommendation to be done.</p>	Quarter 1 2016/17



Meeting:	Audit and Governance Committee	Date:	20th June 2016
Subject:	Head of Audit Risk Assurance Annual Report 2015/16		
Report Of:	Head of Audit Risk Assurance (Chief Internal Auditor)		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Theresa Mortimer, Head of Audit Risk Assurance		
	Email:	Tel: 01452 396338	
	Theresa.Mortimer@gloucester.gov.uk		
Appendices:	1: List of 2015/16 audits that resulted in a Limited/Unsatisfactory level of assurance		
	2: Local Government Transparency Code 2015 – fraud disclosure		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To provide Members with a brief overview of Internal Audit work, compliance with Financial Regulations, Contract Standing Orders, and general probity issues for the financial year ending 31st March 2016, and, to provide an opinion on the overall adequacy and effectiveness of the organisation’s control environment, comprising risk management, control and governance.

2.0 Recommendations

2.1 Audit and Governance Committee is asked to **RESOLVE** to endorse the assurance from the Head of Audit Risk Assurance that a satisfactory level of assurance can be given that there is a generally sound system of internal control in place at the Council (designed to meet the Council’s objectives).

3.0 Background and Key Issues

3.1 During 2015/2016, Internal Audit work was carried out in accordance with the Public Sector Internal Audit Standards 2013 (PSIAS) and the CIPFA Local Government Application Note for the UK PSIAS.

3.2 The PSIAS define internal audit as ‘an independent objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

- 3.3 To achieve full effectiveness, the scope of the internal audit function should provide an unrestricted range of coverage of the organisation's operations and the internal audit function should have sufficient authority to access such records, assets and personnel as are necessary for the proper fulfilment of responsibilities. These access rights are specified in the Internal Audit Charter and Code of Ethics, which has been approved by Members and is referred to in the Council's Constitution.
- 3.4 The PSIAS requires the Chief Internal Auditor to 'provide a written report to those charged with governance timed to support the Annual Governance Statement'. The content of the report is prescribed by the PSIAS which specifically requires Internal Audit to:
- Provide an opinion on the overall adequacy and effectiveness of the organisation's internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification;
 - Compare the actual work undertaken with the planned work, and present a summary of the audit activity undertaken from which the opinion was derived, drawing attention to any issues of particular relevance;
 - Summarise the performance of the Internal Audit function against its performance measures and targets; and
 - Comment on compliance with the PSIAS.

A separate report containing the Annual Governance Statement is included on the agenda for the Audit and Governance Committee on 20th June 2016.

4.0 Chief Internal Auditor's Opinion

- 4.1 I am satisfied that, based on the internal audit activity undertaken during 2015/2016 and management's actions taken in response to that activity, enhanced by the work of other external review agencies, sufficient evidence is available to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of Gloucester City Council's overall internal control environment. Therefore, in my opinion, for the 12 months ended 31st March 2016, Gloucester City Council has a satisfactory overall control environment, to enable the achievement of the Council's outcomes and objectives.
- 4.2 In providing my opinion it should be noted that assurance can never be absolute. The most that Internal Audit can provide is a reasonable assurance that there are no major weaknesses in risk management arrangements, control processes and governance. The matters raised in this report, and our Internal Audit Plan Monitoring Reports for 2015/16 to Audit and Governance Committee, are only those that were identified during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that may exist or represent all of the improvements required.
- 4.3 The outcomes of the opinions provided during 2015/2016 are summarised below:

Opinion	Number	%
Good	16	38
Satisfactory	19	45
Limited	6	14
Unsatisfactory	1	3
TOTAL	42	100

Please note that on a number of audits, a 'split' opinion has been provided. This approach helps to identify to management the specific areas of control that are/are not operating as intended, rather than provide an overall conclusion on all the areas covered by the audit. Where a 'split' opinion has been provided on an audit, both opinions have been included in the above table. Details of the audits that received a Limited or Unsatisfactory level of assurance are provided in **Appendix 1**.

Whilst **17%** of the opinions provided have received a limited or unsatisfactory opinion, overall, it is pleasing to report that the Council is showing that **83%** of the activities reviewed have received a Good (**38%**) or Satisfactory (**45%**) opinion on control.

- 4.4 The PSIAS state that, within the Annual Report, the Council's Chief Internal Auditor should identify any issues that are relevant to the preparation of the Annual Governance Statement. From the risk-based Internal Audit assignment work undertaken during 2015/16, there are no issues of which I am aware that I regard as sufficiently significant to be considered in relation to the preparation of the Council's Annual Governance Statement. Whilst the Internal Audit work undertaken did result in one audit with an Unsatisfactory level of assurance (Choice Based Lettings), in my view, the weaknesses identified are not deemed to be significant governance issues.

5.0 Summary of Internal Activity undertaken during 2015/16

5.1 Annual Plan

- 5.1.1 The Internal Audit Plan for 2015/16 was agreed by the Audit and Governance Committee at its meeting on 16th March 2015.

- 5.1.2 Audits have been carried out on the following areas during the year:

Financial Services; Revenues and Benefits (Client and Contractor); IT (Client and Contractor); Letting and management of Contracts; Disabled Facility Grants; Members Allowances; Community Support Grants; Licences; Choice Based Lettings; Commercial Rents; Information Governance; Rugby World Cup; Garden Waste; Performance Management; and Marketing Gloucester Ltd.

5.2 Internal Control Assurance

- 5.2.1 Internal Audit undertakes a Risk Based Internal Audit approach in both development of the Council's Annual Internal Audit Plan and delivery of the Plan. The risk based approach considers and includes risk based, system and probity audit methodology.

- 5.2.2 System audit methodology involves the identification, documentation, evaluation and testing of controls. Recommendations are made to management where weaknesses are identified. Where appropriate, use is made of CIPFA's System Based Auditing Control matrices. These matrices act as an aid to identifying the control objectives, expected controls and compliance tests for each main system.
- 5.2.3 Probity audit methodology involves testing (by means of sampling) transactions to ensure that the 'rules' of the organisation have been adhered to, that material fraud and significant levels of error are not in evidence, and that the organisation is acting within its statutory powers.
- 5.2.4 The audit work on the main financial systems (e.g. main accounting system, creditors, benefits, payroll, council tax and business rates) involved the testing of key controls as detailed within the Joint Working Protocol (JWP) between Internal Audit and External Audit. This JWP defined a number of key systems and key controls which the External Auditor would expect Internal Audit to cover on an annual basis to support the external audit work on the financial statements. The required scope for these encompassed both assessment of the design and implementation of controls (with walkthroughs of the system where applicable - testing of a single case to verify the documentation of systems and controls) and testing of the effective operation of the controls.
- 5.2.5 Close co-operation between audited bodies' internal and external auditors helps to ensure that audit resources are used efficiently and to maximum effect. The aim of the JWP is for External Audit to place a high degree of reliance on the work of the Internal Audit team. This will help inform their judgement on the Council's financial control environment. It is also a factor taken into account when calculating the External Audit fee.
- 5.2.6 The following comments have been received from the Council's External Auditor KPMG within the Council's Audit Progress letter dated 28th April 2016:
- 'As our audit work to date has gone smoothly and we have not identified any significant issues, we no longer consider it necessary to report to the Audit Committee at this stage.'
- KPMG has confirmed that findings (e.g. on internal audit review), if relevant, will be reported through the ISA260 report, which is due to be presented to Audit and Governance Committee in September 2016.
- 5.2.7 Follow-up audits are planned to be carried out to ensure that agreed recommendations have been implemented in relation to where an Unsatisfactory or Limited assurance opinion (including where Rank 1 recommendations have been raised). Members have requested to be informed of any Rank 1 'High Priority' recommendations that have not been implemented by the agreed date and these have been reported, where appropriate, via the Internal Audit Plan Monitoring Reports for 2015/16.

5.3 Other Issues

5.3.1 Key Performance Indicators for Internal Audit

The PSIAS state that performance monitoring should include performance targets.

- a) One of the performance measures in place which is regularly reported to Members as part of the Internal Audit Plan Monitoring Report is the percentage completion of the Annual Plan.

The results for 2015/16, and the preceding two years, are shown below:

Indicator	Target	Performance 2013/14	Performance 2014/15	Performance 2015/16
% of Audit Plan Completed	Min 90%	88%	90% (Revised Plan)	90.6%

- b) Customer Feedback

At the completion of an audit, the auditee is asked to complete a questionnaire giving their views (on a scale of 1-4: 1 = Poor; 2 = Fair; 3 = Good; and 4 = Very Good) on the audit and its effectiveness. This is in accordance with PSIAS which states that performance monitoring should include stakeholder feedback. This feedback is important to identify any lessons learned and inform any potential changes required to the internal audit process and/or approach.

4 out of a possible 29 feedback forms were completed and returned within 2015/16. The mean average feedback score obtained was 3.6 (Good to Very Good).

Due to the low response rate and future planned changes to the audit approach, a revised method of obtaining customer feedback will be introduced during 2016/17. The target will be to simplify the feedback process, which together with support from Senior Management Team, should positively impact on the levels of feedback received.

- 5.3.2 The work of each member of staff was overseen during the year by the Chief Internal Auditor to ensure conformance with the Standards. All reports and working papers are reviewed to ensure the correct approach has been adopted, no matters have been overlooked, and any conclusions can be supported.
- 5.3.3 In order to help ensure audit staff keep up to date with current issues and techniques, work reviews and annual staff development reviews are carried out to identify any training and personal development needs. In addition, all appropriate staff are encouraged to register with a relevant Continuing Professional Development (CPD) scheme.
- 5.3.4 In relation to staffing matters, in March 2015 the Council approved the proposal to enter into a new internal audit shared service arrangement with Stroud District Council and Gloucestershire County Council. The new shared service commenced on 1st June 2015. Within 2015/16 the City Council Audit and Assurance staff transferred, under TUPE arrangements, to the County Council. Three of the shared service team remain based at the City Council offices to ensure a constant and accessible audit presence.

5.3.5 The revised Local Government Transparency Code 2015 came into effect on 1st April 2015 and requires Councils to publish information on defined areas, including fraud and irregularity. **Appendix 2** details the Code's fraud and irregularity criteria and discloses the relevant information for Gloucester City Council 2015/16.

6.0 Asset Based Community Development (ABCD) Considerations

6.1 There are no ABCD implications as a result of the recommendation made in this report.

7.0 Alternative Options Considered

7.1 Consideration could be given to not producing an Annual Report. However this would not be in accordance with PSIAS requirements.

8.0 Reasons for Recommendations

8.1 In accordance with the PSIAS and the Local Government Application Note for the UK PSIAS, the Council's Chief Internal Auditor is required to produce a formal annual report and opinion on the overall adequacy and effectiveness of the Council's internal control environment.

8.2 Consideration of the Chief Internal Auditors Annual Report is also a requirement of the Audit and Governance Committee terms of reference (part of the Council Constitution).

9.0 Future Work and Conclusions

9.1 The Council's Internal Audit Plan for 2016/17 was approved by the Audit and Governance Committee on 14th March 2016. Achievement against the Plan will be regularly reported to the Audit and Governance Committee via the Internal Audit Plan Quarterly Monitoring Reports for 2016/17.

10.0 Financial Implications

10.1 There are no financial implications arising out of this report.

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

11.0 Legal Implications

11.1 The Accounts and Audit Regulations 2015 (England and Wales) require the Council to ensure that it has 'a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk'. The Regulations also include the statutory obligation on the Council to undertake an 'effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account PSIAS or guidance'.

11.2 One of the key requirements of the PSIAS is that the Chief Internal Auditor should provide an annual report to those charged with governance, timed to support the

Annual Governance Statement. The content of the report is prescribed by the PSIAS.

- 11.3 The Head of Audit Risk Assurance Annual Report 2015/16 has been drafted to meet the above PSIAS requirements and support the Council.

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

12.0 Risk & Opportunity Management Implications

- 12.1 The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records, and, governance arrangements. The organisation's response to internal audit activity should lead to the strengthening of the control environment and therefore contribute to the achievement of the organisations objectives.

13.0 People Impact Assessment (PIA):

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

14.0 Other Corporate Implications

Community Safety

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

Sustainability

- 14.2 There are no sustainability implications arising out of this report.

Staffing & Trade Union

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

Background Documents: Accounts and Audit Regulations 2015
Public Sector Internal Audit Standards (PSIAS) 2013
CIPFA Local Government Application Note for the UK PSIAS
Local Government Transparency Code 2015
Internal Audit Charter and Code of Ethics

List of 2015/16 audits that resulted in a Limited/Unsatisfactory level of assurance

The following audits have been reported to Audit and Governance Committee through the Internal Audit Plan Monitoring Reports for 2015/16. The audit recommendations raised within the below audits have been positively agreed by management and implementation target dates confirmed.

Audit	Opinion	Date presented to Audit and Governance Committee
Choice Based Lettings	Unsatisfactory	21 st September 2015
Community Support Grants	Limited	21 st September 2015
Licences	Limited	21 st September 2015
Commercial Rents	Limited	18 th January 2016
Council Tax	Limited	18 th January 2016
Information Governance	Limited	14 th March 2016
Rugby World Cup	Limited	20 th June 2016

Local Government Transparency Code 2015 – fraud disclosure

Introduction:

This Code has been issued to meet the Government’s desire to place more power into citizens’ hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services. Transparency is the foundation of local accountability and the key that gives people the tools and information they need to enable them to play a bigger role in society. The availability of data can also open new markets for local business, the voluntary and community sectors and social enterprises to run services or manage public assets.

Detecting and preventing fraud (taken from Annex B of the Code):

Tackling fraud is an integral part of ensuring that tax-payers money is used to protect resources for frontline services. The cost of fraud to local government is estimated at £2.1 billion a year. This is money that can be better used to support the delivery of front line services and make savings for local tax payers.

A culture of transparency should strengthen counter-fraud controls. The Code makes it clear that fraud can thrive where decisions are not open to scrutiny and details of spending, contracts and service provision are hidden from view. Greater transparency, and the provisions in this Code, can help combat fraud.

Local authorities must annually publish the following information about their counter fraud work, as detailed for the Council in the table below:

Council wide fraud and irregularity activity relating to 2015/16 including Internal Audit activity – mandatory Code requirements only:

Question	Gloucester City Council Response
Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.	0 within 2015/16
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.	The Council has access to 2.45 FTE professionally accredited counter fraud specialists within the audit shared service team. This fraud resource was not utilised by the City Council within 2015/16 due to 0 fraud cases being reported within year.
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.	
Total amount spent by the authority on the investigation and prosecution of fraud.	£0 within 2015/16
Total number of fraud cases investigated.	0 within 2015/16

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Meeting:	Audit and Governance Committee	Date:	20th June 2016
	Council		21st July 2016
Subject:	Audit and Governance Committee Annual Report 2015/16		
Report Of:	Chair - Audit and Governance Committee		
Wards Affected:	N/A		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Theresa Mortimer, Head of Audit Risk Assurance (Chief Internal Auditor)		
	Email:	Tel: 01452 396338	
	Theresa.Mortimer@gloucester.gov.uk		
Appendices:	1: Audit and Governance Committee Annual Report 2015/16		
	2: Audit and Governance Committee – Terms of Reference (Council Constitution 2015/16 extract)		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 The report introduces the Annual Report of the Audit and Governance Committee. The Annual Report sets out the work and achievements of the Council’s Audit and Governance Committee during 2015/16.

