



## **Audit and Governance Committee**

**Meeting: Monday, 21st November 2016 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP**

<b>Membership:</b>	Cllrs. Gravells (Chair), Stephens, Wilson, Taylor, Patel, Pullen and Melvin
<b>Contact:</b>	Atika Tarajiya Democratic and Electoral Services Officer 01452 396127 Atika.tarajiya@gloucester.gov.uk

### **AGENDA**

<b>1.</b>	<b>ELECTION OF VICE CHAIR</b>  To elect a Vice Chair for the Committee.
<b>2.</b>	<b>APOLOGIES</b>  To receive any apologies for absence.
<b>3.</b>	<b>DECLARATIONS OF INTEREST</b>  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.
<b>4.</b>	<b>MINUTES</b> (Pages 5 - 10)  To approve as a correct record the minutes of the meeting held on 19 September 2016.
<b>5.</b>	<b>PUBLIC QUESTION TIME (15 MINUTES)</b>  To receive any questions from members of the public provided that a question does not relate to: <ul style="list-style-type: none"><li>• Matters which are the subject of current or pending legal proceedings, or</li><li>• Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers</li></ul>
<b>6.</b>	<b>PETITIONS AND DEPUTATIONS (15 MINUTES)</b>  To receive any petitions and deputations provided that no such petition or deputation is in relation to: <ul style="list-style-type: none"><li>• Matters relating to individual Council Officers, or</li><li>• Matters relating to current or pending legal proceedings</li></ul>

<b>7.</b>	<b>AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN</b> (Pages 11 - 12)  To consider the Action Plan.
<b>8.</b>	<b>ANNUAL AUDIT LETTER 2015/16</b> (Pages 13 - 20)  To receive the Annual Audit Letter 2015-16 from KPMG.
<b>9.</b>	<b>TREASURY MANAGEMENT UPDATE – MID YEAR REPORT 2016/17</b> (Pages 21 - 30)  To consider the report of the Cabinet Member for Performance and Resources updating members on treasury management activities for the period 1 April-30 September 2016.
<b>10.</b>	<b>REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) - ANNUAL REVIEW OF PROCEDURAL GUIDE</b> (Pages 31 - 56)  To consider the report of the Head of Paid Service concerning the annual review of the Council's Regulation of Investigatory Powers Act (2000) (RIPA) Procedural Guide.
<b>11.</b>	<b>INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2016-17</b> (Pages 57 - 74)  To consider the report of the Head of Audit and Risk Assurance informing Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2016/17.
<b>12.</b>	<b>RISK MANAGEMENT UPDATE</b> (Pages 75 - 92)  To consider the report of the Head of Audit and Risk Assurance detailing the Strategic Risk Register and updating Members on risk management activity.
<b>13.</b>	<b>INTERNAL AUDIT CHARTER</b> (Pages 93 - 110)  To consider the report of the Head of Audit and Risk Assurance to inform Members of revisions to the Public Sector Internal Audit Standards (PSIAS) and subsequent revisions to the Internal Audit Charter.
<b>14.</b>	<b>AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME</b> (Pages 111 - 114)  To consider the Work Programme.
<b>15.</b>	<b>DATE OF NEXT MEETING</b>  Monday 23 January 2016.



**Jon McGinty**  
**Managing Director**

**Date of Publication: Friday, 11 November 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**

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For further details and enquiries about this meeting please contact Atika Tarajiya, 01452 396127, [atika.tarajiya@gloucester.gov.uk](mailto: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](mailto: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.

### **FIRE / EMERGENCY EVACUATION PROCEDURE**

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



## AUDIT AND GOVERNANCE COMMITTEE

**MEETING** : Monday, 19th September 2016

**PRESENT** : Cllrs. Gravells (Chair), Stephens, Wilson, Taylor, Patel, Pullen and Norman (Ex-Officio)

**Others in Attendance**

Councillor Lise Noakes, Cabinet Member for Culture and Leisure

Darren Gilbert, KMPG

Theresa Mortimer, Head of Audit, Risk and Assurance

Jonathan Lund, Corporate Director and Monitoring Officer

Jon Topping, Head of Finance

Andrew Cummings, Management Accountant

Greg Maw, Financial Accountant

Stephanie Payne, Group Manager – Audit, Risk & Assurance Shared Service (ARA)

### 22. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 23. MINUTES

In response to Councillor Stephen's request for a detailed breakdown of fraud cases investigated by Single Fraud Investigation Service (SFIS) (minute 11), the Head of Finance gave Members a detailed breakdown for years 2014/15 and 2015/16 provided by the Department of Work and Pensions, who manage the SFIS. The Head of Finance agreed to circulate the details to Members.

**RESOLVED:**

That the minutes of the meeting held on Monday 20 June 2016 be approved and signed by the Chair as a correct record.

### 24. PUBLIC QUESTION TIME (15 MINUTES)

The Chair reported that public questions had been received and that the questions, together with the Council's written responses, had been circulated to Members and others in attendance, prior to the start of the meeting. The Chair ruled that the questions and answers, as circulated, be taken as read.

**AUDIT AND GOVERNANCE COMMITTEE**  
**19.09.16**

The questioner challenged the Chair's decision and asked to speak. In response the Chair pointed out that in accordance with the constitution, a question could be asked and answered without debate.

Councillor Declan commented that as the questions and answers had only been circulated just before the meeting, Members did not have time to read them. This was acknowledged by the Chair.

**25. PETITIONS AND DEPUTATIONS (15 MINUTES)**

There were no petitions or deputations.

**26. AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN**

The Committee considered the Action Plan

In relation to Action Plan Minute Item 101, the Group Manager, Audit, Risk and Assurance confirmed that information regarding the deadline for Garden Waste online direct debit registration had been circulated to Members on 23 June 2016.

**27. INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2016/17**

Prior to the Head of Audit, Risk and Assurance reporting on Internal Audit activity in relation to the approved Internal Audit Plan 2016/17, the Group Manager, Audit, Risk and Assurance reported specifically on the final audit report from 2015/16 audit plan – Marketing Gloucester.

The Group Manager, Audit, Risk and Assurance reported that, as resolved at the meeting of the Audit and Governance Committee on 16 March 2015, the 2015/16 Internal Audit Plan included a Marketing Gloucester internal audit to ensure consideration and review of a partnership organisation within the Plan. During audit planning, the potential scope of the audit was discussed with officers and it was confirmed that a Value for Money review approach would be useful. Due to initial review findings identifying weaknesses within the Council's governance arrangements in place with the Company, a full VFM review and opinion could not be completed. The resulting detailed audit report and assurance level provided is in relation to the Council's arrangements, processes and controls (governance framework) in place with Marketing Gloucester at the point of audit.

The Cabinet Member for Culture and Leisure (Councillor Noakes) reported that she was grateful to the Group Manager, Audit, Risk and Assurance for the work on the Marketing Gloucester audit. Councillor Noakes updated Members on the work of Marketing Gloucester, particularly the events activities which were having a positive impact on visitor numbers to Gloucester. Councillor Noakes assured Members that processes were in place to capture data in order to understand and report on the value of events.

In answer to a question from Councillor Wilson, Councillor Noakes confirmed that Marketing Gloucester partnership quarterly performance reviews had been taking place since March 2016. Though these were not public meetings Councillor Wilson

**AUDIT AND GOVERNANCE COMMITTEE**  
**19.09.16**

requested that Members of the Audit and Governance Committee be given sight of the papers.

Councillor Stephens expressed disappointment with the 'unsatisfactory' assurance level due to a significant breakdown in governance and controls in place within Marketing Gloucester and stressed the importance of having SMART targets in performance management. He acknowledged that a significant amount of taxpayer money was being paid to Marketing Gloucester noting that it was important there was evidence of value for money.

The Corporate Director confirmed that the legal documents and financial management arrangements were now up to date and in place and that there was now a rigorous performance management framework in place, including SMART targets.

The Head of Audit, Risk and Assurance confirmed that the follow up of the Marketing Gloucester internal audit recommendations was planned to be completed in January 2017, with update to be provided to Audit and Governance Committee in March 2017, and that the VFM work would be completed as part of the 2017/18 Audit Plan.