2.0 Recommendations

2.1 Audit and Governance Committee is asked to **RECOMMEND** to Council that the Audit and Governance Committee’s Annual Report 2015/16 be noted.

2.2 Council is asked to **RESOLVE** that the Audit and Governance Committee Annual Report 2015/16 be noted.

3.0 Background and Key Issues

3.1 The Council’s Constitution defines Council Committee responsibilities for functions and terms of reference. The Audit and Governance Committee’s terms of reference includes the accountability arrangement *‘to report to full Council on a regular basis on the Committee’s performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose’*. This requirement is met through the Audit and Governance Committee’s Annual Report.

3.2 The preparation of an annual report by the Council’s Audit and Governance Committee is not a statutory requirement, but is recognised as good practice within local government.

3.3 This Annual Report details the Audit and Governance Committee's background, work and achievements during 2015/16.

4.0 Asset Based Community Development (ABCD) Considerations

4.1 There are no ABCD implications as a result of the recommendations made in this report.

5.0 Alternative Options Considered

5.1 Consideration has been given to not producing an Annual Report. This has been discounted, due to best practice from both the public and private sectors indicating that an audit committee should report directly to the governing body of the organisation (i.e. the full Council - in the case of a local authority). Also not producing an Annual Report would be non-compliant with the Audit and Governance Committee's defined terms of reference.

6.0 Reasons for Recommendations

6.1 The Audit and Governance Committee's terms of reference includes the accountability arrangement *'to report to full Council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose'*. The Audit and Governance Committee's Annual Report approach meets this requirement and assists in Audit and Governance Committee independence from the executive and scrutiny functions, and in addition provides status and clarity to the Committee's role.

7.0 Future Work and Conclusions

7.1 In accordance with best practice, the Audit and Governance Committee will continue to present an Annual Report to the full Council.

8.0 Financial Implications

8.1 There are no financial implications arising out of this report.

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

9.0 Legal Implications

9.1 The legal basis for the operation of the Audit and Governance Committee is set out in **Appendix 1** to the report, specifically section 1 'Background'.

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

10.0 Risk & Opportunity Management Implications

10.1 Good corporate governance requires independent effective assurance about both the adequacy of corporate, operational and financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives. The Audit and Governance Committee was

formed to deliver these functions, independent from the Council's executive and scrutiny functions.

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 this report.

Sustainability

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

Staffing & Trade Union

12.3 There are no staffing or trade union implications arising out of this report.

Background Documents: Audit and Governance Committee meeting minutes 2015/16

Audit and Governance Committee Annual Report 2015/16

1. Background

- 1.1 The original Audit Committee was established by the Council in May 2006. Whilst there is no statutory obligation in local government to have an Audit Committee, they are widely recognised as a core component of effective governance. In recent years there has been a significant amount of regulation and guidance issued in governance arrangements for private and public sector bodies, the common feature of governance arrangements being the existence of an Audit Committee.
- 1.2 As a result of the Localism Act 2011, which made fundamental changes to the system of regulation for elected and co-opted Councillors standards of conduct, in May 2012 the Council agreed to combine the roles of the Standards Committee and the Audit Committee to establish an Audit and Governance Committee. The transfer of responsibility from the Standards Committee to the Audit and Governance Committee necessitated changes to the Audit and Governance Committee terms of reference.
- 1.3 Good corporate governance requires independent, effective assurance about both the adequacy of corporate, operational and financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives. Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by the internal and external auditors.
- 1.4 The terms of reference for the Audit and Governance Committee are based on the Chartered Institute of Public Finance (CIPFA) publication 'Audit Committees – Practical Guidance for Local Authorities and Police' (2013 Edition). A copy of the terms of reference can be found at **Appendix B** of this report.

2.0 Membership and Attendance

- 2.1 The Committee has enjoyed the benefit of a settled membership over the last couple of years, with only a small number of changes. This has helped to build and retain the expertise within the Committee, which has led to the Committee being able to demonstrate that they are operating within a best practice framework.
- 2.2 The following Councillors were Members of the Audit and Governance Committee for 2015/16:

- Councillor (Cllr.) Llewellyn – Chair
- Cllr. Gravells – Vice Chair
- Cllr. McLellan
- Cllr. Hobbs
- Cllr. Taylor
- Cllr. Patel
- Cllr. Hampson

2.3 During the 2015/16 Civic Year, the Audit and Governance Committee met 5 times on the following dates:

- 1st July 2015
- 21st September 2015
- 23rd November 2015
- 18th January 2016
- 14th March 2016

2.4 The above is in line with the Constitution requirement for a minimum of 5 Audit and Governance Committee meetings per annum (see **Appendix B**).

2.5 The Cabinet Member for Performance (Cllr Dave Norman) was a regular attendee, as an observer, at Audit and Governance Committee meetings during 2015/16.

2.6 Council senior officers attended 2015/16 Audit and Governance Committee meetings, with the Head of Finance and the Audit, Risk and Assurance Manager being regular attendees. A representative from KPMG, the Council's External Auditors, also attended every Committee meeting.

2.7 Briefing meetings were undertaken prior to each Audit and Governance Committee meeting. These were attended by the Chair, Vice Chair, Head of Finance and the Audit, Risk & Assurance Manager.

3.0. Programme of Reports 2015/16

3.1 Detailed below is the programme of reports considered by the Audit and Governance Committee during 2015/16, split by the Committee's terms of reference defined roles:

Governance, risk and control (including reports also relevant to the Committee's accountability arrangements role):

- Annual Governance Statement 2014/15;
- Risk Management Annual Report 2015;
- Zurich Risk Management Update;
- Strategic Risk Register Update;
- Peer Review Action Plan; and
- Audit and Governance Committee Annual Report 2014/15.

Internal Audit:

- Audit, Risk and Assurance Manager's Annual Report 2014/15;
- Review of the Effectiveness of Internal Audit 2014/15;
- Internal Audit Plan 2015/16 Quarterly Monitoring Reports; and
- Internal Audit Annual Plan 2016/17.

External Audit:

- Annual Audit Letter 2014/15;
- External Audit Technical Update;
- External Audit Plan 2015/16; and
- Annual Report on Grants and Returns Work 2014/15.

Financial Reporting:

- Position Statement on the Statement of Accounts 2014/15;
- Year End Audited Statement of Accounts 2014/15;
- External Auditor Report to Those Charged with Governance (ISA 260) 2014/15;
- Business Rates Pooling Annual Report;
- Treasury Management Strategy 2016/17; and
- Treasury Management Quarterly Performance Monitoring Reports 2015/16.

Constitution and Standards:

- Annual Complaints Report 2014/15;
- Local Government Ombudsman Decisions; and
- Annual Standards Report.

4.0 Programme of Reports – Further Details

- 4.1 The work of internal and external audit provided reasonable assurance on the reliability and integrity of the information held in the financial statements as well as on the key control framework in operation across the Council. This work, together with the assurances from the Head of Finance, supported the Committee in forming their opinion of the financial statements and confirming agreement for the Chair of the Committee to sign the Statement of Accounts 2014/15 within the statutory timeframe.
- 4.2 The Committee reviewed and approved the Annual Governance Statement 2014/15 at the same time as the approval of the Statement of Accounts.
- 4.3 The Committee considered the effectiveness of the internal audit arrangements by reviewing the annual assessment of the Head of Finance, the view of external audit, and the quality of reports, actions and follow ups through the Internal Audit Plan Quarterly Monitoring reports submitted throughout the year to Committee.
- 4.4 The Committee is able to request Managers to attend the Committee to give an update on progress against agreed actions to reduce risk and/or improve the existing control environment. During 2015/16, the Committee invited the relevant Manager's to provide an update on the implementation of internal audit recommendations within the following areas:
- IT Performance;
 - Benefits – Accuracy rate; and
 - Choice Based Lettings.
- 4.5 During the year, the Committee maintained a Work Programme (detailing reports to be presented within the Civic Year) and an Action Plan. The Action Plan confirmed matters raised by Committee for further action, each with a RAG (red amber green) rating, action target date and action owner. The Action Plan was reviewed at each Committee meeting to monitor progress with implementing agreed actions.

5.0 Training

5.1 During the year the following training event, relevant to the work of the Audit and Governance Committee, was provided for Members: 01/07/2015 Audit and Governance – open to all Members. The training session focus was the Committee roles and responsibilities and the 2015/16 Work Programme.

6.0 Future Work

6.1 During 2016/17, the Audit and Governance Committee will continue with the existing aim of being an important source of assurance regards the organisation's arrangements for good governance, managing risk, maintaining an effective control environment, and reporting on financial and other performance.

Audit and Governance Committee Terms of Reference (Council Constitution 2015/16 extract)

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

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

Comprising: Non-Executive Members.

Frequency of Meetings: 5 meetings per annum together with such other meetings as the Committee Chair shall consider necessary or appropriate.

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

(a) Role:

Governance, risk and control:

1. To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
2. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
3. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
4. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
5. To monitor the effective development and operation of risk management in the Council.
6. To monitor progress in addressing risk-related issues reported to the Committee.
7. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
8. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
9. To monitor the counter-fraud strategy, actions and resources.

Internal Audit:

10. To approve the Internal Audit Charter.

11. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
12. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
13. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
14. To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
15. To consider reports from the Head of Internal Audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - a. Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b. Regular reports on the results of the Quality Assurance and Improvement Programme.
 - c. Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
16. To consider the Head of Internal Audit's Annual Report:
 - a. The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement.
 - b. The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with a summary of the work supporting the opinion.
17. To consider summaries of specific internal audit reports as requested.
18. To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
19. To contribute to the Quality and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

20. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
21. To support the development of effective communication with the Head of Internal Audit.

External Audit:

22. To consider the external auditor's annual letter, relevant reports, and the report of those charged with governance.
23. To consider specific reports as agreed with the external auditor.
24. To comment on the scope and depth of external audit work and to ensure it gives value for money.
25. To commission work from internal and external audit.
26. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting:

27. To review the statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
28. To consider the external auditor's report to those charges with governance on issues arising from the audit of the accounts.

Accountability arrangements:

29. To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
30. To report to full Council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

Constitution and Standards:

31. To consider and review changes to the Council's constitution in respect of Contract Standing Orders, Financial Regulations, and Codes of Conduct and behaviour.
32. To monitor the operation of the Council's codes and protocols (see Part 5 of the Constitution) and the Council's complaints process and to advise the Council on the adoption or revision of such codes.

33. To consider the Council's compliance with its own published standards and controls.
34. To review any issues referred to it by the Head of Paid Service, a Corporate Director or any Council body.
35. To receive allegations and any accompanying report from the Monitoring Officer and to refer the allegation to the Monitoring Officer for formal investigation or informal resolution.
36. To set up, where necessary, a Hearings Panel to consider any alleged breach of the Members' Code of Conduct.
37. To promote and maintain high standards of conduct by Councillors and co-opted Members.
38. To assist Councillors and co-opted Members to observe the Members' Code of Conduct.
39. To advise the Council on the adoption, revision of, or publicity on the Members' Code of Conduct.
40. To advise, train or arrange to train Councillors and co-opted Members on matters relating to the Members' Code of Conduct.
41. To grant dispensations to Councillors and co-opted Members from the requirements relating to interests set out in the Members' Code of Conduct or other Council codes and protocols where:
 - a. without the dispensation, the representation of different political groups on the body transacting the business would be so upset as to alter the outcome of any vote on the matter;
 - b. the Committee considers that the dispensation is in the interests of persons living in the Council's area; or
 - c. the Committee considers that it is otherwise appropriate to grant a dispensation.
42. To consider appeals against decisions made by the Monitoring Officer in exercise of their dispensation powers.
43. To set up, where necessary, a Sub-Committee to shortlist and interview candidates for the role of Independent Person and to make recommendations to Council regarding the appointment of Independent Persons.
44. To provide such advice and assistance as appropriate regarding the appointment of the Independent Person as required under Part 7 of the Localism Act 2011.
45. To set the allowances and expenses payable to the Independent Person and Reserve Independent Persons.

- (b) The power and responsibilities of the Committee shall be as follows:
- (i) The ability to require the Leader and Cabinet Members to attend and be questioned on audit, risk management and corporate governance matters relating to their roles and responsibilities.
 - (ii) The ability to require the Head of Paid Service, and Corporate Directors to attend and be questioned on audit, risk management and corporate governance matters relating to their roles and responsibilities.
 - (iii) The power to call expert witnesses from outside the Council to give advice on matters under review or discussion.
 - (iv) To discharge powers under section 101 of the Local Government Act 1972 acting as a Sub-Committee of the Council for Statement of Auditing Standards (610) purposes.
 - (v) To approve the Statement of Accounts and the Annual Governance Statement.
 - (vi) To approve the Internal Audit Periodic Plan, receive reports on progress and as a consequence approve any material changes to the plan.
- (c) All other matters will be recommended, as appropriate, to the Council, Leader, Cabinet or other Council body for decision.
- (d) Delegation to Officers: Those functions relating to statutory financial, audit and legal functions which have been delegated to officers are set out in the Council's Scheme of Delegation in Part 3 to the Constitution.



Meeting:	Audit and Governance Committee	20 June 2016
	Cabinet	22 June 2016
Subject:	Treasury Management Annual Update 2015/16	
Report Of:	Cabinet Member for Performance and Resources	
Wards Affected:	All	
Key Decision:	No	Budget/Policy Framework: No
Contact Officer:	Jon Topping, Head of Finance	
	Email: jon.topping@gloucester.gov.uk	Tel: 396242
Appendices:	1. Prudential and Treasury Indicators 2. Interest rate forecasts	

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 One of the requirements of the revised Code of Practice for Treasury Management in November 2011 recommends that members should be updated on treasury management activities at least twice a year, but preferably quarterly. This report covers quarter 4, 1st January 2016 to 31st March 2016 and provides a summary of 2015/16.
- 1.2 This report will highlight issues specific to the Council and also highlight interest rate forecasts as provided by the Council’s treasury advisors Capita Asset Services.
- 1.3 The body of the report provides an overview of the Councils performance in quarter 4;
 - **Appendix 1** highlights the key performance indicators in line with the Councils Treasury Management Strategy.
 - **Appendix 2** Interest Rate Forecast.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked, subject to any recommendations it wishes to make to Cabinet, to note the contents of the report.
- 2.2 Cabinet is asked to **RESOLVE** that the contents of the report be noted subject to any comments subsequently received by Audit and Governance Committee.

3.0 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2015/16, which includes the Annual Investment Strategy, was approved by the Council on 18th March 2015. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield

3.1 The Council will also aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months, with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.

3.2 Investment rates available in the market have been broadly stable during the quarter and have continued at historically low levels as a result of the ultra-low Bank Rate. The average level of funds available for investment purposes during the quarter was £6.8M. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The Council does not hold cash balances for investment purposes (i.e. funds available for more than one year).