The Head of Audit, Risk and Assurance took Members through the Internal Audit Activity Progress Report 2016/17 and reported that there were no major issues to be brought to the Committee's attention. The high level summary of actions would be updated through the year and reported at this Committee.

In answer to a question from Councillor Stephens regarding the Zero Hours Contracts audit, the Head of Audit, Risk and Assurance reported that the scope of the audit was to ensure correct processes were adhered to rather than to review the Council's policies on using zero hour contracts. Following discussion it was agreed that a short report from officers be brought to the November 2016 meeting regarding the current policy on zero hours contracts and the criteria for their use. Councillor Norman reported that this had already been raised at Council, at which there had been a full report.

In answer to a question from Councillor Stephens regarding the level of sundry debt, the Head of Audit, Risk and Assurance agreed that a breakdown on this would be provided to Members.

**RESOLVED**

That the following be noted:

- 1 The progress against the Internal Audit Plan 2016/17
- 2 The assurance opinions provided in relation to the effectiveness of the Council's control environment comprising risk management, control and governance arrangements as a result of the Internal Audit activity completed to date

**AUDIT AND GOVERNANCE COMMITTEE**  
**19.09.16**

**28. KPMG EXTERNAL AUDIT REPORT 2015/16 (ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE)**

It was agreed by the Chair that this item be considered prior to item 8 on the agenda.

Members considered the External Audit Report 2015/16.

Darren Gilbert, KPMG reported that the 2015/16 External Audit Report was unqualified, with no recommendations, and that the Statement of Accounts 2015/16 and accompanying letter of representation would need to be signed. He particularly noted that the audit report was very positive and the audit had been delivered very smoothly, on time and within the audit fee.

In response to a question from the Chair, the Head of Finance explained that a piece of work was being undertaken by Democratic Services to review service performance in order to improve the presentation of the performance reporting to ensure that relevant information was available. He noted that a report will be taken to Overview and Scrutiny.

On behalf of the Committee, the Chair congratulated the Finance team on the excellent work they had undertaken and requested that the Committee's thanks be conveyed to the team.

**29. STATEMENT OF ACCOUNTS 2015/16**

The Members considered the draft Statement of Accounts and accompanying letter of representation presented to the City Council's external auditors.

The Head of Finance confirmed that the Statement of Accounts 2015/16 had been audited, these were then signed by the Chair and the Head of Finance.

**30. CHANGES TO THE ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS**

Members considered the report of the Head of Finance outlining options for the appointment of the Council's External Auditor for the 2018/19 statement of accounts.

In response to a question from Councillor Wilson regarding the deadline of December 2017 for the appointment of External Auditors, the Head of Finance agreed that he would clarify the date and would report back to Members.

**RESOLVED**

To endorse and RECOMMEND to Council the option to opt-in to the Public Sector Audit Appointments Ltd (PSAA) as the Sector Led Body (SLB) for the appointment of the Council's External Auditors from 2018/19.



**AUDIT AND GOVERNANCE COMMITTEE**  
**19.09.16**

**31. UPDATE TO THE AUDIT AND GOVERNANCE COMMITTEE TERMS OF REFERENCE**

The report of the Head of Audit, Risk and Assurance was considered by the Members. The proposed revised Audit and Governance Committee's Terms of Reference reflected the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees Practical Guidance for Local Authorities and Police 2013, the Public Sector Internal Audit Standards (PSIAS) 2016 and further clarity around the Committee's Governance role.

**RESOLVED:**

That the Audit and Governance Committee recommend that, subject to any further amendments, the Terms of Reference as set out in Appendix 1 be approved.

**32. BUSINESS RATES POOLING REPORT FOR 2015-16**

Members considered the report of the Cabinet Member for Performance and Resources summarising the Business Rates Pool outturn position for the 2015/16 financial year.

**RESOLVED:**

That the 2015/16 outturn position and performance of the Gloucestershire Business Rates Pool be noted.

**33. LOCAL GOVERNMENT OMBUDSMAN DECISIONS**

The report of the Ombudsman in respect of two recent Ombudsman investigations was considered by Members.

Councillor Stephens questioned why the Council had taken 11 months to investigate one of the complaints, which had been acknowledged by the Ombudsman as excessive. The Head of Finance accepted that it had taken too long, and confirmed that steps had been taken to prevent this happening again.

**RESOLVED:**

- 1 The contents of the report be noted
- 2 It is satisfied that appropriate steps have been taken to address the findings and that no further action needs to be taken by the Council.

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

The Work Programme was noted by the Members.

**35. DATE OF NEXT MEETING**

The date of the next meeting was confirmed for 21 November 2016 at 6.30pm in the Civic Suite, North Warehouse.

**AUDIT AND GOVERNANCE COMMITTEE**  
**19.09.16**

**Time of commencement: 6.30 pm hours**  
**Time of conclusion: 7.40 pm hours**

**Chair**

# AUDIT AND GOVERNANCE COMMITTEE – 10 NOVEMBER 2016

## ACTION PLAN

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
<b><u>Actions arising from meeting held on 24 September 2012:</u></b>					
17	Implementation of purchased software with a modern stock control facility at the Guildhall.	New system expected to go live week commencing 07/11/16. Head of Finance to update Committee at the meeting on 21 November 2016.	A	Implementation date November 2016	JT
<b><u>Actions arising from meeting held on 19 September 2016:</u></b>					
23	Report to Committee on a breakdown of fraud cases investigated by Single Fraud Investigation Service (SFIS),	Head of Finance circulated breakdown of fraud cases to Committee members (ACTION COMPLETED).	G	November 2016	JT
27	Circulate minutes of the MGL Performance management meetings to Committee	The Corporate Director circulated minutes to Committee members (ACTION COMPLETED).	G	November 2016	JL
27	Report to Committee on the breakdown of sundry debt	The Head of Audit, Risk and Assurance circulated a breakdown of sundry debt to members of the Committee (ACTION COMPLETED).	G	November 2016	TM
30	Report to Committee on the timeline of appointing External Auditors.	Head of Finance circulated details of the timescales for the appointment of External Auditors (ACTION COMPLETED)	G	November 2016	JT

**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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# Annual Audit Letter 2015/16

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**Gloucester City Council**

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October 2016



Agenda Item 8

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The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers ([andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This Annual Audit Letter summarises the outcome from our audit work at Gloucester City Council in relation to the 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

<b>VFM conclusion</b>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 19 September 2016. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.</p> <p>To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.</p>
<b>VFM risk areas</b>	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements the Authority put in place to mitigate these risks.</p> <p>Our work identified the following significant VFM risks:</p> <ul style="list-style-type: none"> <li>— In line with all authorities, Gloucester needs to identify financial savings as its central government funding continues to fall. This is likely to become increasingly difficult in future years as small incremental savings become harder to identify, and more transformative solutions may be needed. Our work included reviewing the Council's Money Plan and confirming that this accurately reflects the annual budget agreed by Council and that the funding assumptions appear reasonable. Based on this work, we concluded that proper arrangements are in place relating to achievement of the savings plan. However, like most bodies in the sector, the Authority will continue to face significant financial challenges in the future. It will therefore be vital that the Authority maintains a strong focus on these challenges and takes the difficult decisions that will be necessary to address them.</li> </ul>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on the Authority's financial statements on 19 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
<b>Financial statements audit</b>	<p>We did not identify any significant audit adjustments but identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting the United Kingdom 2015/16. The Authority has addressed these where significant in its published accounts.</p> <p>The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p>
<b>Other information accompanying the financial statements</b>	<p>Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.</p>