Investment performance for quarter ended 31st March 2016

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.36	N/A	N/A
1 month	0.38	0.35	£793.98
3 month	0.46	0.41	£876.16
6 month	0.62	N/A	N/A
12 month	0.89	N/A	N/A

As illustrated, the Council was slightly behind the benchmark by 03 bps over 1 month investments and 05bps on investments over 3 months, as the investments were utilised for cashflow purposes.

4.0 New Borrowing

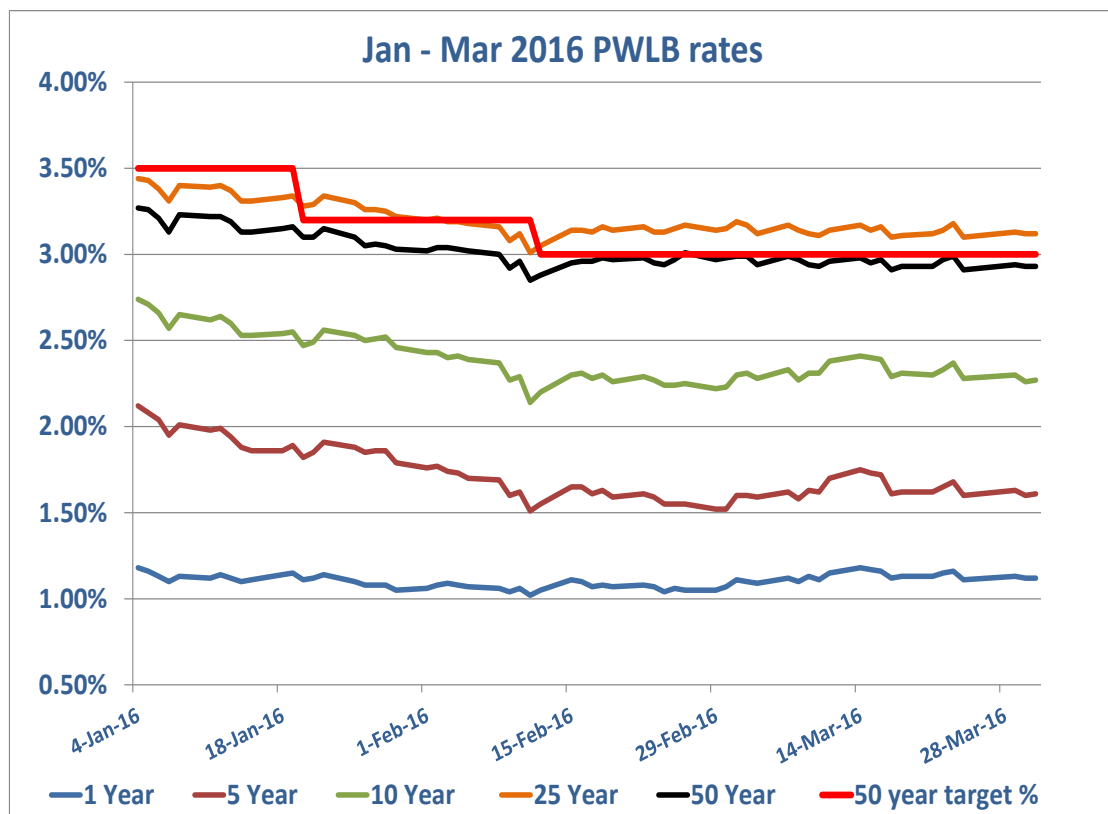
4.1 As depicted in the graph below, the general trend in PWLB rates during 2015/16 was an increase in interest rates during the first quarter followed by marked bouts of sharp volatility since 2015 but with an overall dominant trend for rates to fall to

historically low levels by the end of the year. During the quarter ended 31st March 2016, the 50 year PWLB target (certainty) rate for new long term borrowing fell from 3.50% to 3.00%.

4.2 No long term borrowing was undertaken during the quarter.

4.3 **PWLB certainty rates, quarter ended 31st March 2016**

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.02%	1.51%	2.14%	3.01%	2.85%
Date	11/02/2016	11/02/2016	11/02/2015	11/02/2016	11/02/2016
High	1.18%	2.12%	2.74%	3.44%	3.27%
Date	04/01/2016	04/01/2016	04/01/2016	04/01/2016	04/01/2016
Average	1.10%	1.72%	2.39%	3.20%	3.02%



4.4 **Borrowing in advance of need.**

The Council has not borrowed in advance of need during the quarter ended 31st March 2016.

5.0 Debt Rescheduling

- 5.1 Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. During the quarter ended 31st march 2016, no debt rescheduling was undertaken.

6.0 Compliance with Treasury and Prudential Limits

- 6.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.
- 6.2 During the financial year to date the Council has operated within the treasury limits set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The Council debt profile is currently structured on short term borrowing. The Council is able to benefit from reduced costs associated with short term borrowing compared to longer term rates while operating within the Council's borrowing requirements, this strategy will continue to be reviewed in line with market expectations.
- 6.3 The Council has a prudential indicator set at 50% for fixed rate borrowing <12 months. The treasury strategy notes that if limits are too restrictive they will impair the opportunities to reduce costs. In quarter 4 the Council has exceeded the indicator but remained within its approved limits, this policy of borrowing has allowed the Council to benefit from lower interest rates available via short term agreements. The Council will continue to monitor its prudential indicators to ensure that they do not restrict performance in light of the Council's debt profile. The prudential and treasury Indicators are shown within appendix 1.

7.0 Other

- 7.1 The Council continued to maintain an under-borrowed position in quarter 4.
- 7.2 This under-borrowing reflects that the Council resources such as reserves and provisions will have reduced debt rather than be externally invested. This strategy is sensible, at this point in time, for two reasons. Firstly, there is no differential between the marginal borrowing rate and investment rate so there is nothing to be gained by investing Council resources externally. Secondly, by using the resources to reduce debt the Council will reduce exposure to investment counterparty risk.
- 7.3 The Council will continue to monitor its approach to under borrowing in light of market movement and future events.
- 7.4 The Council has utilised short term borrowing in 2015/16 as part of its overall borrowing strategy, this policy has allowed the Council to benefit from lower interest rates available over the short term, this policy has allowed the Council to reduce its borrowing costs significantly in the short term. Over our current 2015/16 borrowing

requirement, the Council has been able to obtain short term borrowing at 0.38% compared to current long term rates at 2.4% for 10 year. This reduces the annual borrowing costs by £200k.

7.5 The Council will continue to monitor its approach to short term borrowing in accordance with our treasury advisor forecasts and future Council events implementing on the Council borrowing requirement.

8.0 Asset Based Community Development (ABCD) Considerations

8.1 This report notes the treasury management performance of the Council. There are no anticipated ABCD implications from this report.

9.0 Financial Implications

9.1 Contained in the report

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

10.0 Legal Implications

10.1 There are no legal implications from this report

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

11.0 Risk & Opportunity Management Implications

11.1 There are no specific risks or opportunities as a result of this report

12.0 People Impact Assessment (PIA):

12.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

13.0 Other Corporate Implications

Community Safety

13.1 None

Sustainability

13.2 None

Staffing & Trade Union

13.3 None

Prudential and Treasury Indicators as at 31st March 2016

Treasury Indicators	2015/16 Budget £'000	Quarter 4 (Jan-Mar) Actual £'000
Authorised limit for external debt	£35M	£15M
Operational boundary for external debt	£30M	£15M
Gross external debt	£30M	£15M
Investments	N/A	£0M
Net borrowing	£30M	£15M
Maturity structure of fixed and variable rate borrowing - upper and lower limits		
Under 12 months	0% - 50%	66.67%
12 months to 2 years	0% - 50%	0%
2 years to 5 years	0% - 50%	0%
5 years to 10 years	0% - 80%	33.33%
10 years to 20 years	0% - 80%	0%
20 years to 30 years	0% - 80%	0%
30 years to 40 years	0% - 80%	0%
40 years to 50 years	0% - 80%	0%
Upper limit of fixed interest rates based on net debt	100%	66.67%
Upper limit of variable interest rates based on net debt	100%	33.33%

INTEREST RATES FORECASTS

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

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%
5yr PWLB rate	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%
10yr PWLB rate	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.30%	3.40%	3.50%	3.60%
25yr PWLB rate	3.20%	3.30%	3.30%	3.50%	3.50%	3.60%	3.60%	3.70%	3.70%	3.70%	3.80%	3.80%
50yr PWLB rate	3.00%	3.10%	3.10%	3.30%	3.30%	3.40%	3.40%	3.50%	3.60%	3.60%	3.70%	3.70%

Capita Asset Services undertook an early quarterly review of its interest rate forecasts on 20 January 2016, before the quarterly Bank of England Inflation Report issued on 4 February, due to the run of recent downbeat UK and world economic news and the extreme volatility in financial markets. However, a further revised forecast was then done on 12 February due to a further resurgence of various fears and renewed extreme volatility in markets. Consequently, the forecast for the timing of the first increase in Bank Rate was overall moved from quarter 2 of 2016 to quarter 1 2017. With CPI inflation now expected to be between 0% and 1% during the whole of 2016, it is likely to be very difficult for the MPC to make a start on increasing Bank Rate in 2016. The Inflation Report forecast was also notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon. In addition, average weekly earnings excluding bonuses were weak at only 2.2% in the three months to January and so this is unlikely to provide ammunition for the MPC to take action to dampen inflationary pressures as labour productivity growth would mean that net labour unit costs are still not rising by the significantly more than 2% level which the MPC wants to see before starting to raise Bank Rate.

The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual after they do start. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when the growth in average disposable income is still weak and for some consumers, who have had no increases in pay, could be non-existent (other than through some falls in prices).

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Meeting:	Audit and Governance Committee	Date:	20th June 2016
Subject:	Annual Governance Statement 2015/16		
Report Of:	Head of Finance		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Jon Topping, Head of Finance		
	Email:	jon.topping@gloucester.gov.uk	Tel: 01452 396242
Appendices:	1: Draft Annual Governance Statement 2015/16		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To summarise Gloucester City Council’s Corporate Governance arrangements in place during 2015/16, via the publication of an Annual Governance Statement which is in accordance with the requirements of the Local Government Act 1999, the Accounts and Audit Regulations 2015, and the CIPFA/SOLACE guidance – Delivering Good Governance in Local Government 2007 (Addendum 2012).

2.0 Recommendations

2.1 Audit and Governance Committee is asked to **RESOLVE** that the Annual Governance Statement 2015/16 (including the actions planned by the Council to further enhance good governance arrangements), as set out in **Appendix 1**, be approved.

3.0 Background and Key Issues

3.1 Governance comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

3.2 The Council is required by the Accounts and Audit Regulations 2015 to publish an Annual Governance Statement, in accordance with ‘*proper practices*’ in order to report publicly on the extent to which we comply with our own Local Code of Corporate Governance. This approach includes how the Council has monitored the effectiveness of arrangements in year and on any planned changes to governance arrangements in the coming year.

3.3 The Annual Governance Statement is signed by the Leader and Managing Director (Head of Paid Service) and must accompany the Annual Statement of Accounts.

3.4 The 2015/16 Annual Governance Statement is based on best practice guidance. It has been prepared following a review of compliance with the Council’s Local Code

of Corporate Governance and input from other assurance mechanisms (including Assurance Statements completed by the Gloucester Management Team).

4.0 Asset Based Community Development (ABCD) Considerations

4.1 There are no ABCD implications as a result of the recommendations made in this report.

5.0 Alternative Options Considered

5.1 There are no alternative options that are relevant to this matter.

6.0 Reasons for Recommendations

6.1 The Council is required to produce an Annual Governance Statement under the Accounts and Audit Regulations 2015. Through the Council's Constitution, the Audit and Governance Committee has responsibility for review and approval of the Statement.

7.0 Future Work and Conclusions

7.1 2015/16 Improvement Plan

7.1.1 The Annual Governance Statement's Appendix 2 contains the Council's Improvement Plan – 2015/16 Governance Improvement Actions. The Council will continually monitor progress against the Improvement Plan within 2016/17. Results will be summarised and reported to Audit and Governance Committee through the Council Annual Governance Statement 2016/17.

7.2 New guidance for 2016/17

7.2.1 Action identified within the Annual Governance Statement Appendix 2. The Council currently prepares and publishes an Annual Governance Statement in accordance with the CIPFA Delivering Good Governance in Local Government 2007 (Addendum 2012). This guidance/framework has been refreshed and defines the principles that should underpin the governance arrangements of the Council and applies to the annual governance statements prepared for the financial year 2016/17 onwards.

7.2.2 Review of the Council's governance arrangements will be completed against the new guidance (CIPFA Delivering Good Governance in Local Government: Framework (2016 Edition)) to ensure that the Council's governance structures comply with the core and sub principles contained within the revised framework. The review will be completed by 31st March 2017 and will be reflected within the Council's Annual Governance Statement 2016/17.

8.0 Financial Implications

8.1 There are no additional financial implications arising out of this report.

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

9.0 Legal Implications

9.1 No legal implications beyond those set out in the report.

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

10.0 Risk & Opportunity Management Implications

10.1 Failure to deliver effective governance will impact on the ability of the Council to achieve its vision, priorities and objectives. It is important to recognise that the purpose of the Annual Governance Statement is not just compliance, but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where there is opportunity for improvement.

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 this report.

Sustainability

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

Staffing & Trade Union

12.3 There are no staffing or trade union implications arising out of this report.

Background Documents: None. Reference to supporting reports & documentation is made within the draft Annual Governance Statement 2015/16 (**Appendix 1**).

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PERFORMANCE ENVIRONMENT RISK LEADERSHIP PUBLIC COMMUNICATION
INFORMATION ASSURANCE
ALTERNATIVE DELIVERY MODELS **Annual** FINANCIAL MANAGEMENT
Governance STATEMENT
ACCOUNTABILITY PARTNERSHIPS RESPONSIBILITY TRANSPARENCY OF DECISION MAKING
ENGAGEMENT CULTURE SKILLS

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Appendix 2	Improvement Plan – 2015/16 Governance Improvement Actions	21 to 24

Annual Governance Statement

1.0 Scope of responsibility

- 1.1 Gloucester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Gloucester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Gloucester City Council is responsible for putting in place proper arrangements for the governance of its affairs, to facilitate the effective exercise of its functions.
- 1.3 Gloucester City Council has approved and adopted a Local Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on our website at www.gloucester.gov.uk, is included in the Council's Constitution (Part 5 – Codes and Protocols), or can be obtained from the Council's Head of Audit Risk Assurance or the Monitoring Officer. This statement explains how Gloucester City Council has complied with the code and also meets the requirements of regulation 6(1b) of the Accounts and Audit Regulations 2015 in relation to the preparation of an Annual Governance Statement.

2.0 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Gloucester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Gloucester City Council for the year ended 31st March 2016 and up to the date of approval of the Statement of Accounts.

3.0 The governance framework

- 3.1 Governance is about how the Council ensures it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

3.2 The Council has adopted a Local Code of Governance that is based around a number of key principles. The six core principles (underpinned by a number of supporting principles) are summarised below:



- Core Principle 1: Gloucester City Council aims to focus on its purpose and on outcomes for the community, creating and implementing a vision for the local area with partners.
- Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Core Principle 4: Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk.
- Core Principle 5: Developing the capacity and capability of Members and officers to be effective.
- Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

3.3 Further details on the principles, together with a commentary on the current level of organisational compliance, are provided within this statement.

4.0 **Core Principle 1: Focus on the purpose of the authority and on outcomes for the community and creation and implementation of a vision for the local area**

4.1 The Council's major policy objectives in 2015/16 were detailed in the Council Plan. This is a four year Plan (2014–2017) designed as a framework for delivering Gloucester's future, reflecting the unique nature of the city's character and the challenges faced by the Council. A copy of the Council Plan 2014-2017 can be found on the Council's website www.gloucester.gov.uk

4.2 The Council Plan 2014-2017 contains four key priorities which are underpinned by a number of objectives, as detailed below:

- Priority 1: Prosperity – Growing Gloucester’s Economy:
 - Attracting investment, nurturing and encouraging enterprise
 - A City with skills and job opportunities
 - A thriving centre and regeneration of the City
- Priority 2: People – Working with our communities
 - Listening to our residents
 - An active, healthy and safe city for all to enjoy
 - A City for Everyone
- Priority 3: Place – Pride in Our City and improving our environment
 - A greener Gloucester
 - A distinctive cultural offer for the City
 - Affordable and decent housing for all
- Priority 4: Performance – Sound finances and strong performance
 - Sound Finances
 - Improving performance

4.3 Up to mid-year 2015/16, in order to ensure that progress had been made against the aims and objectives detailed in the Corporate Plan, monthly performance reports were produced to highlight achievements and address any challenges. These reports were reviewed during the year by the Senior Management Team (SMT) and Members, and published on the Council’s website www.gloucester.gov.uk

4.4 Following Council organisational change within 2015/16 (including the appointment of the joint role of Managing Director for the City Council and a Joint Strategic Commissioning Director for Gloucestershire County Council, and recruitment for the two Corporate Director posts), the Council’s corporate performance management and reporting approach has been identified as an area for review – to enable performance management to reflect organisational change and meet the needs of the Council. The review is targeted for completion within 2016/17 (see **Appendix 2**).

4.5 The Forward Plan contains matters which will be the subject of a ‘key decision’ and ‘decisions relating to the Budget and Policy Framework’. In the interests of transparency, it also includes matters which are non-key decisions. Proposals relevant to the Budget and Policy Framework are subject to a period of consultation and the Overview and Scrutiny Committee has the opportunity to respond in relation to the consultation process. Forward Plans are prepared by the Leader of the Council, and cover a rolling period of twelve months. The plans are reviewed regularly within year, to ensure they are up to date and complete. A copy of the Forward Plan is also published on the Council’s website www.gloucester.gov.uk

4.6 In order to provide services to meet the needs of the community, the Council needs to obtain the views of those being served. This will allow the Council to obtain sound evidence for the decisions that are made, as well as supporting redirection of resources where necessary. The GovMetric system is used by the Council for consultation exercises (e.g. budget consultation 2015/16) and to aid the gathering of customer feedback on service delivery at the point of interaction (e.g. through the feedback request on the Council web site www.gloucester.gov.uk). Wider use of GovMetric will be considered within the review of the Council's corporate performance management approach (see **Appendix 2**).

5.0 Core Principle 2: Members and officers work together to achieve a common purpose with clearly defined functions and roles

5.1 Members are responsible to the electorate and serve as long as their term of office lasts. Officers are responsible to the authority and carry out the Council's work under the direction of the Council, Executive and Committees.

5.2 The relationship between Councillors and Officers is essential to the successful working of the Council. This relationship within the authority is characterised by mutual respect and trust. The Council has adopted a 'Councillor – Officer Relations' protocol to help councillors and officers perform effectively by giving guidance on their respective roles, expectations and relationship with each other.

5.3 During 2014/2015 Members of both Gloucester City Council and Gloucestershire County Council endorsed the appointment of a joint role of Managing Director for the City Council and a Joint Strategic Commissioning Director for Gloucestershire County Council. The fundamental role of this new position was for the progression and development of both Councils' strategic objectives by ensuring the essential links are in place across both organisations through understanding the needs and capacity of our community. Following a recruitment and selection process in March 2015 an appointment was made and the position was filled with effect from 6th July 2015.

5.4 The Council has adopted a Scheme of Delegation detailing the delegation of responsibilities and functions to the Council, Cabinet, individual Cabinet Members, Committees, and officers.

5.5 Under the Local Authorities (Members Allowances) (England) Regulations 2003, local authorities are required to have in place a scheme which sets out payments of allowances to Councillors. The scheme of payments at the City Council is based on the recommendations of the independent Members' Allowances panel. The last detailed review of Members Allowances took place in 2010 when a small increase to the Basic Allowance was proposed by the Panel and agreed by the Council, along with a small number of other amendments. Since that time the Panel has recommended that allowances be frozen at the 2010/11 levels each year and the Council has recommended the Panel's recommendations on each occasion.

5.6 The current review of the scheme of payments for Members has recently been concluded by the independent Members' Allowances panel. The recommendation for a revised Members Allowance Scheme for 2015/16 was approved by Council at its meeting on 22nd January 2015.

- 5.7 Under Section 38 of the Localism Act 2011, the Council must approve and publish a senior pay policy statement before the start of the financial year to which it applies. The Council is expected to keep the statement under review and publish a new version each year. The Senior Pay Policy Statement for 2015/16 was approved by Council at its meeting on 18th March 2015.
- 6.0 Core Principle 3: Promote values for the authority and demonstrate the values of good governance through the upholding of high standards of conduct and behaviour**
- 6.1 The Council has adopted codes of conduct for Members and Officers. The Code of Conduct for Members was amended during 2012/13 to take account of changes required by the Localism Act 2011. The revised Member Code of Conduct was approved by Council in July 2012. Within 2015/16, the Monitoring Officer received 2 formal complaints against Members. One complaint was held to be unfounded and the other complaint was resolved informally, in line with the Council's relevant standards. This has been confirmed within the Standards Report presented to Audit and Governance Committee as at 18th January 2016 (covering the period 1st April 2015 to the date of Committee). A verbal update by the Council Monitoring Officer, to summarise the full 2015/16 position, is scheduled for Audit and Governance Committee on 20th June 2016.
- 6.2 Staff are also expected to maintain high standards of behaviour at all times. The standards of behaviour and other related matters are set out in an Officer Code of Conduct which is based on a national model. A copy of this Code is contained in the Council's Constitution. The Council's Constitution also contains a number of protocols in respect of Member/Officer and Member/Member relations, and a whistle-blowing policy for employees.
- 6.3 The Council has a complaints procedure that enables dissatisfied members of the public to raise concerns. The Complaints Policy was last revised and agreed by Council in September 2014. The Council views all comments, whether they are complaints or compliments, as a valuable way of collecting continual feedback about services and identifying how it can improve the services it provides. Complainants may also refer matters to the local government ombudsman for investigation once they have been through the Council's complaint system if they are dissatisfied with the Council's response. Two complaints were upheld by the Ombudsman within 2015/16 (both were council tax liability disputes) and were reported to Audit and Governance Committee on 18th January 2016. In both cases the Ombudsman decision was there was fault by the Council, however the Ombudsman considered that the steps taken by the Council to rectify the situations were satisfactory and that no further action was required in either case.
- 6.4 The Council's Audit and Governance Committee receives an annual report on complaints and compliments monitoring - the 2015/16 report is due to be presented to Audit and Governance Committee at the June 2016 meeting.
- 7.0 Core Principle 4: Take informed and transparent decisions, which are subject to effective scrutiny and managing risk**

- 7.1 The Council is committed to efficient and effective decision-making and for ensuring that those responsible for decision-making are clearly identifiable to local people and that the decision-makers explain the reasons for their decisions.
- 7.2 In accordance with the statutory requirement, the Council has established an Overview and Scrutiny function. The Overview and Scrutiny function is a central element of the Council's aims and objectives and a key part of the democratic structure. The Overview and Scrutiny Committee meets in public to discuss and make recommendations on the development of policies and to hold the Cabinet and Cabinet Members to account for both their actions and performance.
- 7.3 The Council's Democratic Services team maintains the up to date Register of Members' Interests on behalf of the Monitoring Officer and also ensures that Members are reminded at least annually to update their record. Declarations of Interest are a standard agenda item for each main Committee meeting. The requirement for staff to declare interests is included in the 'Officers' Code of Conduct' – Council Constitution Part 5, Codes and Protocols.
- 7.4 Risk Management is essentially about good management practice and effective decision making. It can be defined as:
- 'The culture, processes and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and objectives'*
- 7.5 The Council recognises that all aspects of business risk must be managed. The Council has a Risk Management Strategy, the purpose of which is to provide a framework for the effective management of risks within the authority. It contains Strategy objectives, linked to the Council's key aims, and guidance on the application of risk management principles and practice, including the risk management cycle and a standardised approach for the scoring of risks. The Strategy was last reviewed and approved by Members in January 2015, by Audit and Governance Committee and Cabinet. Officer review of the Strategy was completed in 2015/16 and confirmed no Strategy update was required. A planned action is in place for review of the Risk Management Strategy against expected new standards within 2016/17 (see **Appendix 2**).
- 7.6 The Senior Management Team and Members (through Audit and Governance Committee and Cabinet) are responsible for reviewing the Council's Strategic Risk Register. The Strategic Risk Register has been a regular agenda item for 2015/16 SMT meetings to ensure any risks associated with the Council's aims and objectives have been identified and are being managed. The last Member review of the Strategic Risk Register was undertaken by Audit and Governance Committee in November 2015 and Cabinet in December 2015.
- 7.7 The Council has established an Audit and Governance Committee. The Terms of Reference for this Committee are in accordance with the best practice guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) entitled "Audit Committees – practical guidance for Local Authorities and Police", 2013 Edition.

- 7.8 Prior to the 1st April 2015, the Head of Legal and Policy Development and Monitoring Officer identified any forthcoming relevant legislation and together with the relevant Director, was responsible for ensuring that the Cabinet was appraised of the implications and what action the Council might need to take. From the 1st April 2015, this role has been undertaken by One Legal, the Council's legal services provider, following the introduction of a formal shared service agreement.
- 7.9 The Council has an agreed Whistleblowing policy which applies to all employees, contractors working for the Council on Council premises, suppliers and those providing services under a contract with the Council in their own premises. A review of the Whistleblowing policy, together with all the other Council anti-fraud policies was undertaken in March 2015.
- 7.10 New guidance has been issued within 2016 regards Fighting Fraud and Corruption Locally, which is supported by the CIPFA Counter Fraud Centre. The Council will undertake a self-assessment against the new guidance within 2016/17 (including review of the Council's Anti-Fraud and Corruption Strategy), to confirm the Council's position and identify areas for development (see **Appendix 2**).

8.0 Core Principle 5: Develop the capacity and capability of Members and officers to be effective

- 8.1 The Council is developing a Workforce and Organisational Development Strategy, which includes a refresh of the Council values. Approval of the Strategy is targeted for within 2016/17 (see **Appendix 2**) and coverage is planned to include (but not be exclusive to):
- Communication – The inclusion of all staff. Clear and concise messages. We want our employees to have access to the information they need at the right time and in the right way.
 - Staff Engagement – Increase motivation, increase morale and reduce absences. We want employees to feel listened to, consulted and involved in the decision making and our culture and values to be understood and demonstrated throughout the Council.
 - Leadership and Management - To develop management and leadership capacity. To build confidence in managers to lead changes and develop new behaviours for themselves and staff. We want our leaders and managers to demonstrate our values and portray the behaviours and characteristics that both support and motivate our employees whilst leading, driving forward, challenging and taking responsibility for continuous improvement through innovation and the ability to think 'out of the box'.
 - Workforce - To build capability through developing the right skills to be a successful organisation. We want a committed and motivated workforce which is skilled and flexible, which can adapt to the changing needs of both our customers and the Council, and which feels valued and empowered.
 - Resourcing and Talent Management - To attract and retain staff and maximise productive output. Succession planning. We want the right people,

with the right skills at the right time, in the right place to be delivering excellent service.

8.2 Access to Member Development is a key element of the Local Code of Corporate Governance. In January 2016, the Member Development Working Group, with cross party membership, was formed to review Member development. The terms of reference for this Group were as follows:

- Provide a Councillor-led strategic approach to councillor development;
- Provide a high-quality and relevant Member induction programme;
- Monitor, advise and promote internal and external Councillor learning and development activities;
- Ensure that Member development activities are in line with the Council's objectives and address forthcoming local government and legislative changes;
- Champion Councillor learning and development opportunities in the respective groups; and
- Evaluate the investment in Councillor learning and development to assess achievement and improve future effectiveness.

8.3 Member training in 2015/16 included the following:

- Compulsory new Member training – covering the Council's Democratic process; the Standards and Code of Conduct; and Access to and management of information – Members' rights and responsibilities;
- Licensing and the Committees;
- Planning and the Committee; and
- Audit and Governance Committee training.

8.4 An output of the Member Development Working Group was a detailed Member Induction Timetable 2016/17 for new and returning Members. This training will be delivered following the May 2016 elections.

9.0 Core Principle 6: Engage with local people and other stakeholders to ensure robust public accountability

9.1 Council, Cabinet and Committee meetings are open to the public with agendas and minutes being publicly available. Members of the public are able to ask questions at such meetings and, with effect from 27 March 2014, the Council decided to allow the public to record its public meetings. A protocol setting out the Council's rules on recording has been adopted and is contained in the Council's Constitution.

9.2 The Council publishes a leaflet with its Council Tax demands, which summarises financial performance and, at the end of each financial year, publishes a Statement of Accounts. A comprehensive annual budget consultation process is also undertaken with residents, voluntary sector groups and local businesses.

9.3 The Council has agreed and published a petitions scheme that details guidance and procedures for the way in which it deals with petitions from members of the public. This may include a debate at Council or the matter being considered by the Cabinet, appropriate Committee, or a Forum.

- 9.4 In order to increase transparency and accountability in local government, central government introduced a legal requirement for councils to report upon the remuneration of senior employees. This information was published as part of the City Council's annual accounts and the Senior Pay Policy Statement for 2015/16 (see AGS para 5.7).
- 9.5 The Council has a strong track record of partnership working with the public, private and voluntary sectors. It has established:
- A charitable trust, Aspire Sports and Cultural Trust, to manage its leisure services.
 - Marketing Gloucester Ltd, to promote the City.
 - Entered into three strategic partnership contracts with the private sector for the provision of:
 - Streetcare services (street cleansing, waste collection, grounds maintenance and public conveniences) (Amey);
 - Revenues and Benefits services (Civica); and
 - IT managed services (Civica).
- 9.6 As a result of the appointment of a joint Managing Director and Commissioning Director (see para.5.3) and a number of formal partnerships being put in place for a small number of back office services, in June 2015, Cabinet approved a High Level Implementation Plan for further partnership working with Gloucestershire County Council.
- 9.7 A Memorandum of Understanding between the City Council and Gloucestershire County Council has been agreed which underpins the commitment of both organisations to work together to improve service delivery. The purpose and scope of the Agreement is to agree and implement a programme that will look at all back office services and appropriate frontline customer services being delivered by Gloucestershire County Council on behalf of Gloucester City Council. As part of this programme, consideration will also be given to exploring and implementing those areas of the business that Gloucestershire County Council could commission from the City Council or assist the City Council in delivering objectives within its Council Plan. Examples of joint working between the two Councils within 2015/16 are:
- The appointment of a joint role of Managing Director for the City Council and a Joint Strategic Commissioning Director for Gloucestershire County Council: approved at Council on 18th March 2015;
 - Internal Audit and Risk Management shared service: approved at Council on 18th March 2015;
 - Human Resources shared service: approved at Council on 17th June 2015; and
 - Payroll service delivery by Gloucestershire County Council through a Service Level Agreement: service provision in place from June 2012 onwards.
- 9.8 Monitoring arrangements for the major partnerships are delivered through a combination of client/contractor meetings, partnerships/shared service boards, the Senior Management Team and Members (Cabinet and/or Overview and Scrutiny Committee).