# Headlines (cont)

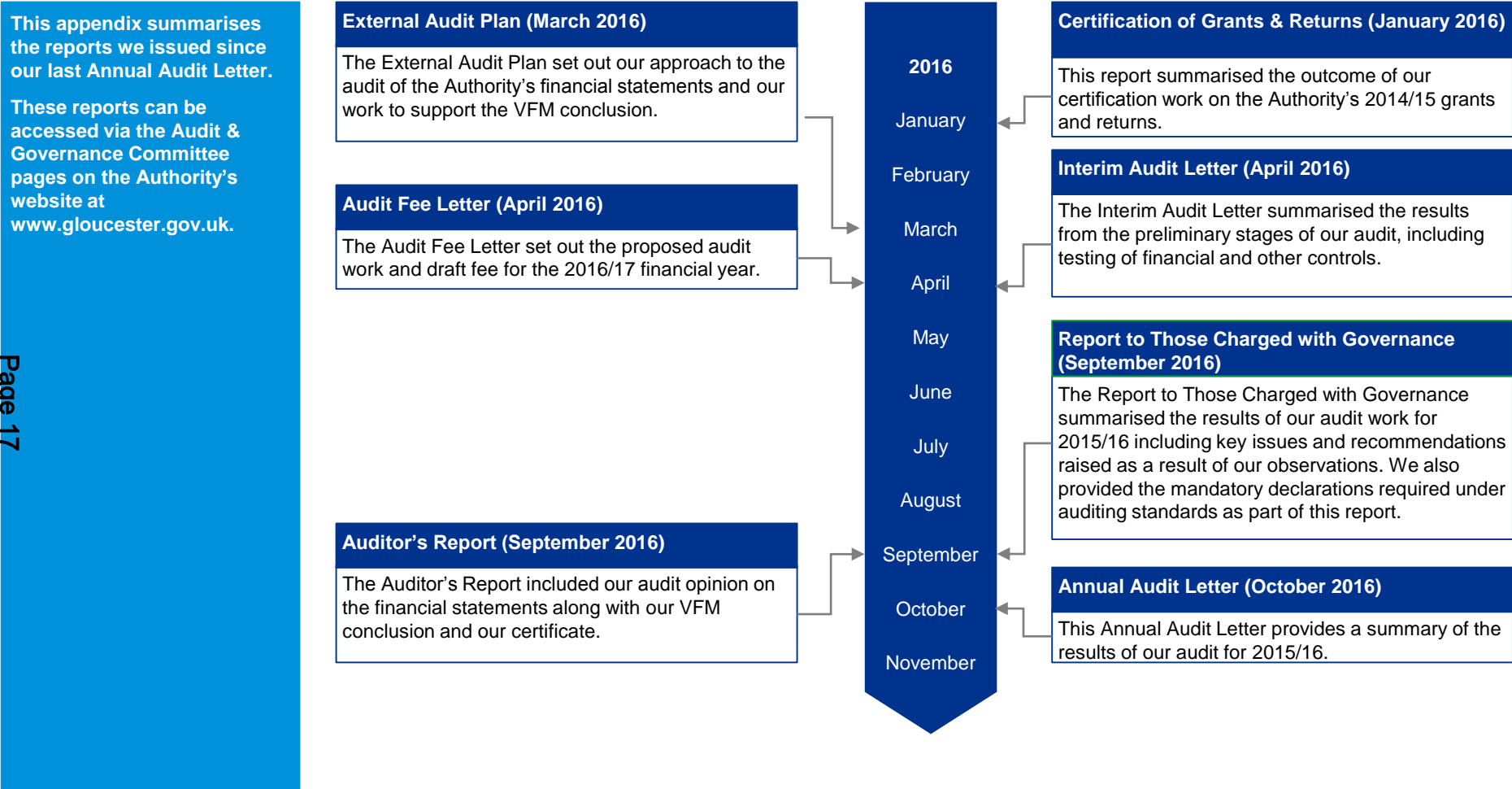
We have issued our certificate to confirm the completion of our audit responsibilities for the 2015/16 audit year.

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Whole of Government Accounts	The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.
Certificate	We issued our certificate on 19 September 2016. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.
Audit fee	Our fee for 2015/16 was £63,450, excluding VAT. This is the same as the planned fee for the year as set in April 2015. Further detail is contained in Appendix 2.



# Appendix 1: Summary of reports issued



# Appendix 2: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

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To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

### External audit

Our final fee for the 2015/16 audit was £63,450, which is in line with the planned fee.

### Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim and the final fee will be confirmed through our reporting on the outcome of that work in early 2017.

### Other services

We did not charge any additional fees for other services.



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<b>Meeting:</b>	<b>Audit and Governance Committee</b>	<b>21 November 2016</b>
	<b>Cabinet</b>	<b>7 December 2016</b>
<b>Subject:</b>	<b>Treasury Management Update – Mid Year Report 2016/17</b>	
<b>Report Of:</b>	<b>Cabinet Member for Performance and Resources</b>	
<b>Wards Affected:</b>	<b>All</b>	
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework: No</b>
<b>Contact Officer:</b>	<b>Jon Topping, Head of Finance</b>	
	<b>Email: jon.topping@gloucester.gov.uk</b>	<b>Tel: 396242</b>
<b>Appendices:</b>	<b>1. Prudential and Treasury Indicators</b> <b>2. Interest rate forecasts</b>	

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (TMSS, annual and midyear reports). This report covers the six months 1<sup>st</sup> April 2016 to 20<sup>th</sup> September 2016 and therefore, ensures this Council is implementing best practice in accordance with the Code.
- 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 Council's performance for the first half of 16/17;
  - **Appendix 1** highlights the key performance indicators in line with the Council's Treasury Management Strategy.
  - **Appendix 2** Interest Rate Forecast.

### 2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE**, 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.

### 3.0 Annual Investment Strategy

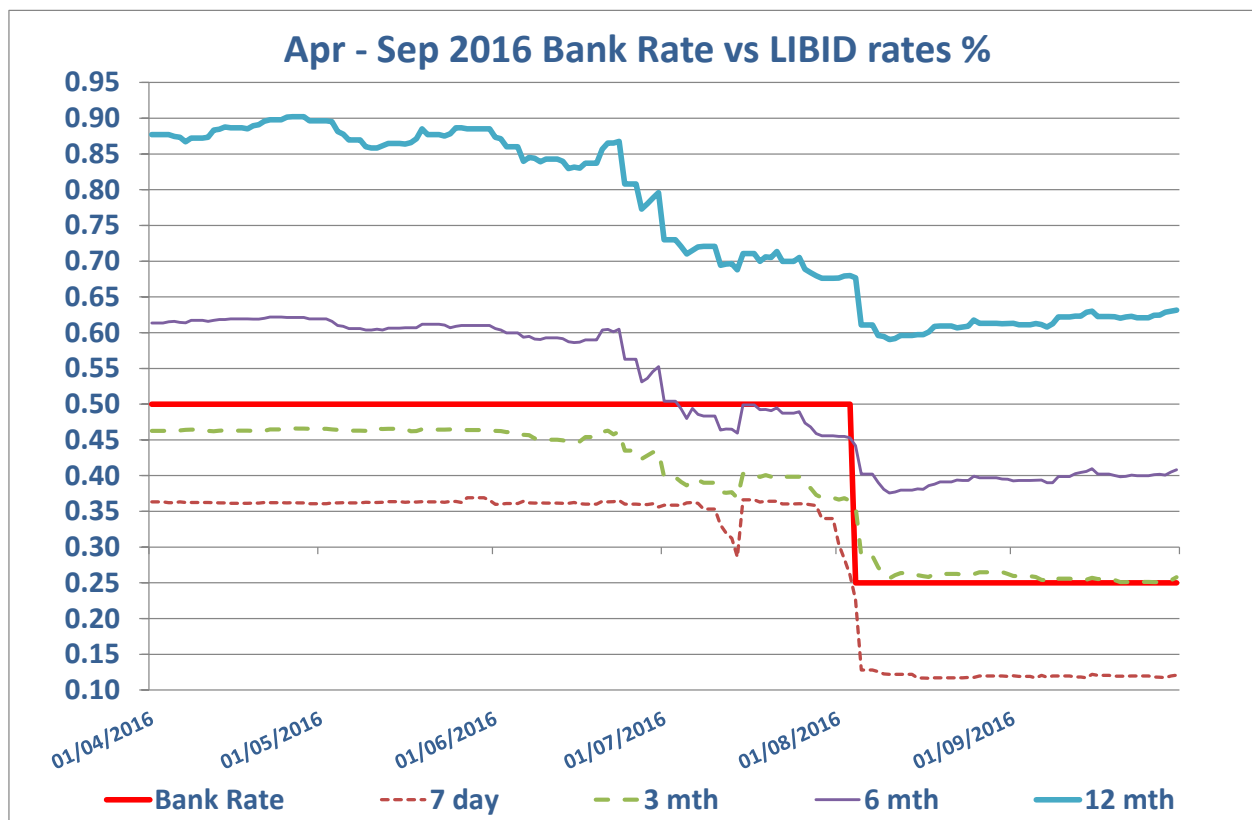
The Treasury Management Strategy Statement (TMSS) for 2016/17, which includes the Annual Investment Strategy, was approved by the Council on 24<sup>th</sup> March 2016. It sets out the Council's investment priorities as being:

- 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 were broadly stable during the first half of the period but then took a slight downward path in the second half concluding with a significant drop after the referendum on a sharp rise in expectation of an imminent cut in Bank Rate and 'lower for longer' expectations thereafter. The average level of funds available for investment purposes during the period was £6.69M. 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 month).

Investment performance for the financial year to date as at 30<sup>th</sup> September 2016

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.28	0.42	£13,896
1 month	0.30	N/A	N/A
3 month	0.38	N/A	N/A
6 month	0.52	N/A	N/A
12 month	0.76	N/A	N/A



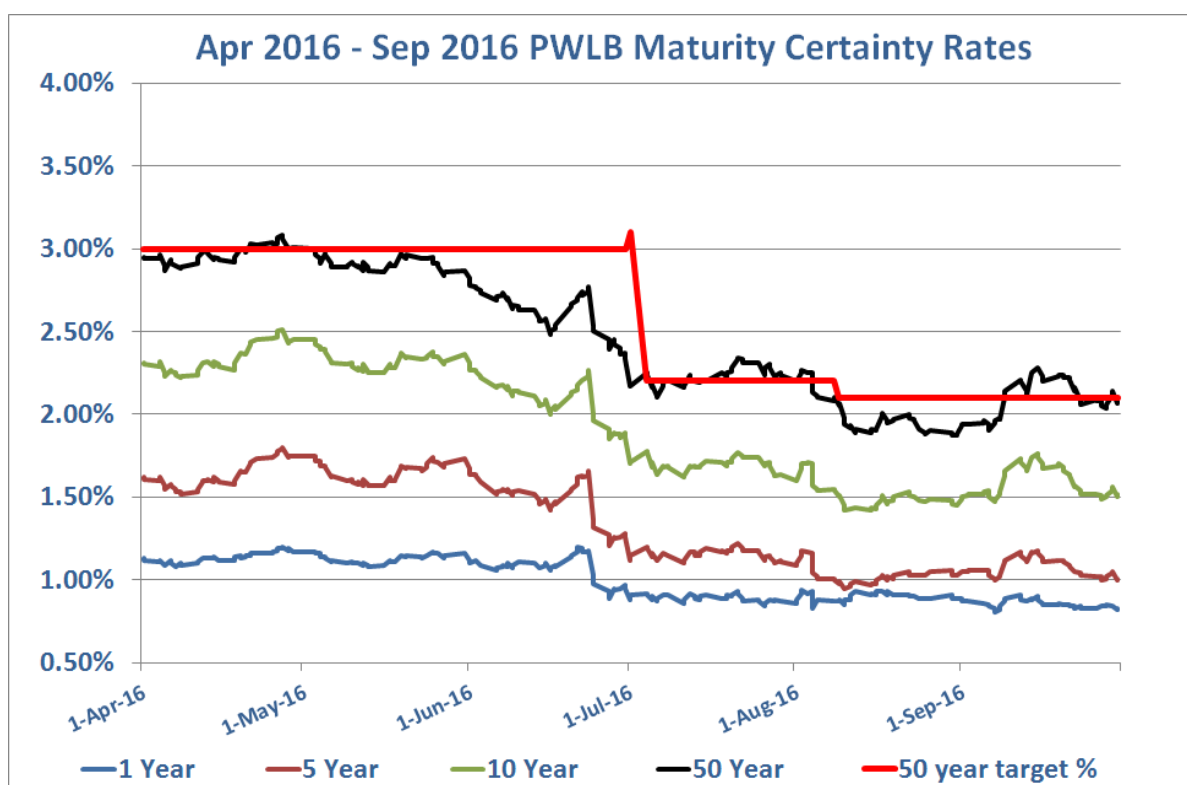
As illustrated, the Council outperformed the benchmark by 14 bps.

## 4.0 New Borrowing

- 4.1 As depicted in the graph below, there has been significant volatility in PLWB rates during quarter 1 culminating in a progressive fall in rates during the first three weeks in June as confidence rose that the polls were indicating a 'IN' result for the referendum, followed by a sharp rise in the run up to the referendum day as the polls swung the other way, followed by a sharp fall to the end of the month in anticipation that there is likely to be further quantitative easing purchases of gilts in the coming months. During the year to date, the 50 year PWLB target (certainty) rate for new long term borrowing started at 3.10% and ended at 2.10%.
- 4.2 No long term borrowing was undertaken during the period.

#### 4.3 PWLB certainty rates, for the financial year to the 30<sup>th</sup> September 2016

	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	0.81%	0.95%	1.42%	2.08%	1.87%
<b>Date</b>	07/09/2016	10/08/2016	10/08/2016	12/08/2016	30/08/2016
<b>High</b>	1.20%	1.80%	2.51%	3.28%	3.08%
<b>Date</b>	27/04/2016	27/04/2016	27/04/2016	27/04/2016	27/04/2016
<b>Average</b>	0.99%	1.33%	1.92%	2.69%	2.46%



#### 4.4 Borrowing in advance of need.

The Council has not borrowed in advance of need during the period ended 30<sup>th</sup> September 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 period ended 30<sup>th</sup> September 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. 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 2016/17.
- 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 2016/17 as part of its overall borrowing strategy, this policy has allowed the Council to benefit from lower interest rates available over the short term, reducing borrowing costs significantly in the short term. Over our current 2016/17 borrowing requirement, the Council has been able to obtain short term borrowing at 0.35% compared to current long term rates at 1.5% for 10 year. Over this period the policy has reduced borrowing costs by £190k.
- 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 which impact 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 30<sup>th</sup> September 2016

Treasury Indicators	2016/17 Budget £'000	Mid-Year (Apr-Sep) Actual £'000
Authorised limit for external debt	£30M	£30M
Operational boundary for external debt	£25M	£25M
Gross external debt	£25M	£15M
Investments	N/A	£0M
Net borrowing	£25M	£15M
Maturity structure of fixed and variable rate borrowing - upper and lower limits		
Under 12 months	0% - 100%	66.67%
12 months to 2 years	0% - 100%	0%
2 years to 5 years	0% - 100%	0%
5 years to 10 years	0% - 100%	33.33%
10 years to 20 years	0% - 100%	0%
20 years to 30 years	0% - 100%	0%
30 years to 40 years	0% - 100%	0%
40 years to 50 years	0% - 100%	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:

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
<b>Bank rate</b>	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%	0.25%	0.50%
<b>5yr PWLB rate</b>	1.00%	1.00%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.20%	1.30%
<b>10yr PWLB rate</b>	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%
<b>25yr PWLB rate</b>	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.60%
<b>50yr PWLB rate</b>	2.10%	2.10%	2.20%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%

Capita Asset Services undertook a quarterly review of its interest rate forecasts after the MPC meeting of 4th August cut Bank Rate to 0.25% and gave forward guidance that it expected to cut Bank Rate again to near zero before the year end. The above forecast therefore includes a further cut to 0.10% in November this year and a first increase in May 2018, to 0.25%, but no further increase to 0.50% until a year later. 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 could well turn negative when inflation rises during the next two years to exceed average pay increases.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. An eventual world economic recovery may also see investors switching from the safe haven of bonds to equities. However, we have been experiencing exceptional levels of volatility in financial markets which have caused significant swings in PWLB rates. Our PWLB rate forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The overall balance of risks to economic recovery in the UK remains to the downside. Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Monetary policy action reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some major developed economies, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Weak capitalisation of some European banks.
- A resurgence of the Eurozone sovereign debt crisis.