10.0 Review of effectiveness

- 10.1 Gloucester City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior management team within the authority who have responsibility for the development and maintenance of the governance arrangements, the annual report of the Head of Audit, Risk and Assurance, and also by reports issued by the Council's external auditors and other review agencies and inspectorates.
- 10.2 The processes that have been applied in maintaining and reviewing the effectiveness of the governance framework are as follows (paragraphs 10 to 16):

11.0 The Council

- 11.1 The Council has adopted a Constitution that controls how the Council is structured and the Council's decision-making procedure, designed to support open and accountable decision-making. During 2015/16 a number of changes were made to the Constitution to ensure it remained up to date, principally to reflect changes required as a result of the departure of the Chief Executive and the sharing of the Head of Paid Service role between the two Corporate Director posts (approach in place up to the appointment of the City Council Managing Director – in post from July 2015). These changes were agreed by Council on 21st May 2015. A copy of the Constitution can be found on the Council's website at www.gloucester.gov.uk
- 11.2 Following further organisational change within 2015/16 and the appointment of the City Council Managing Director, subsequent review of the Council Constitution was completed in quarter 4 2015/16 and led by the Head of Paid Service. The Constitution review purpose was to identify required minor amendments to reflect organisational change; amendments proposed to streamline the Constitution; and amendments to realign decision-making structure to ensure they meet the needs the needs of the Council. The updated Constitution was submitted to Council for review and adoption on 23rd May 2016.

12.0 The Cabinet

- 12.1 The Council determines the budgetary and policy framework. The principal decision-making body is the Cabinet (Executive). The Cabinet took all Key Decisions in 2015/16. Key Decisions are subject to pre-scrutiny by the Overview and Scrutiny Committee.
- 12.2 The key statutory document that sets the agenda for a rolling programme of future key decisions is the Forward Plan; hence this is a critical factor in the Council's overall decision-making process.
- 12.3 Executive decisions taken by Cabinet and individual Cabinet Members are published and may be subject to a call-in process for examination by the Overview and Scrutiny Committee.

13.0 The Audit and Governance Committee

- 13.1 Good corporate governance requires independent, effective assurance about both the adequacy of corporate, operational and financial management and reporting, and the management of other processes required to achieve the organisation's

corporate and service objectives. Effective audit committees help raise the profile of good governance, risk management, internal control and financial reporting issues within an organisation, as well as providing a forum for the discussion of matters raised by internal and external auditors.

- 13.2 The Terms of Reference for the audit and governance elements of the Audit and Governance Committee cover the core functions of an audit committee as identified in the CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities and Police'. The Audit and Governance Committee used an annual work programme to manage the business of the Committee during 2015/16.
- 13.3 An Audit and Governance Committee role is to promote and maintain high standards of conduct by Councillors and co-opted Members. The Annual Standards Report was presented to Audit and Governance Committee in January 2016.
- 13.4 In accordance with good practice guidance for audit committees, the 2015/16 Annual Report of the Audit and Governance Committee (which details the work and achievements of the Audit and Governance Committee during 2015/16), is due to be reported to Council on 21st July 2016 (following review and recommendation by Audit and Governance Committee due on 20th June 2016).

14.0 Overview and Scrutiny Committee

- 14.1 As part of the Council's Overview and Scrutiny arrangements, it was agreed that the Overview and Scrutiny Committee would 'provide and co-ordinate the input to an annual report to Full Council on such issues or topics as the Committee saw fit'. The Annual Report setting out the work and achievements of the Council's Overview and Scrutiny function during 2015/16 is due to be reported to Council on 21st July 2016.
- 14.2 The Overview and Scrutiny Committee used an annual work programme to manage the business of the Committee during 2015/16 and there was an agreed programme of reviews to be carried out by Task and Finish Groups, with regular reporting on progress being made to the full Committee.

15.0 Internal Audit

- 15.1 Internal Audit is a legislative requirement of the Accounts and Audit Regulations 2015. The Regulations state '*A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*'
- 15.2 With effect from 1st June 2015, the existing internal audit shared service between Gloucester City Council and Stroud District Council was extended to include Gloucestershire County Council, who became the new host authority for the shared service, which also included a risk management service across all three partners. As a result of the new host authority, the City Council internal audit staff were transferred to Gloucestershire County Council.
- 15.3 The governance arrangements for the new internal audit shared service include a Shared Services Board which consists of the Chief Financial Officers (s151

Officers) from each of the three Councils. The role of this Board is to oversee the strategic delivery of the internal audit and risk management function / service to each authority.

15.4 The Public Sector Internal Audit Standards (PSIAS) require the authority to review the effectiveness of its internal audit function at least once a year, and that the findings of this review should be included in the Annual Governance Statement.

15.5 The review for 2015/16 consisted of an External Quality Assessment (an independent assessment of the effectiveness of an internal audit function) of the Gloucestershire County Council internal audit service. This review was undertaken during May 2015 by the Chartered Institute of Internal Auditors and included a review of the team's conformance to the International Professional Practice Framework (IPPF) as reflected in the PSIAS, benchmarking the function's activities against best practice and assessing the impact of internal audit on the organisation. There are 56 fundamental principles to achieve with more than 150 points of recommended practice in the IPPF. The independent assessment identified 100% conformance. The Chartered Institute of Internal Auditors stated: *'It is our view that GCC's internal audit function conforms to all 56 principles. This is excellent performance given the breadth of the IPPF and the challenges facing the function'*. The internal audit shared service plans to apply consistent systems and processes which will support compliance across the shared service partners.

15.6 Internal Audit work is carried out to the standards outlined in the PSIAS. The Standards require the Chief Internal Auditor to provide an objective and evidence based annual opinion to those charged with governance on the effectiveness of the Councils governance arrangements, which includes the adequacy of the mitigating controls in place that manage the key risks. The opinion then feeds into the Council's Annual Governance Statement. The Head of Audit Risk Assurance (Chief Internal Auditor's) annual report 2015/16 concluded:

'A satisfactory level of assurance can be given that there is a generally sound system of internal control in place at the Council (designed to meet the Council's objectives). In providing my opinion it should be noted that assurance can never be absolute. The most that Internal Audit can provide is a reasonable assurance that there are no major weaknesses in risk management arrangements, control processes and governance.'

15.7 The Standards also state that, within this written report to those charged with governance, the Council's Chief Internal Auditor should identify any issues that are relevant to the preparation of the Annual Governance Statement. The 2015/16 report by the Chief Internal Auditor states:

'From the risk based Internal Audit assignment work undertaken during 2015/16, there are no issues of which I am aware which I regard as sufficiently significant to be considered in relation to the preparation of the Council's Annual Governance Statement. Whilst the Internal Audit work undertaken did result in one audit with an Unsatisfactory level of assurance (Choice Based Lettings), in my view, the weaknesses identified are not deemed to be significant governance issues.'

16.0 External Audit and Other Review/Assurance mechanisms

External Audit

- 16.1 External Audit is part of the process of accountability for public money. It makes an important contribution to the stewardship of public resources and the corporate governance of public services. The scope of External Audit work covers not only the audit of financial statements but also aspects of corporate governance.
- 16.2 In September 2015, the Council's external auditor produced their 'Report to those charged with governance' (ISA 260) relating to their audit of the Council's 2014/15 financial statements. The headlines from the ISA 260 report were that:
- The auditors anticipated issuing an unqualified audit opinion by the 30 September 2015 (which was subsequently issued).
 - The auditors reported that the Council's Annual Governance Statement 2014/15 *'complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and it was not misleading or inconsistent with other information (they were) aware of from (their) audit of the financial statements.'*
 - The audit identified a small number of presentational adjustments required to the accounts were compliant with the Code of Practice on Local Authority Accounting in the UK 2014/15, which had subsequently been adjusted by management.
 - The auditors noted a continued improvement in place for the production of the accounts and the supporting working papers.
 - The auditors concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Gloucestershire Airport

- 16.3 The Council is a 50% shareholder of Gloucestershire Airport, which is a company limited by shares, and is subject to the requirements set by the Companies Act. There is a Board of Directors, including a Managing Director and Head of Operations, which monitors the company's performance and is responsible for internal control activities. The statutory accounts are audited each year by a private firm of accountants, and presented to the board and shareholders; they are approved at the AGM. The Council's Head of Finance or designated representative receives regular management accounts for the airport.
- 16.4 The City Council commissioned a strategic review of the airport in 2013. The review findings included recommendations that the shareholding councils should carry out a further review of governance arrangements. A report on the governance arrangements was issued by York Aviation in June 2014 and the recommendations from the report were approved by Council in July 2014. The approved governance recommendations have now been actioned and were in place in 2015/16 – including a quarterly Shareholder Forum and the appointment of a Non-Executive Director.

Head of Finance Statement (Chief Financial Officer - s151 Officer)

- 16.5 To comply with the CIPFA Code of Practice on Local Authority Accounting, a specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief

Financial Officer in Local Government (2010) to ensure an effective system of internal control is maintained and operated in connection with the resources concerned. The Head of Finance has confirmed that the authority's financial management arrangements conform with the CIPFA Statement, and has also made the following comments in paragraphs 16.6 to 16.12 below:

16.6 The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the council. In particular, the system includes:

- Budget systems;
- Reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- The preparation of financial reports which indicate actual expenditure against the forecasts; and
- Capital expenditure arrangements and project management disciplines.

16.7 The review of the effectiveness of the system of internal financial control is informed by:

- The work of managers within the Council;
- The work of internal auditors as described above, and
- The external auditors in their annual audit letter and other reports.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

16.8 The arrangements for internal audit are as set out in the Annual Governance Statement (paragraph 15) and I am satisfied that they operate to a defined standard. A review of the effectiveness of internal audit has been undertaken and reported to the Audit and Governance Committee. The Head of Internal Audit Chief Internal Auditor has also provided an independent opinion in her annual report stating that she is satisfied the council has an adequate control environment in place.

16.9 During 2015/16 the Council has continued to implement and improve the ownership and accountability for financial management. All budget holders receive regular monthly budget meetings to ensure delivery and value for money. Formalised regular reporting to and subsequent formal scrutiny by members has also been embedded

16.10 The Council has completed its financial statements for the last three consecutive financial years earlier than ever before in the life of the Council. The challenge was to make these changes sustainable. The embedded Financial Services team stability has assisted in delivering improved financial management and reporting for the Council. This has ensured both short term and long term service resilience.

16.11 Risk Management is the process by which risks are identified, evaluated and controlled, and is a key element of the governance framework. Ongoing reviews of the strategic risk register has been undertaken throughout the year to ensure any risks associated with the achievement of the Council's aims and objectives in the Council Plan 2014-2017 have been identified. Regular reviews of service plans and risk registers and the Strategic Risk Register are carried out by SMT supported by the Officer Risk Management Champion.

16.12 The Council's governance controls have been strengthened within 2015/16 through the implementation of the:

- Revised Corporate Governance Board: The Group meets bi-monthly with the goal to review the Council's governance framework, identify areas for development and action them accordingly. Actions within 2015/16 have included update of the Constitution (AGS para 11.2) and approval and roll out of the Annual Governance Statement assurance checklist process.
- New Information Governance Group: The Group meets bi-monthly, is led by the Council's Senior Information Risk Owner and contains representatives from ICT, Legal, Internal Audit and Finance. The Group's remit within 2015/16 has included review and implementation of the Council's policy management system, review and update of core information governance policies (e.g. the Data Protection Policy, IT Acceptable Use Policy and Public Service Network (PSN) Policy), and review of Information Commissioner's Office (ICO) matters.

Other Sources of Assurance

16.13 Every Director/Head of Service is responsible for delivering the objectives set out in their service plan. Directors/Heads of Service are responsible for identifying and managing the risks that may affect delivery of their service objectives. This work includes monitoring the effectiveness of controls put in place to mitigate the risks and carrying out remedial action where controls are weak or not in place. Each Director, and nominated Head of Service, is required to assist the preparation of the AGS for the Council by providing an assurance statement for the internal control framework operating within their service(s). An assurance checklist is initially completed and signed off by each nominated Head of Service following their self-assessment, identifying any areas of positive governance initiatives and/or significant control issues, the actions taken to address them and the timescales for completion. For 2015/16 the statements were then submitted to the Section 151 Officer for review, to provide assurance that appropriate governance arrangements are in place within all services within the Council.

16.14 To enable the Council to provide reliable evidence to underpin the assessment of risk and control, each section within the assurance statements / self-assessment checklist provides Management with the opportunity to summarise the key types of assurance they receive and the level of reliance they place on that assurance.

16.15 If, having considered the checklists submitted by the Heads of Service, the Section 151 Officer is satisfied that appropriate arrangements are in place in each area, or that any weaknesses identified have a timescale for improvement, he will be able to countersign the statement. Any remedial actions identified are monitored by the

Section 151 Officer to ensure all actions are completed within the specified timescales.

16.16 When the Senior Management Team are confident that there are robust governance arrangements in place within their areas of responsibility, or whether any further improvement actions are needed, the signed assurance statements and an overarching composite statement are provided to the Managing Director, highlighting any improvement areas for final sign off. This is designed to provide final assurance to the Leader and the Managing Director that there are appropriate arrangements in place within all areas under the control of each Director for the proper governance of Council business.

16.17 Key themes raised by the Heads of Service Assurance Statements 2015/16 were as follows:

- The Council has had reasonably good governance arrangements in place within 2015/16.
- Governance good practice or development areas actioned within the year:
 - Revised Corporate Governance Board (AGS para 16.12);
 - New Information Governance Group (AGS para 16.12);
 - Enhanced officer/member decision making processes (AGS para 11.2);
 - Review of Constitution (AGS para 11.1 and 11.2);
 - New Members Induction Programme (AGS para 8.4); and
 - Members Development Working Group (AGS para 8.2).
- Governance areas for development and improvement within 2016/17 (see **Appendix 2**):
 - Business Continuity Management;
 - Risk management in partnerships and contracts;
 - Sustainable development – climate change, environmental risk;
 - Anti-fraud and corruption strategy and whistleblowing procedures – new CIPFA Code of Practice released – review and update required; and
 - HR – work force strategy planning.
- Other key areas of consideration (see **Appendix 2**):
 - Devolution – future governance arrangements;
 - Chief Internal Auditor to undertake a self-assessment against new CIPFA guidance on the Annual Governance Statement and its associated assurance framework – action plan to be discussed and agreed at Governance Board.