- Geopolitical risks in Europe, the Middle East and Asia, increasing safe haven flows.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or Fed. rate increases, causing a further flight to safe havens (bonds).
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

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

- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

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<b>Meeting:</b>	<b>Cabinet</b>	<b>Date:</b>	<b>9 November 2016</b>
	<b>Audit and Governance Committee</b>		<b>21 November 2016</b>
	<b>Council</b>		<b>1 December 2016</b>
<b>Subject:</b>	<b>Regulation of Investigatory Powers Act 2000 (RIPA) – Annual Review of Procedural Guide</b>		
<b>Report Of:</b>	<b>Head of Paid Service</b>		
<b>Wards Affected:</b>	<b>All</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Jon Topping , Head of Finance</b>		
	<b>Email: jon.topping@gloucester.gov.uk</b>	<b>Tel:</b>	<b>39-6242</b>
<b>Appendices:</b>	<b>1. Procedural Guidance</b>		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 To request that Members review and update the Council's procedural guidance on RIPA.

### 2.0 Recommendations

- 2.1 Cabinet is asked to **RECOMMEND**, subject to any comments Cabinet wishes to make, that the changes to the Procedural Guide at Appendix 1 be approved;
- 2.2 Audit and Governance Committee is asked to **RESOLVE**, subject to any comments the Committee wishes to make, that the proposed changes to the Council's RIPA Procedural Guide be noted;
- 2.3 Council is asked to **RESOLVE** that the changes to the Procedural Guide at Appendix 1 be approved.

### 3.0 Background and Key Issues

- 3.1 The Regulation of Investigatory Powers Act 2000 (RIPA) came into force in 2000. Both the legislation and Home Office Codes of Practice strictly prescribe the situations in which and the conditions under which councils can use their RIPA powers. All authorities are required to have a RIPA policy and procedure to which they adhere in using their RIPA powers.
- 3.2 The Council reviews and updates its RIPA Procedural Guide at least annually. The Council last updated its RIPA Procedural Guide in November 2014.

- 3.3 The Council's use of its RIPA powers is subject to annual reporting and triennial inspection by the Office of Surveillance Commissioners (OSC). The Council received its most recent inspection by the OSC on 1 July 2016. The suggestions for amendment and improvement of the Council's RIPA Procedural Guide arising from the inspection have been incorporated into the Procedural Guide at Appendix 1.
- 3.4 Since the changes made to the Council's RIPA powers by the Protection of Freedoms Act 2012, the Council has not made use of its RIPA powers. This is most likely due to the change restricting RIPA authorisations for directed surveillance to offences which carry a maximum custodial sentence of 6 months or more. It should be noted that most offences prosecuted by local authorities do not carry custodial sentences, either at all or of this length. As a result of this, it is not possible to say whether or not any changes to the Guide are required from an operational point of view.
- 3.5 Following a change in senior management, minor changes to the list of Authorised Officers are proposed, to ensure that there are sufficient numbers of officers within the Council who can authorise RIPA applications.

#### **4.0 Alternative Options Considered**

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

#### **5.0 Reasons for Recommendations**

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

#### **6.0 Future Work and Conclusions**

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

#### **7.0 Financial Implications**

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

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

#### **8.0 Legal Implications**

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

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



## **9.0 Risk & Opportunity Management Implications**

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

## **10.0 People Impact Assessment (PIA):**

- 10.1 The impact of the changes to the RIPA legislation will have been considered by the Government during the drafting of the legislation. The RIPA legislation requires the Council to give substantial consideration to the people impact of using its RIPA powers each and every time a RIPA application is authorised.
- 10.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

## **11.0 Other Corporate Implications**

### Community Safety

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

### Sustainability

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

### Staffing & Trade Union

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

**Background Documents:** None.

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**GLOUCESTER CITY COUNCIL**

**REGULATION OF INVESTIGATORY POWERS ACT 2000**

**PROCEDURAL GUIDE**

Adopted by Council: xx November 2016

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## **1. INTRODUCTION**

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

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

### **2.1 The background to RIPA**

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

1. Everyone has the right to respect for his private and family life, his home and his correspondence.
2. There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic wellbeing of the country, for the prevention of disorder or crime, for the protection of health and morals or for the protection of the rights and freedoms of others.

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

## **2.2 The scope of this Guide**

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

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

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

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

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

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

## **2.3 Consequences of not following RIPA**

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

Lawful surveillance is exempted from civil liability

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

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

## 2.4 The Surveillance Commissioner

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

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

## 3. COVERT SURVEILLANCE

There are three categories of covert surveillance:-

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

### 3.1 Directed Surveillance (DS)

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

### 3.3 Intrusive surveillance

#### 3.3.1 Intrusive surveillance is defined as covert surveillance that:-

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

#### 3.3.2 Local authorities are not authorised to conduct intrusive surveillance.

## 4. Procedure for Obtaining Authorisations

### 4.1 The Senior Responsible Officer:-

#### **Role:**

#### 4.1.1 The Head of Paid Service is designated the Council's Senior Responsible Officer (SRO) with responsibilities for:-

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

### 4.2 Authorising Officers

#### **Role:**

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

- 4.2.1 The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 prescribes that for local authorities the Authorising Officer shall be a Director, Head of Service, Service Manager or equivalent as distinct from the officer responsible for the conduct of an investigation.
- 4.2.2 Officers of a lower rank **cannot** grant authorisations.
- 4.2.3 A designated Authorising Officer must qualify **both** by rank and by competence. Officers who wish to be designated must have been trained to an appropriate level so as to have an understanding of the Act and the requirements that must be satisfied before an authorisation can be granted.

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

- 4.2.4 Authorisations must be given in writing by the Authorising Officer. .
- 4.2.5 Authorising Officers are also responsible for carrying out regular reviews of applications which they have authorised and also for the cancellation of authorisations.
- 4.3 **Investigating Officers - What they need to do before applying for authorisation**

- 4.3.1 Investigating Officers should think about the need to undertake DS or CHIS before they seek authorisation. Investigating Officers need to consider whether they can obtain the information by using techniques other than covert surveillance. There is nothing that prevents an Investigating Officer discussing the issue of surveillance beforehand. Any comments by a supervisor should be entered into the application for authorisation.
- 4.3.2 The Codes of Practice do however advise that Authorising Officers should not be directly responsible for authorising investigations or operations in which they are directly involved although it is recognised that this may sometimes be unavoidable.
- 4.3.3 If an Investigating Officer intends to carry out DS or use CHIS they should complete and submit an Application for Directed Surveillance form which is marked Application for Directed Surveillance or an Application for the use of CHIS which is marked Application for CHIS to an Authorising Officer. An electronic version of the most up-to-date forms and Codes of Practice are available from the RIPA Co-ordinator, via the RIPA folder within SmartAccess or from the Home Office website address in Appendix B.
- 4.3.4 Appendix D shows the steps which are required as part of the authorisation process.
- 4.3.5 The person seeking the authorisation should obtain a Unique Reference Number from the RIPA Co-ordinator and complete parts 1 and 2 of the form having regard to the guidance given in this Guide and the statutory Codes of Practice.
- 4.3.6 The form should then be submitted to the Authorising Officer for authorisation.

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

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

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

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

or

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

and

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

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

This is defined as:-

##### **Necessity**

- Obtaining an authorisation under the 2000 Act will only ensure that there is a justifiable interference with an individual's Article 8 rights if it is necessary

and proportionate for these activities to take place. The 2000 Act first requires that the person granting an authorisation for directed surveillance believe that the authorisation is necessary in the circumstances of the particular case for the statutory ground in section 28(3)(b) of the 2000 Act being *“for the purpose of preventing or detecting crime or of preventing disorder”* .

### **Proportionality**

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

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

## **4.5 Judicial Approval**

- 4.5.1 From 1 November 2012, any DS or CHIS authorisation granted by an Authorising Officer **does not** take effect until an order has been made by a Justice of the Peace (“Magistrate”) approving the grant of the authorisation.
- 4.5.2 When an authorisation has been granted by an Authorising Officer, an Officer authorised by the Council to appear on its behalf in Magistrates’ Court proceedings (the “Applicant”) needs to make an application to the Magistrates’ Court for judicial approval of the authorisation before the authorisation can take effect (i.e. before lawful surveillance can begin).
- 4.5.3 Under the Criminal Procedure Rules 2012, the Applicant must:
  - (i) apply in writing and serve the application on the court officer;
  - (ii) attach the authorisation which the Applicant wants the court to approve (NB the original authorisation should be shown to and a copy provided to, the Magistrate. The original authorisation should be retained by the Investigating Officer) ;
  - (iii) attach such other material (if any) on which the Applicant is relying to satisfy the court that the authorisation was necessary for the purposes of the prevention and detection of crime and was proportionate (as set out in

paragraph 4.4.1) and that the authorisation was granted by a person designated for the purposes of RIPA .

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

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

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

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

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

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

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

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

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

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

### 5.1 **Duration**

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

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

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

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

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

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

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

### 5.2 **Review**

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

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

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

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

### **5.3 Renewals**

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

### **5.4 Cancellations**

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



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

## 5.5 **Review of Policy and Procedure**

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

## 6. **The RIPA Co-ordinator**

### 6.1 **Role**

The RIPA Co-ordinator will:-

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

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

The RIPA Co-ordinator shall be the Head of Finance

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

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

- (i) authorisations are only sought and given where appropriate;
- (ii) authorisations are only sought and renewed where appropriate;
- (iii) authorisations are reviewed regularly;
- (iv) authorisations are cancelled where appropriate; and
- (v) they act in accordance with the provisions of RIPA.

## **7. Legal Advice**

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

## **8. Joint Investigations**

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

## **Officers**

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

### **Senior Responsible Officer**

Head of Paid Service – Jon McGinty

### **Authorising Officers – Directed Surveillance**

Corporate Director – Service Transformation

Head of Neighbourhood Services

Head of Regeneration and Economic Development

### **Authorising Officer – CHIS**

Head of Paid Service – Jon McGinty

## **Authorisation Forms**

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

<https://www.gov.uk/government/collections/ripa-forms--2>

**Regulation of Investigatory Powers Act 2000**

**Gloucester City Council**

**Agent's Agreement Form**

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

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

Signed .....

Dated .....

### Will Directed Surveillance authorisation be required?

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

## Will Covert Human Intelligence Sources authorisation be required?

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

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Meeting:	Audit and Governance Committee	Date:	21 November 2016
Subject:	Internal Audit Activity Progress Report 2016/17		
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:	Tel: 01452 326338	
	Theresa.Mortimer@gloucester.gov.uk		
Appendices:	A: Internal Audit Activity Progress Report 2016/17		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2016/17.

### 2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** to note:
- The progress against the Internal Audit Plan 2016/17; and
  - The assurance opinions provided in relation to the effectiveness of the Council's control environment comprising risk management, control and governance arrangements as a result of the Internal Audit activity completed to date.

### 3.0 Background and Key Issues

- 3.1 Members approved the Internal Audit Plan 2016/17 at the 14<sup>th</sup> March 2016 Audit and Governance Committee meeting. In accordance with the Public Sector Internal Audit Standards 2016 (PSIAS), this report (through **Appendix A**) details the outcomes of Internal Audit work carried out in accordance with the approved Plan.
- 3.2 The Internal Audit activity progress report 2016/17 at **Appendix A** summarises:
- The progress against the 2016/17 Internal Audit Plan, including the assurance opinions on the effectiveness of risk management and control processes;
  - The outcomes of the Internal Audit activity during the period October 2016; and
  - Special investigations/counter fraud activity.
- 3.3 The report is the second progress report in relation to the Internal Audit Plan 2016/17.

#### **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 No other options have been considered as the purpose of this report is to inform the Committee of the Internal Audit work undertaken to date, and the assurances given on the adequacy and effectiveness of the Council's control environment operating in the areas audited. Non completion of Internal Audit activity progress reports would lead to non compliance with the PSIAS and the Council Constitution (see report section 6.2 and 6.3).

#### **6.0 Reasons for Recommendations**

- 6.1 The role of the Audit Risk Assurance shared service is to examine, evaluate and provide an independent, objective opinion on the adequacy and effectiveness of the Council's internal control environment, comprising risk management, control and governance. Where weaknesses have been identified, recommendations have been made to improve the control environment.
- 6.2 The PSIAS 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.
- 6.3 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).

#### **7.0 Future Work and Conclusions**

- 7.1 In accordance with the PSIAS, and reflected within the Audit and Governance Committee's work programme, Internal Audit Activity Progress Reports, against the 2016/2017 audit plan, are scheduled to be presented to the Audit and Governance Committee at the January, March and June 2017 meetings.

#### **8.0 Financial Implications**

- 8.1 There are no direct financial costs arising out of this report.
- (Financial Services have been consulted in the preparation this report).

#### **9.0 Legal Implications**

- 9.1 Nothing specific arising from the report recommendations.
- (One Legal have been consulted in the preparation this report).

## **10.0 Risk and Opportunity Management Implications**

- 10.1 Failure to deliver an effective Internal Audit Service will 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 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.
- 11.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

## **12.0 Other Corporate Implications**

### Community Safety

- 12.1 There are no 'Community Safety' implications arising out of the recommendations in this report.

### Sustainability

- 12.2 There are no 'Sustainability' implications arising out of the recommendations in this report.

### Staffing & Trade Union

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

**Background Documents:** Internal Audit Plan 2016/17  
PSIAS  
CIPFA Local Government Application Note for the UK PSIAS

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# INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2016/2017



Gloucester  
**City Council**



## **(1) Introduction**

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that 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”. The Internal Audit Service is provided by Audit Risk Assurance under a Shared Service agreement between Gloucester City Council, Stroud District Council and Gloucestershire County Council and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

The guidance accompanying the Regulations recognises the Public Sector Internal Audit Standards (PSIAS) as representing “proper internal audit practices”. The standards define the way in which the Internal Audit Service should be established and undertakes its functions.

## **(2) Responsibilities**

Management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non financial) and governance arrangements.

Internal Audit plays a key role in providing independent assurance and advising the organisation that these arrangements are in place and operating effectively.

Internal Audit is not the only source of assurance for the Council. There are a range of external audit and inspection agencies as well as management processes which also provide assurance and these are set out in the Council’s Code of Corporate Governance and its Annual Governance Statement.

## **(3) Purpose of this Report**

One of the key requirements of the standards is that the Chief Internal Auditor should provide progress reports on internal audit activity to those charged with governance. This report summarises:

- the progress against the 2016/2017 Internal Audit Plan, including the assurance opinions on the effectiveness of risk management and control processes;
- the outcomes of the Internal Audit activity during October 2016; and
- special investigations/counter fraud activity.