16.18 The Leader and Managing Director of the Council have a responsibility to ensure that the document is supported by an embedded assurance framework, reliable evidence and accurately reflects the Council's governance framework.

17.0 Significant governance issues

17.1 To the best of our knowledge, the governance arrangements, as defined above and within the Council's Local Code of Corporate Governance, have been effectively

operating during the year with the exception of those areas identified in **Appendix 2**. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Paul James
Leader of the Council

Jon McGinty
Managing Director

Progress on 2014/15 Governance Improvement Actions

The Annual Governance Statement 2014/15, approved by Audit and Governance Committee on 1st July 2015, did not raise specific governance areas for resolution/development and therefore did not include an Improvement Plan – 2014/15 Governance Improvement Actions. Progress review not required.

Improvement Plan – 2015/16 Governance Improvement Actions

As a result of the 2015/16 review of governance arrangements, the following governance issues were identified.

Review reference	Action	Target date
Local Code of Corporate Governance Core Principle 1	<p>Governance in working with others: The Council is required to focus on the purpose of the authority and on outcomes for our customers and stakeholders and creating and implementing a vision for the local area.</p> <p>The Council has joined with ten of our public sector partners to have one conversation with government about how through devolution we can achieve better outcomes and reduced costs.</p> <p>Action: The devolution bid, if successful, includes a commitment to a new governance arrangement. This is a statutory process and will be led by the Managing Director. The process will include consultation and engagement with the organisations involved and other stakeholders.</p>	To be determined - depending upon outcome of bid
Revised CIPFA Guidance on Delivering Good Governance 2016	<p>CIPFA - Delivering Good Governance in Local Government : Framework (2016 Edition): The Council currently prepares and publishes an Annual Governance Statement in accordance with the CIPFA Delivering Good Governance in Local Government 2007 (Addendum 2012).</p> <p>This guidance/framework has been refreshed and defines the principles that should underpin the governance arrangements of the Council and applies to the annual governance statements prepared for the financial year 2016/17 onwards.</p> <p>Action: The Chief Internal Auditor to test the Council's governance arrangements and be able to demonstrate that its governance structures comply with the core and sub principles contained within the revised framework. To then develop and maintain, on behalf of the Council, a local code of governance / governance arrangements reflecting the principles set out.</p>	31st March 2017

Review reference	Action	Target date
Local Code of Corporate Governance Core Principle 3	<p>Anti-Fraud and Corruption Strategy: The Council is required to promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour.</p> <p>The Fighting Fraud and Corruption Locally 2016–2019 strategy has been developed by local authorities and counter fraud experts and supported by the CIPFA Counter Fraud Centre.</p> <p>It is the definitive guide for council leaders, chief executives, finance directors and all those with governance responsibilities. The strategy includes practical steps for fighting fraud, shares best practice and brings clarity to the changing anti-fraud and corruption landscape.</p> <p>Action: During 2016/17 the Chief Internal Auditor will undertake a self-assessment against the new guidance to measure the Council’s counter fraud and corruption culture and response and propose enhancements as required.</p>	31st March 2017
Annual Governance Statement para 4.4	<p>Corporate performance management: The Council Plan details the priorities and strategic objectives of the local authority. Performance review and management against the Corporate Plan is needed to ensure internal and external (e.g. stakeholder) awareness and understanding of the Council’s progress against the objectives and further action required.</p> <p>Action: The Corporate Director (Partnerships) will undertake a review of the Council’s corporate performance management approach, to ensure that they reflect the needs and the structure of the organisation.</p>	30 th September 2016

Review reference	Action	Target date
Annual Governance Statement para 7.5	<p>Risk Management Strategy and approach: 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'.</p> <p>The Council's Risk Management Strategy should 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. The Strategy should also support the consideration and auctioning of risk management within Council partnerships and contracts.</p> <p>Action: The Chief Internal Auditor will review the Council's risk management arrangements (including the Risk Management Strategy) against the latest ISO 31000 risk management standard. The review findings will be reported to Audit and Governance Committee and will inform future risk management development at the Council.</p>	31 st March 2017
Annual Governance Statement para 8.1	<p>Workforce and Organisational Development Strategy: Key element for development of the capacity and capability of officers to be effective. A Strategy will mitigate the risk of a lack of competence, probity and professionalism within the authority leading to diminished performance, inappropriate behaviour, and failure to comply with governance arrangements.</p> <p>Action: HR Business Partner and Managing Director to draft the Council Workforce and Organisational Development Strategy, to include a refresh of the Council values. Draft document to be reviewed by Senior Management Team prior to formal approval process and roll out.</p>	31 st March 2017

Review reference	Action	Target date
Annual Governance Statement para 16.17	<p>Manager Assurance Statements: Governance areas for development and improvement within 2016/17 identified by the Managers Assurance Statements should be considered for further action by the Council.</p> <p>Areas identified within the Manager Assurance Statements 2015/16 but not included within the preceding identified 2015/16 Governance Improvement Actions Plan actions :</p> <ul style="list-style-type: none"> • Business Continuity Management; and • Sustainable development – climate change, environmental risk. <p>Action: Senior Management Team to consider the Business Continuity Management and sustainable development themes raised within the 2015/16 Managers Assurance Statements, and identify appropriate actions (with timescales) to aid improvement of the Council's governance arrangements.</p>	31 st March 2017

Meeting:	Audit and Governance Committee	Date:	20 June 2016
Subject:	Annual Complaints Monitoring		
Report Of:	Head of Finance		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Jon Topping, Head of Finance		
	Email: jon.topping@gloucester.gov.uk	Tel:	396242
Appendices:	1. Summary of total complaints and compliments for last 5 municipal years 2. 2015/16 complaints shown by service area		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To consider statistics relating to complaints and compliments received by the Council between April 2015 and March 2016 and complaints made to the Local Government Ombudsman about the Council during the same period.

2.0 Recommendations

2.1 The Audit and Governance Committee is asked to **RESOLVE** that:

(a) The report be noted; and

(b) Following consideration of the information contained in the report, to make any other recommendations it wishes to make.

3.0 Background and Key Issues

3.1 The Council has a process for dealing with complaints about its services and for receiving compliments and other comments.

3.2 Any complaints received by the Council are recorded and monitored to ensure that we know whether or not we are meeting our targets for responding to complaints.

3.3 Appendix 1 contains a summary of the total numbers of complaints and compliments for each municipal year from 2010/11 onwards to enable the Committee to understand how the number of complaints and compliments received in 2015/16 compares with previous years.

3.4 Appendix 2 shows the complaints received in 2015/16 broken down by service area, together with the numbers of those complaints which are found to be justified or unjustified and whether the number of complaints is an increase or decrease on the previous year.

3.5 Where a complainant is dissatisfied with the Council's response to their complaint, they can refer the matter to the Local Government Ombudsman (LGO). In 2015/16, a total of 11 complaints were made to the LGO. The Ombudsman decided that six of the complaints should not be investigated and one was not upheld. Four complaints were upheld, one of which required no further action and three which found maladministration (these were reported to Committee during the year).

3.6 Examples of things that have changed within the Council following consideration of complaints include:

- Where customers have referred to certain information not being available on our website, we arrange for the information to be uploaded to the website;

4.0 Alternative Options Considered

4.1 There are no alternative options relevant to this matter.

5.0 Reasons for Recommendations

5.1 The Audit and Governance Committee needs to be kept informed about the Council's performance in dealing with complaints as part of its governance role. Monitoring of complaint volumes, response times and services against which complaints are raised can help with early identification of issues that might need addressing or to identify service improvements.

6.0 Future Work and Conclusions

6.1 Information on complaints handling will continue to be recorded during 2016-17 for presentation to the Committee in June 2017.

7.0 Financial Implications

7.1 There are no financial implications arising from this report.

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

8.0 Legal Implications

8.1 There are no legal implications arising from this report.

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

9.0 Risk & Opportunity Management Implications

9.1 Regular consideration of complaints enables the Council to ensure that its governance arrangements are appropriate and up-to-date.

10.0 People Impact Assessment (PIA):

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

11.0 Other Corporate Implications

Community Safety

11.1 There are no community safety implications.

Sustainability

11.2 There are no sustainability implications.

Staffing & Trade Union

11.3 There are no staffing implications.

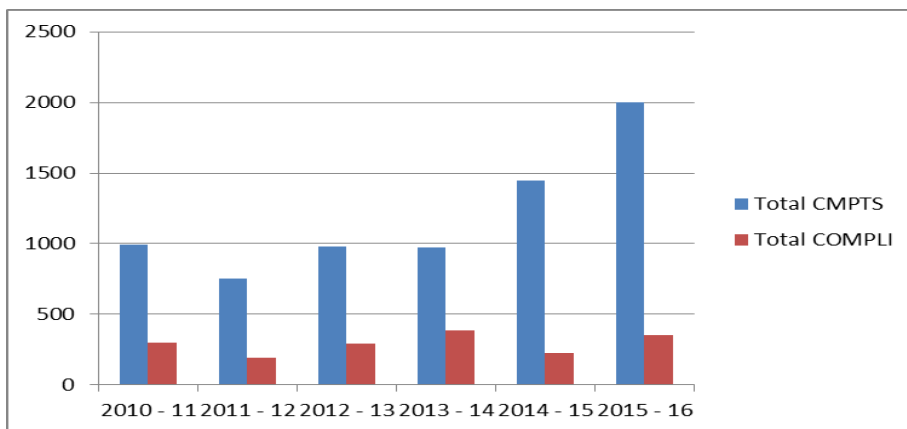
Background Documents: None.

Complaints Stats Year on Year comparison

Stage 1													
	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Stage 1
2010	125	72	68	90	127	82	37	53	40	68	42	126	930
2011	95	77	75	57	66	69	60	49	45	49	46	48	736
2012	49	52	101	115	108	105	82	65	48	105	56	59	945
2013	52	112	103	87	91	73	82	68	56	53	59	100	936
2014	89	95	88	139	130	152	98	76	97	124	183	138	1409
2015	132	155	141	177	223	239	131	98	91	130	229	212	1958

Stage 2													
	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Stage 2
2010	10	10	15	4	6	5	5	2	2	2	2	3	66
2011	0	4	1	0	1	5	0	0	0	2	3	1	17
2012	2	2	2	5	4	2	3	2	2	4	4	0	32
2013	6	4	5	7	1	3	4	1	3	1	2	2	39
2014	3	4	2	4	1	1	4	3	6	4	0	3	35
2015	2	0	4	2	1	0	11	5	5	0	6	7	43

	Total CMP TS	Total COMPLI
2010 - 11	996	300
2011 - 12	753	193
2012 - 13	977	293
2013 - 14	975	385
2014 - 15	1444	227
2015 - 16	2001	355



Resolved in 10 days

	2010	2011	2012	2013	2014	2015
Apr	81	83	37	47	77	124
May	53	67	28	96	83	145
Jun	79	69	92	70	75	132
Jul	72	51	81	72	123	171
Aug	102	59	73	82	123	214
Sep	70	64	72	62	143	233
Oct	27	57	68	57	94	141
Nov	43	47	46	54	75	92
Dec	33	41	35	51	86	93
Jan	60	35	77	77	119	126
Feb	38	38	13	49	174	220
Mar	109	43	13	43	126	208
	767	654	635	760	1298	1899

Complaints received in 2015-16

Department Name	Stage 1	Stage 2	Total	Justified	Unjustified	Other	Current	Change in total from 2014/15
AMEY	1314	19	1333	1107	179	47	0	217
ASSET MANAGEMENT	2	0	2	2	0	0	0	-8
BENS, INVESTIGATIONS, W.R. (CIVICA)	0	0	0	0	0	0	0	-16
BUILDING STANDARDS AND CONTROL	0	0	0	0	0	0	0	-5
BUSINESS IMPROVEMENT	0	0	0	0	0	0	0	-3
CEMETERIES AND CREMATORIUM	3	0	3	1	1	1	0	1
CHIEF EXEC	0	0	0	0	0	0	0	-1
COMMUNICATIONS AND MARKETING	0	0	0	0	0	0	0	-2
COUNCIL TAX (CIVICA)	0	0	0	0	0	0	0	-12
CUSTOMER SERVICES	63	3	66	31	29	6	0	12
DEMOCRATIC SERVICES	1	0	1	0	1	0	0	0
DEVELOPMENT CONTROL	5	1	6	0	4	1	1	-2
DIRECTORATE	1	1	2	0	2	0	0	2
ELECTORAL ROLL	1	0	1	1	0	0	0	-3
Env Health - Planning Enforcement	2	1	3	0	2	0	1	-35
ENVIRONMENTAL HEALTH	10	2	12	1	6	5	0	12
ENVIRONMENTAL HEALTH ENFORCEMENT	2	1	3	1	2	0	0	0
ENVIRONMENTAL HOUSING TEAM	7	0	7	0	6	1	0	7
ENVIRONMENTAL LICENSING TEAM	3	0	3	0	2	1	0	3
ENVIRONMENTAL PLANNING	9	0	9	1	2	6	0	-2
ENVIRONMENTAL PROTECTION TEAM	10	0	10	1	8	1	0	8
FREEDOM OF INFORMATION	0	0	0	0	0	0	0	-1
GL1 LEISURE	0	0	0	0	0	0	0	-1
GLOS CITY HOMES	0	0	0	0	0	0	0	-9
GLOUCESTERSHIRE HIGHWAYS	0	0	0	0	0	0	0	-1
GUILDHALL	1	0	1	0	0	1	0	-4
HOMELESS	11	1	12	3	9	0	0	3
HOUSING RESOURCE TEAM	2	0	2	1	1	0	0	-7
HOUSING STRATEGIES AND ENABLING	1	0	1	1	0	0	0	1
LEGAL SERVICES	1	0	1	0	1	0	0	0
MARKETS	2	0	2	1	1	0	0	1
MUSEUMS	4	0	4	3	0	1	0	3
NMS ENVIRONMENTAL	372	11	383	86	242	55	0	345
NMS NEIGHBOURHOODS	19	0	19	7	4	8	0	7
NMS PARTNERSHIP & ENGAGEMENT TEAM	2	0	2	2	0	0	0	2
PARKING	2	0	2	0	1	1	0	-3
PARKING PARTNER	0	0	0	0	0	0	0	-3
Pest Control Contractor	1	0	1	0	1	0	0	1
PLANNING	9	3	12	5	6	1	0	1
REVENUES,FEES AND CHARGES (CIVICA)	0	0	0	0	0	0	0	-4
SPATIAL PLANNING & ENVIRONMENT	1	0	1	1	0	0	0	-1
SUNDRY DEBTORS	0	0	0	0	0	0	0	-6
TOURIST OFFICE (TIC)	0	0	0	0	0	0	0	-2
	1861	43	1904	1256	510	136	2	

The above table shows a modest change, both upwards and downwards, in complaints against most services. However the large increase in the number of complaints against AMEY and the NMS Neighbourhoods must be noted.