## **(4) Progress against the 2016/2017 Internal Audit Plan, including the assurance opinions on risk and control**

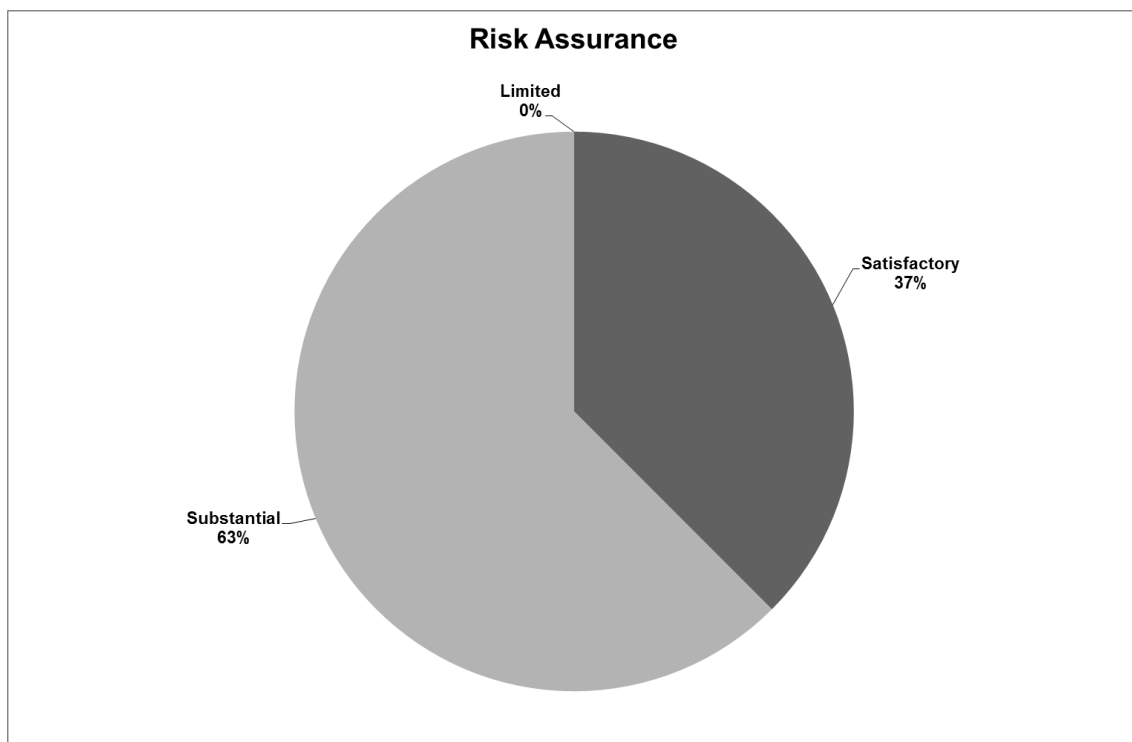
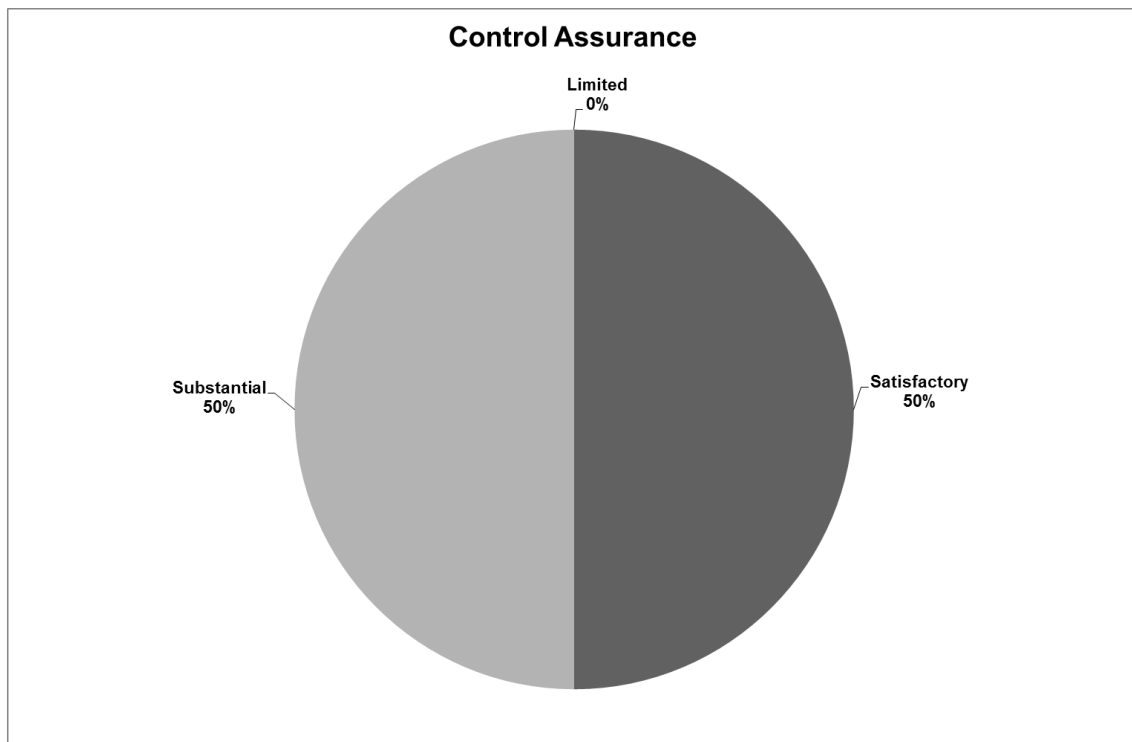
The schedule provided at **Appendix 1** provides the summary of 2016/17 audits which have not previously been reported to the Audit and Governance Committee.

The schedule provided at **Appendix 2** contains a list of all of the 2016/17 Internal Audit Plan activity undertaken during the financial year to date, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Audit and Governance Committee. Explanations of the meaning of these opinions are shown below.

Assurance Levels	Risk Identification Maturity	Control Environment
<b>Substantial</b>	<b>Risk Managed</b> Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment client/customer/partners, and staff. All key risks are accurately reported and monitored in line with the Council's Risk Management Strategy.	<ul style="list-style-type: none"> <li>• System Adequacy – Robust framework of controls ensures that there is a high likelihood of objectives being achieved</li> <li>• Control Application – Controls are applied continuously or with minor lapses</li> </ul>
<b>Satisfactory</b>	<b>Risk Aware</b> Service area has an awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners, and staff, however some key risks are not being accurately reported and monitored in line with the Council's Risk Management Strategy.	<ul style="list-style-type: none"> <li>• System Adequacy – Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger</li> <li>• Control Application – Controls are applied but with some lapses</li> </ul>
<b>Limited</b>	<b>Risk Naïve</b> Due to an absence of accurate and regular reporting and monitoring of the key risks in line with the Council's Risk Management Strategy, the service area has not demonstrated an satisfactory awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners and staff.	<ul style="list-style-type: none"> <li>• System Adequacy – Risk of objectives not being achieved due to the absence of key internal controls</li> <li>• Control Application – Significant breakdown in the application of control</li> </ul>

#### (4a) Summary of Internal Audit Assurance Opinions on Risk and Control

The pie charts provided below show the summary of the risk and control assurance opinions provided within each category of opinion i.e. substantial, satisfactory and limited in relation to the audit activity undertaken during the period April 2016 to October 2016.





#### **(4b) Limited Control Assurance Opinions**

Where audit activities record that a limited assurance opinion on control has been provided, the Audit and Governance Committee may request Senior Management attendance to the next meeting of the Committee to provide an update as to their actions taken to address the risks and associated recommendations identified by Internal Audit.

#### **(4c) Audit Activity where a Limited Assurance Opinion has been provided on Control**

During the period June 2016 to October 2016, it is pleasing to report that no limited assurance opinions on control have been provided on completed audits from the 2016/17 Internal Audit Plan.

#### **(4d) Satisfactory Control Assurance Opinions**

Where audit activities record that an satisfactory assurance opinion on control has been provided, where recommendations have been made to reflect some improvements in control, the Committee can take assurance that improvement actions have been agreed with management to address these.

#### **(4e) Internal Audit Recommendations**

During October 2016 Internal Audit made, in total, **10** recommendations to improve the control environment, **2** of these being high priority recommendations i.e. **8** being medium priority recommendations (**100%** accepted by management).

The Committee can take assurance that all high priority recommendations will remain under review by Internal Audit, by obtaining regular management updates, until the required action has been fully completed.

#### **(4f) Risk Assurance Opinions**

During the period June 2016 to October 2016, it is pleasing to report that no limited assurance opinions on risk have been provided on completed audits from the 2016/17 Internal Audit Plan.

In the cases where a limited assurance opinion has been given, the Shared Service Senior Risk Management Advisor is provided with the Internal Audit reports, to enable the prioritisation of risk management support.

## Completed Internal Audit Activity during October 2016

### Summary of Satisfactory Assurance Opinions on Control

#### Service Area: Planning

#### Audit Activity: Section 106 Agreements

##### Background

Section 106 of the Town and Country Planning Act 1990 allows a local planning authority to enter into a legally-binding agreement or planning obligation with a landowner in association with the granting of planning permission. Section 106 Agreements are a way of delivering or addressing matters that are necessary to make a development acceptable in planning terms.

The Council intends to adopt a Community Infrastructure Levy (CIL) following the work undertaken on the Joint Core Strategy with the partner local planning authorities Cheltenham Borough Council and Tewkesbury Borough Council.

The Community Infrastructure Levy was introduced by the Planning Act 2008 and once adopted by a local planning authority allows funds to be raised from developers that can be used to support public infrastructure works in the local area. It can replace considerations that would previously have required a Section 106 Agreement, although once CIL is adopted, Agreements will continue to be used for affordable housing provision and site-specific mitigation measures.