The Waste Reduction Project which was in operation throughout 2015/2016 involved the Council reminding residents of the need to manage their waste capacity more effectively by recycling more. An element of this work was encouraging residents to comply with our closed bin lid policy through non collection of those residual waste bins that were dangerous to collect due to them being overfilled. This did result in an increase in complaints and further discussion with AMEY has resulted in a more pragmatic stance being taken by contractors which has reduced the number of complaints significantly during the latter stages of 2015/2016. The Waste Reduction Project has been a resounding success however with an extra 1000t of waste diverted from landfill in 2015/2016 and food waste recycling up by over 25%.

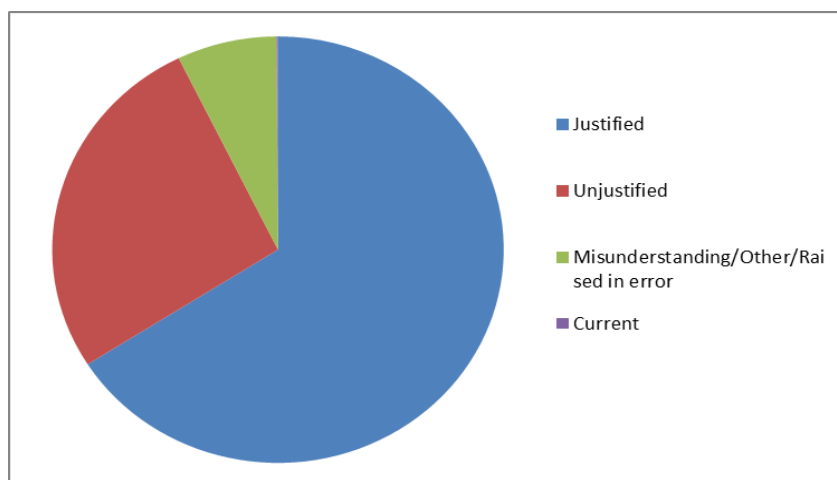
Another contributory factor towards the increase in complaints was the changes introduced to the Garden Waste Service in order to deliver it more efficiently thus allowing us to maintain the charge at its current price. October 2015 saw the move to one annual renewal date and this exercise affected more than 18,000 customers All customers were sent an annual renewal sticker and we did receive a range of complaints that were sticker related. Having reviewed this project we have learnt several valuable lessons that we will look to implement up when processing this coming October's renewals.

The increase in AMEY complaints were about delivery of bins and boxes where AMEY had run out of stocks.

As this service impacts on all 55,000 of our residents and involves approximately 2,860,000 collections per year, the level of complaints received is very low. In context the number of complaints received represents 3.06% of the total number of households in Gloucester and 0.05% of the total number of collections carried out every year.

2015-2016

Justified	Unjustified	Misunderstanding/Other/Raised in error	Current
1256	510	136	2



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Meeting:	Audit & Governance Committee	Date:	20th June 2016
Subject:	Internal Audit Quality Assurance and Improvement Programme (QAIP)		
Report Of:	Head of Audit Risk Assurance (Chief Internal Auditor)		
Wards Affected:	N/A		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Theresa Mortimer, Head of Audit Risk Assurance		
	Email:	Tel: 01452 396338	
	Theresa.Mortimer@gloucester.gov.uk		
Appendices:	1: Internal Audit Quality Assurance and Improvement Programme		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To provide the Audit and Governance Committee with an introduction to the Internal Audit Quality Assurance and Improvement Programme (QAIP) as required by the Public Sector Internal Audit Standards (PSIAS) 2013.

2.0 Recommendations

2.1 It is recommended that the Audit and Governance Committee reviews and considers the Internal Audit QAIP (which includes both internal and external assessments and reporting arrangements) and formally approves its adoption.

3.0 Background and Key Issues

3.1 The Council’s Constitution defines Council Committee responsibilities for functions and terms of reference. The Audit and Governance Committee terms of reference includes the accountability arrangement in relation to Internal Audit *‘to contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least every five years’*. This requirement is met through the presentation of the QAIP to the Audit and Governance Committee.

4.0 Asset Based Community Development (ABCD) Considerations

4.1 There are no ABCD implications as a result of the recommendation made in this report.

5.0 Alternative Options Considered

5.1 Consideration has been given to not producing a QAIP. This has been discounted, due to the PSIAS mandatory requirements.

6.0 Reasons for Recommendations

6.1 The PSIAS 2013 requires the Chief Internal Auditor to develop and maintain a QAIP that covers all aspects of the internal audit activity and enables an evaluation of the internal audit activity conformance against the standards. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The QAIP assists the Audit and Governance Committee in their role to '*consider the effectiveness of internal audit*'.

7.0 Future Work and Conclusions

7.1 The QAIP will be reviewed annually to ensure that it is in accordance with the requirements of the PSIAS. Any changes will be presented to the Audit and Governance Committee for review and formal adoption.

8.0 Financial Implications

8.1 There are no financial implications arising out of this report.

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

9.0 Legal Implications

9.1 There are no direct legal implications arising out of this report.

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

10.0 Risk & Opportunity Management Implications

10.1 Non delivery of an Internal Audit QAIP would risk non-compliance with legislation / mandatory professional standards.

10.2 Failure to deliver an effective Internal Audit Service would prevent an independent, objective assurance opinion from being provided to those charged with governance, that the key risks associated with the achievement of the Council's objectives are being adequately controlled.

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 this report.

Sustainability

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

Staffing & Trade Union

12.3 There are no staffing or trade union implications arising out of this report.

Background Documents: Accounts and Audit Regulations 2015
Public Sector Internal Audit Standards 2013
Council Constitution
Audit and Governance Committee Terms of Reference

INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

Document Information

Owner & Author:	Theresa Mortimer: Head of Audit, Risk, Assurance
Team/Section:	Audit, Risk, Assurance
Create Date:	May 2016
Review date:	May 2018
Approval (when appropriate):	Audit and Governance Committee and Senior Management Team (SMT)
Equalities Impact Assessment Completed (when appropriate):	N/A
Version:	0-1
Disposal:	Once superseded retain for 6 years then offer to archives
Subject:	Internal Audit Quality Assurance Improvement Programme
File Name:	Internal Audit Quality Assurance Improvement Programme

DRAFT

Introduction

The Institute of Internal Auditors (IIA) / Global Practice Guide “Quality Assurance and Improvement Programme” (QAIP) defines a QAIP as:

“An ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the internal audit activity. These ongoing and periodic assessments are composed of rigorous, comprehensive processes; continuous supervision and testing of internal audit and consulting work; and periodic validations of confirmation with the Definition of Internal Auditing, the Code of Ethics, and the Standards. This also includes ongoing measurement and analyses of performance metrics (e.g. internal audit plan accomplishment, recommendations accepted and customer satisfaction). If the assessments’ results indicate areas for improvement by the internal audit activity, the Chief Internal Auditor will implement the improvements through the QAIP.”

The Public Sector Internal Audit Standards (PSIAS) 2013

The Public Sector Internal Audit Standards (PSIAS) require the following:

Standard 1300: Quality Assurance and Improvement Programme

The Chief Internal Auditor must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity which enables an evaluation of the internal audit activity’s conformance with the standards. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

Standard 1310: Requirements of the Quality Assurance and Improvement Programme

The quality assurance and improvement programme must include both internal and external assessments:

1311: Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.

1312: External Assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

The Chief Internal Auditor must discuss with the board:

- The form of external assessments (full external assessment or a self-assessment with independent validation);
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest; and
- The need for more frequent external assessments.

Standard 1320: Reporting on the Quality Assurance and Improvement Programme

The Chief Internal Auditor must communicate the results of the quality assurance and improvement programme to 'senior management' (in the City Council – Senior Management Team) and the board (in the City Council - Audit and Governance Committee):

1321: Use of “Conforms to the International Standards for the Professional Practice of Internal Auditing”

The Chief Internal Auditor may state that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing only if the results of the quality assurance and improvement programme support this statement.

1322: Disclosure of non-conformance

When non-conformance with the *Definition of Internal auditing*, the *Code of Ethics* or the *Standards* impacts on the overall scope or operation of the internal audit activity, the Chief Internal Auditor must disclose the non-conformance and the impact to senior management and the board.

Benefits of a QAIP

Internal Audit's QAIP is designed to provide reasonable assurance to its key stakeholders that it:

- Performs its work in accordance with its Charter (which is consistent with the PSIAS);
- Operates in an effective and efficient manner; and
- Is adding value and continually improving the service it provides.

Responsibility

The Chief Internal Auditor is responsible for the QAIP which covers all types of Internal Audit activities, including consultancy work, and will ensure that the results of this programme are communicated to the Senior Management Team and the Audit and Governance Committee as part of the review of the effectiveness of the Internal Audit Service. The Chief Internal Auditor is required to develop a QAIP that includes both internal and external assessments.

To achieve comprehensive coverage of all aspects of the internal audit activity, a QAIP must effectively be applied at three fundamental levels (or perspectives):

- Internal Audit Engagement Level;
- Internal Audit Activity Level; and
- External Perspective.

Appendices 1 to 3 below provide the detail of Gloucester City Council's Internal Audit QAIP, which is in line with the above three perspectives:

- Appendix 1: Internal Audit QAIP;
- Appendix 2: Specific Internal Audit Performance Measures; and
- Appendix 3: Improvement Plan 2016/17 onwards.

Internal Audit Engagement Level

This is a self-assessment at the audit, engagement or operational level where the Chief Internal Auditor provides assurance that:

Evidence

Appropriate processes have been used to translate audit plans into specific, appropriately resourced audit engagements.

- The audit planning methodology is detailed within the Internal Audit Manual and provides for stakeholder consultation.
- The risk based internal audit plan sets out the estimated resources required for each activity.
- The right people with appropriate skills and expertise are allocated – Capacity/Resource planning spreadsheet. This includes external specialist skills if required e.g. ICT audit.
- Audit work is co-ordinated / correlated with other sources of assurances identified as part of planning and Annual Governance Statement processes.
- Annual planning meetings are arranged between Directors / Managers, External Audit and Finance to establish audit priorities and agree the format and timetabling for ongoing dialogue during the year. The plan is also discussed with the Chair of the Audit and Governance Committee in advance of the full committee meeting.
- Risk Based planning templates completed by Principal Auditors for consideration by the Chief Internal Auditor.

<p>This is a self-assessment at the audit, engagement or operational level where the Chief Internal Auditor provides assurance that:</p>	<p>Evidence</p>
	<ul style="list-style-type: none"> ➤ Terms of reference are prepared for each audit activity which is agreed with the appropriate client, clearly articulating the risks, the scope of our work, the assurance to be provided.
<p>Planning, fieldwork conduct and reporting / communicating results to conform to the Definition of Internal Auditing, the Code of Ethics and the Standards.</p>	<ul style="list-style-type: none"> ➤ The Internal Audit Manual sets out the various processes to ensure consistent conformance to the Definition of Internal Auditing, the Code of Ethics and Standards. ➤ In accordance with the PSIAS the Internal Audit Charter has been developed and is operational. The Charter is reviewed annually and approved by the Senior Management Team and the Audit and Governance Committee. The Charter details the Definition of Internal Audit, Code of Ethics and is in compliance with the PSIAS. ➤ Risks relevant to the activity have been assessed and the objectives of the audit reflect this risk assessment. ➤ Audit findings, conclusions and recommendations are adequately supported by relevant, reliable and sufficient evidence. ➤ Working papers and evidence to support opinions and recommendations.

This is a self-assessment at the audit, engagement or operational level where the Chief Internal Auditor provides assurance that:

Evidence

- Communications of results at closing meeting.
- Regular plan monitoring to ensure that the work is achieved within the resource budget and approved plan.
- KPI's to ensure reports are accurate, objective, clear, concise and timely.
- Annual staff appraisal and 6 monthly reviews completed.
- Post audit self-evaluation forms completed by staff for all audit activities identifying what's gone well, lessons learned and any opportunities for improvement.
- Internal Audit Feedback Survey forms sent to the client at the end of each activity. Results are reported annually to the Audit and Governance Committee.
- Quality control process: review and sign-off of working papers/reports.
- Annual conflict of interest forms completed.

This is a self-assessment at the audit, engagement or operational level where the Chief Internal Auditor provides assurance that:	Evidence
	<ul style="list-style-type: none"> ➤ Annual reminder sent to Internal Audit staff to obtain their sign up to their responsibilities under PSIAS including ethical responsibilities including our integrity, objectivity, competence and confidentiality in accordance with Internal Audit's Code of Ethics.
Appropriate mechanisms are established and used to follow up management actions in response to audit recommendations.	<ul style="list-style-type: none"> ➤ The recommendation monitoring process is detailed within the Internal Audit Manual. ➤ Actions are recorded in the Council's Audit Management System (Galileo). ➤ Where audit activities report a limited opinion on control and/or risk, consideration is given within the following year's audit plan to conducting a detailed follow-up review. ➤ Management, at the request of the Audit and Governance Committee, are required to attend Audit and Governance Committee to report on progress of recommendations made in relation to limited assurance reports. ➤ Limited Assurance reports are provided to relevant risk champions to ensure findings are embedded into corporate performance/risk monitoring and reporting processes.

This is a self-assessment at the audit, engagement or operational level where the Chief Internal Auditor provides assurance that:

Evidence

Post-engagement client surveys, lessons learned, self-assessments and other mechanisms to support continuous improvement are completed.

- Internal Audit Feedback Survey forms sent to the client at the end of each activity. Feedback informs enhancements. Results are reported annually to the Audit and Governance Committee.
- Post audit self-evaluation forms completed by all auditors for all audit activities identifying what’s gone well, lessons learned and any opportunities for improvement.
- 121s, annual staff appraisal and 6 monthly reviews completed.
- Attendance at training courses, webinars, briefing sessions (internal and external) and corporate groups to ensure that staff are up to date with current developments. Sharing of the knowledge gained is completed with the wider team to ensure that all staff are aware of current relevant areas.
- Members of peer groups e.g. District Council’s Chief Internal Auditor Group, Counties Chief Internal Auditors Network (CCAN), Midland Counties Chief Internal Auditors Group (MCCIAG), Fraud/ICT Groups, and National Fraud Initiative.

Internal Audit Activity Level

This is a self-assessment at the internal audit activity or organisational level where the Chief Internal Auditor provides assurance that:

Evidence

Written policies and procedures, covering both technical and administrative matters are formally documented to guide audit staff in consistent conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.

An annual assessment is undertaken, which is reported to the Audit and Governance Committee, in order to determine the extent to which Internal Audit conforms to the Definition of Internal Auditing, the Code of Ethics and the Standards.

The following policies and procedures are in place:

- Internal Audit Charter setting out the purpose, authority and responsibility of Internal Audit.
- Internal Audit Manual providing guidance on working practices.
- Galileo User guide providing technical guidance on the use of the automated audit management system.
- Internal Audit Guide issued to client at the start of each activity.
- Internal Audit Code of Ethics – signed up to annually.
- Anti-Fraud and Corruption Policy Statement and Strategy.
- Risk Management Strategy.

This is a self-assessment at the internal audit activity or organisational level where the Chief Internal Auditor provides assurance that:

Evidence

Audit work conforms to written policies and procedures

- Use of Galileo (Audit Management System) helps to ensure that activities are undertaken in a consistent manner and also demonstrates that key stages of the audit have been subject to appropriate supervision and management.
- Working papers, draft reports and final reports are approved as appropriate by Principal Auditors / Chief Internal Auditor in order to ensure that the work meets the objectives identified within the terms of reference and also that it has been completed in accordance with the Audit Manual and, where applicable, the Galileo User Guide.
- Regular plan monitoring by the Chief Internal Auditor.

Audit work achieves the general purposes and responsibilities described in the Internal Audit Charter, and conforms to the Definition of Internal Auditing, the Code of Ethics, and the Standards.

- As above, an annual assessment is undertaken, which is reported to the Audit and Governance Committee in order to determine the extent to which Internal Audit conforms to the Definition of Internal Auditing, the Code of Ethics and the Standards.

This is a self-assessment at the internal audit activity or organisational level where the Chief Internal Auditor provides assurance that:

Evidence

Internal audit work meets stakeholder expectation.

- Annual planning meetings are arranged between Directors / Managers and Finance to establish audit priorities and agree the format and timetabling for ongoing dialogue during the year.
- Terms of reference are agreed with the client to ensure that the proposed scope of the work is aligned to risk.
- Internal Audit Guide issued to client at the start of each activity which explains the role of internal audit.
- An Activity Manager / Principal Auditor is assigned to each activity to QA-review the working papers, draft and final report.
- Closing meetings held with the client to discuss the key findings, any proposed recommendations to be made and the assurance opinions given.
- Internal Audit Feedback Survey forms sent to the client at the end of each activity. Feedback informs enhancements. Results are reported annually to the Audit and Governance Committee.
- Quarterly activity / monitoring reports to Audit and Governance Committee.

This is a self-assessment at the internal audit activity or organisational level where the Chief Internal Auditor provides assurance that:

Evidence

	<ul style="list-style-type: none"> ➤ Review of the effectiveness of the Audit and Governance Committee may highlight additional areas of training required.
<p>The internal audit activity adds value and improves the organisation's operations.</p>	<ul style="list-style-type: none"> ➤ Keeping up to date with developments in governance, risk management, control and internal auditing, including networking with other Chief Internal Auditors (County and District Chief Auditor's Networks) and learning from them, implementing improvements where appropriate. ➤ Attendance at training courses, webinars, briefing sessions (internal and external) and corporate groups to ensure that staff are up to date with current developments. Sharing of the knowledge gained is completed with the wider team to ensure that all staff are aware of current relevant areas. ➤ Risk based Internal Audit Planning – Assurance where required. ➤ Audit report outcomes (including number of recommendations made and accepted by management) are reported to Audit and Governance Committee quarterly. ➤ Gain management's acceptance of risk, which therefore reduces risk.

This is a self-assessment at the internal audit activity or organisational level where the Chief Internal Auditor provides assurance that:

Evidence

	<ul style="list-style-type: none"> ➤ A detailed Terms of Reference is agreed with the client prior to the commencement of every audit to ensure audit activity is continually focused on the key risks and is undertaken within agreed time periods, to ensure our service adds value to the Council. ➤ Refer to the self-assessment document “The Role of the Head of Internal Audit”. ➤ Financial savings as a result of identifying irregularities.
<p>Resources for the internal audit activity are efficiently and effectively utilised.</p>	<ul style="list-style-type: none"> ➤ The risk based internal audit plan sets out the resources required for each activity. ➤ Principal auditors have allocated portfolio areas to understand the business area and focus resources accordingly. ➤ Completion of staff timesheets in Galileo allow reports to be generated for monitoring the plan. ➤ Post Audit Self Evaluation forms are completed at the end of each activity which consider the risks, time spent compared to the time allocated and costs.

This is a self-assessment at the internal audit activity or organisational level where the Chief Internal Auditor provides assurance that:

Evidence

- Internal Audit Feedback Survey forms enable feedback on whether the activity met the client expectations.
- ICT audit is externally commissioned due to the technical expertise required.
- NHS Counter Fraud Service commissioned based on in year need.

External Perspective	
This is independent external assessment of the entire internal audit activity including individual engagements where the Chief Internal Auditor provides assurance that:	Evidence
<p>The internal audit activity undergoes an external assessment (either an independent external assessment or a self-assessment with independent validation) at least once every five years by an independent assessor or assessment team from outside the organisation that qualified in the practice of internal auditing as well as the quality assessment process.</p>	<ul style="list-style-type: none"> ➤ Gloucestershire County Council (host authority for Audit, Risk, Assurance) had a validated self-assessment against the PSIAS undertaken by the Chartered Institute of Internal Auditors (CIIA - i.e. the standard setters) in May 2015. ➤ Outcome – 100% adherence to the Standards. ➤ Consistent, integrated systems and processes being adopted across the shared service enables adherence.
<p>External assessors express an opinion on the entire spectrum of assurance and consulting work performed (or that should have been performed) by the internal audit activity, including its conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards. Assessors also conclude on the efficiency and effectiveness of the internal audit activity in carrying out its charter and meeting the expectations of stakeholders.</p>	<ul style="list-style-type: none"> ➤ As above.

Specific Internal Audit Performance Measures

Objective	KPI / Measure of assessment	Target	Reporting
To provide maximum assurance to inform the annual audit opinion	To undertake a risk based annual plan formulation exercise (for the portfolio areas designated) which then feed into the overall audit plan(s). (As per the approved methodology).	As per annual planning timetable set by CIA	Annually to the Board (Audit and Governance Committee) and Senior Management (SMT).
To provide maximum assurance to inform the annual audit opinion	Planned audit activities completed. Percentage of planned assurance work from revised plan (including carry forwards) completed to draft report stage as at 31st March 2017.	85%	Monitored at 121s Annual report to the Board and Senior Management.
To provide maximum assurance to inform the annual audit opinion	Planned audit activities completed. Percentage of individual audit activities completed to final report stage from the issue of the Terms of Reference. Allocated days up to 15 (3 months). Allocated days 16+ (4 months).	80%	Monthly monitoring of individuals by the line management. Quality Assurance process and overall monitoring by the Chief Internal Auditor.

Objective	KPI / Measure of assessment	Target	Reporting
To provide maximum assurance to inform the annual audit opinion	Planned audit activities completed. Percentage of individual audit activities completed to draft report stage within 15 working days from the end of the fieldwork stage.	90%	Monthly monitoring of individuals by the line management. Quality Assurance process and overall monitoring by the Chief Internal Auditor.
To ensure that the service is customer focused, adds value and continually improves	Post Audit Customer Satisfaction Survey Feedback % of customers scoring audit service good or above (3 out of 4) where 1 is poor and 4 is excellent.	80%	Internal review as above identifying 'lessons' learned' for improvement. Annual report to the Board and Senior Management.
To ensure that the service is customer focused, adds value and continually improves	Development of Terms of Reference To develop a quality terms of reference with minimal input from the activity manager which focuses on the 'right first time' principle which then informs the final audit report.	Quality	Post audit evaluation assessment and assessment of progress of lessons learned.

Objective	KPI / Measure of assessment	Target	Reporting
To ensure that the service is customer focused, adds value and continually improves	<p>Development of Audit Report</p> <p>To develop a quality first draft audit report with minimal input from the activity manager which focuses on the 'right first time' principle and is ready to be discussed with the client, prior to submission to the activity manager for quality assurance.</p>	Quality	Post audit evaluation assessment and assessment of progress of lessons learned.
Fraud/Irregularity	To undertake a fraud risk assessment in accordance with relevant best practice / guidance to enable the direction of counter fraud activity and risk based auditing.	December of each year to help inform annual plan	Outcomes form part of Annual Internal Audit Plan which is presented to the Board and Senior Management annually.
Personal Development	To undertake one quality assurance review of an audit that has been undertaken, by a peer member of the Internal Audit team.	One per year	121s. Post Audit Evaluations
Time Management	Any variation over budget for completion of an audit activity needs to be authorised by the Activity Manager, and if this is to exceed the allocated days by 5 working days this will need to be authorised in advance by the Chief Internal Auditor.	Compliance	121s. QA process and CIA Plan Monitoring

Objective	KPI / Measure of assessment	Target	Reporting
Time Management - Timesheets	Any instances (unless circumstances dictate) where timesheets are more than two weeks in arrears will be referred to the Chief Internal Auditor.	Compliance	121s. QA process and CIA Plan Monitoring
Audit opinions	Where a "limited" opinion is made, the report will be reviewed by the Chief Internal Auditor or in her absence by the Group Manager (who has had no involvement in the activity) before being issued to the client. This time needs to be factored in, to still ensure the client receives the report within the 15 working day target. In addition, all limited assurance reports are sent to the relevant risk champion to enable the risks to be monitored via the risk management framework.	15 working days	QA process and CIA plan monitoring
Chargeable Hours/productivity (non-official KPI)	The audit plan is stated in terms of estimated productive days provided to the Council.	70% productivity levels	Resource allocation at annual planning stage. QA process and CIA plan monitoring

Improvement Plan 2016/17 onwards

	Opportunities for improvement Actions / Comments	Responsible	Timescale
1	Review the internal audit and risk management shared service needs and continue to develop and implement a fit for purpose service.	Chief Internal Auditor	Monitored by the Shared Services Board
2	Re-perform a self-assessment of Internal Audit's compliance with the revised PSIAS 2016.	Chief Internal Auditor	Annual Report on Internal Audit Activity June 2017
3.	Review Internal Audit Charter and Code of Ethics and revise accordingly in relation to the Shared Service.	Chief Internal Auditor	Completed - Approved by all partner's Senior Management and Boards.
4.	Update Internal Audit Manual to reflect new shared services working practices, to reflect any recommendations made as part of the external quality assessment.	Chief Internal Auditor	1 st June 2016
5.	Continue to enhance the current assurance framework in line with recommended practice which underpins the Annual Governance Statement and annual internal audit planning processes.	Chief Internal Auditor	1 st January 2017

	Opportunities for improvement Actions / Comments	Responsible	Timescale
6.	Progress against the QAIP to be set out in annual report on Internal Audit Activity.	Chief Internal Auditor	Annually in June to Audit and Governance Committee and Senior Management
7.	Annual declaration to be obtained from all auditors where the auditors confirm conformance with the Standards.	Audit and Risk Support Officer	Annually - April
8.	Chief Internal Auditor to select a sample of reports across the team and review adequacy / consistency of information to support the satisfactory / substantial opinions.	Chief Internal Auditor	Ongoing

Gloucester City Council
Audit and Governance Work Programme 2016-2017
(Updated 03 June 2016)

Item	Format	Committees	Lead Officer	Comments
20 June 2016:				
1. Audit and Governance Committee Action Plan	Timetable	-----	-----	Standing agenda item
2. KPMG Interim Letter	Written letter	Audit and Gov	-----	Requested by the Head of Finance
3. Position Statement on Statement of Accounts	Verbal report	Audit and Gov	Head of Finance	Part of the Committee's annual work programme
4. Benefits Audit Update on Accuracy Rate	Verbal report	Audit and Gov	Head of Finance	Part of the Committee's annual work programme
5. Internal Audit Plan 2015/16 Final Monitoring Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
6. Head of Audit Risk Assurance Annual Report 2015/16	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
7. Audit and Governance Committee Annual Report 2015/16	Written Report	Audit and Gov	Head of Audit Risk Assurance	Part of the Committee's annual work programme
8. Treasury Management Six Monthly Update 2015/16	Written Report	Audit and Gov Cabinet	Head of Finance/ Management Accountant	Part of the Committee's annual work programme
9. Draft Annual Governance Statement 2015/16	Written Report	Audit and Gov	Head of Finance	Part of the Committee's annual work programme
10. Annual Complaints Monitoring Report	Written Report	Audit and Gov	Head of Finance	Part of the Committee's annual work programme
11. Annual Standards Report	Verbal Update	Audit and Gov	Monitoring Officer	Part of the Committee's annual work programme

12. Internal Audit Quality Assurance and Improvement Programme	Written Report	Audit and Gov	Head of IA&RM Shared Service	Requested by Head of IA&RM Shared Service
13. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
19 September 2016:				
1. Audit and Governance Committee Action Plan	Timetable	-----	-----	Standing agenda item
2. ISA 260 Report to those Charged with Governance	Written report	Audit and Gov	KPMG	Standing agenda item requested by the Committee
3. Statement of Accounts 2015/16	Written Report	Audit and Gov	Head of Finance	Part of the Committee's annual work programme
4. Strategic Risk Register Update	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
5. Annual Governance Statement 2015/16	Written Report	Audit and Gov	Head of Finance	Part of the Committee's annual work programme
6. Business Rates Pooling Annual Report	Written Report		Head of Finance	Part of the Committee's annual work programme
7. Internal Audit Plan 2016/17 – Monitoring Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
8. Local Government Ombudsman Decisions	Written Report	Audit and Gov	Monitoring Officer	Part of the Committee's annual work programme
9. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
21 November 2016				
1. Audit and Governance Committee Action Plan	Timetable	Audit and Gov	-----	Standing agenda item requested by the Committee
2. Benefit Audit Update on Accuracy Rate	Written Report			Part of the Committee's annual work programme
3. Annual Audit Letter 2015/16	Written Report	Audit and Gov	KPMG	Part of the Committee's annual work programme
4. Zurich Risk Management Standards Assessment report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme

5. Treasury Management Performance 2016/17 Six monthly update	Written Report	Audit and Gov Cabinet	Head of Finance	Part of the Committee's annual work programme
6. Regulation of Investigatory Powers Act 2000 (RIPA) – Annual Review of Procedural Guide	Written Report	Audit and Gov Council	Corporate Director	Part of the Committee's annual work programme
7. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
23 January 2017				
1. Audit and Governance Committee Action Plan	Timetable	-----	-----	Standing agenda item requested by the Committee
2. KPMG Grants Audit Report	Written Report	Audit and Gov	KPMG	Part of the Committee's annual work programme
3. Internal Audit Plan 2016/17 – Monitoring Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
4. Draft Contract Standing Orders	Written Report	Audit and Gov	Monitoring Officer/ Head of Finance	Part of the Committee's annual work programme
5. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
13 March 2017				
1. Audit and Governance Committee Action Plan	Timetable	-----	-----	Standing agenda item requested by the Committee
2. KPMG – External Audit Plan 2016/17	Written Report	Audit and Gov	KPMG	Part of the Committee's annual work programme
3. Benefit Audit Update on Accuracy Rate	Written Report			Part of the Committee's annual work programme
4. KPMG – External Audit Technical Update	Written Report	Audit and Gov	KPMG	Part of the Committee's annual work programme
5. Treasury Management Strategy	Written Report	Audit and Gov Cabinet Council	Head of Finance	Part of the Committee's annual work programme
6. Annual Risk Management Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
7. Internal Audit Plan 2016/17 – Monitoring Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme

8. Internal Audit Plan 2017/18	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
9. KPMG Grants Audit Report	Written report	Audit and Gov	KPMG	Part of the Committee's annual work programme
10. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item

FUTURE AUDIT & GOVERNANCE COMMITTEE AGENDA ITEM – DATE TO BE AGREED:

- Update report on Peer Review visit
- Risk Management Review and Anti Fraud and Corruption Strategy Review.