##### Scope

This audit reviewed the systems and evidence supporting S106 Agreements in order to provide assurance that:

- Control improvements identified in the 2014/15 Internal Audit review have been addressed;
- S106 Agreements secure the maximum benefit for schemes through effective negotiation, arbitration and governance arrangements;
- Indexation is applied to commuted sums correctly;
- Year end reviews confirm that all commuted sums are accounted for correctly; and
- The impact of introducing the Community Infrastructure Levy on current S106 Agreement arrangements has been planned and is managed.

**Risk Assurance – Satisfactory**

**Control Assurance – Satisfactory**

**Key findings**

The previous audit recommendation to introduce a S106 Monitoring Protocol has been completed.

Arrangements to develop and negotiate S106 Agreements are in line with accepted practices, with the Council intent on minimising delays in the process. Minor lapses in a number of areas were observed, although all have been assessed as low impact in financial, legal or reputational terms. These can largely be addressed through the provision of improved guidance and templates to staff, specialist service consultees and developers.

Provision for indexation is included where appropriate in S106 Agreements, although the calculation of indexation was imprecise in most cases when compared to the clauses of the Agreement. However, the financial impact to the Council or developer was negligible in the cases reviewed i.e. under £550.

Year end reviews to compare the Planning and Accountancy systems are a planned enhancement to augment existing controls. A conclusion is not currently possible as the year end review comprising 2015/16 and all historical transactions, has not yet been completed.

The introduction of a Community Infrastructure Levy (CIL) will replace the need for S106 Agreements in certain circumstances. The Council is working with two strategic partners to deliver the Joint Core Strategy and CIL, and although there is limited documentation on the project's governance, records of meetings show a good degree of attention on the development of CIL arrangements. Decisions have yet to be made on how CIL will function once implemented and therefore although progress appears to be good, it is too early to draw conclusions on the robustness of these arrangements.

**Conclusions**

The findings of this audit show that overall the arrangements in place within the Planning Department are satisfactory.

Section 106 Agreements are often complex legal instruments, involving a number of different service areas to assess and complete and all within the target timescales set by national government. Arrangements in place are largely as expected, as set out by national policy and law. However, opportunities exist to enhance the existing control environment and recommendations have been made accordingly.

**Management Actions**

Two High Priority actions were made and agreed with Management in the following areas:

- Delegated Authority has now been granted to the Development Control Manager for S106 Agreements and other Planning matters, following the revision to the May 2016 Constitution and Scheme of Delegated Authority; and
- The development of internal guidance setting out roles, responsibilities and procedures in negotiating and agreeing a Section 106 Agreement has been agreed.

Six medium priority recommendations have also been made, with a positive response to each agreed by Management.

With regard to S106 Agreements these actions relate to the development of public guidance and templates; ensuring completeness of consultation responses; agreeing variations to current Agreements; and enhanced sharing of records for the calculation of indexation.

Agreed actions relating to the development of the CIL encompass liaising with Partners to enhance joint project documentation, and improvements to information available to the public.

## **Summary of Substantial Assurance Opinions on Control**

### **Service Area: Finance and Business Improvement**

#### **Audit Activity: Procurement Cards**

##### **Background**

Procurement card programs are primarily used for lower-priced purchases and are considered to be an excellent tool for making payments to suppliers since it streamlines the expensive process of issuing purchase orders, matching received documents to supplier invoices and making payments to individual creditors.

Whilst these cards can provide flexibility when purchasing low value items, their use can result in a reduction with transparency of expenditure.

Under this system the bank managing the procurement card program will bill the payer on a monthly basis for all charges made during the month while remitting funds to the payee within a few days of each charge.

##### **Scope**

The main objectives of the audit were to:-

- Review the processes in place for approving and allocating new procurement cards;
- Evaluate the reconciliation process to ensure that expenditure remains within agreed thresholds and that transactions are verified for appropriateness;
- Establish that accounts are promptly paid and correctly allocated within the Financial Management System; and
- Establish whether procurement card expenditure is published in accordance with the local government transparency code.

Activities during the 2016-17 financial year were reviewed to ensure that sufficient data was available from which to form an accurate audit opinion.

**Risk Assurance – Substantial****Control Assurance – Substantial****Key findings**

Gloucester City Council's procurement cards are provided by Barclays Bank PLC, who are the Council's current bankers, with the accounts being handled by Barclaycard Commercial.

There are currently 14 procurement cards in use with a combined limit of £47,500 for which usage is intended for low value purchases, in cases of emergency, or in instances where a purchase order cannot be raised.

Two members of Financial Services have been granted administration rights to the online portal with their access being controlled through web based controls requiring a user ID, password, passcode and company reference number.

The audit reviewed the documented processes relating to card circulation records, approval of new procurement cards and cancellation of existing cards, reconciliation and verification of transactions, payment of account, allocation within the Financial Management System, and compliance with the local government transparency code from which a substantial level of assurance was obtained that effective controls are in place.

**Conclusions**

The risk awareness and control environment reviewed within the 2016-17 Procurement Cards Audit is considered to be substantial.

**Management Actions**

None required.

## Summary of Consulting Activity and/or support provided where no Opinions are provided

**Service Area: Democratic Services****Audit Activity: Election Accounts****Background**

In 2016/17 two elections have been undertaken by the area's Returning Officer (RO):

Date	Election	Maximum Recoverable Amount
05 May 2016	Police and Crime Commissioner (in conjunction with the election of local councillors)	£ 91,431
23 June 2016	EU Referendum	£144,870

Costs for these elections are incurred by the Council on the Returning Officer's behalf and a sum up to the Maximum Recoverable Amount (MRA) may be recovered from the Electoral Commission.

**Scope**

To provide assurance that in all significant respects, the claims for the Police and Crime Commissioner election and the EU Referendum to be signed off by the Returning Officer and submitted to the Electoral Claims Unit, are complete and accurate.

**Risk Assurance – N/A (Certification)****Control Assurance – N/A (Certification)****Key findings**

The claim for the Police and Crime Commissioner election provided to Internal Audit was below the MRA.

The claim for the EU Referendum provided to Internal Audit exceeded the MRA. Consequently all evidence to support the claim will be submitted to the Electoral Claims Unit who will assess whether it can be paid in full.

Following the review of the draft Accounts for each claim Internal Audit identified various adjustments, which have been agreed with the Service area.

**Conclusions**

Once the adjustments identified during the audit are completed, Internal Audit considers that the claims may be submitted to the Electoral Claims Unit and will represent in all significant respects a fair and accurate reflection of the costs incurred in making arrangements for the recent elections.

**Management Actions**

Management have agreed to implement the two medium priority recommendations to further enhance existing arrangements for future elections.

## **Summary of Special Investigations/Counter Fraud Activities**

### **Current Status**

During October 2016 there have been no fraud/irregularity referrals to Internal Audit.

### **Fraud Risk Assessment / Risk Register**

A fraud risk register has been produced, the outcome of which will inform future Internal Audit activity.

### **National Fraud Initiative (NFI)**

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data collections were collected throughout October 2016 and reports will start to be received with matches from January 2017. Examples of data sets include housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol. Not all matches are investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area.

The Committee can also take assurance that all special investigations/counter fraud activities are reported to the Managing Director, Monitoring Officer and Head of Finance as required, via the Corporate Governance Board.

### **Anti-Fraud and Corruption Policy Statement and Strategy**

Effective governance requires the Council to promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour. To enable this, the Fighting Fraud and Corruption Locally 2016–2019 Strategy has been developed by local authorities and counter fraud experts and supported by the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre. 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.

The Chief Internal Auditor is currently undertaking a self-assessment against the new guidance to measure the Council's counter fraud and corruption culture and response and propose enhancements as required. Further updates and outcomes will be provided to the Committee during 2016/2017, whether by committee information sheets, or reports as appropriate.

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# Progress Report including Assurance Opinions

Department	Activity Name	Priority	Activity Status	Risk Opinion	Control Opinion	Reported to Audit and Governance Committee	Comments
Corporate	Code of Conduct for Employees	High	Planned				
Corporate	Consultancy Support	High	Planned				
Corporate	Delivery of Savings Targets	High	Planned				
Corporate	Grant Income	High	Planned				
Corporate	CIVICA Contract Revs & Bens	High	Audit in Progress				
Corporate	Payroll - New Starters and Leavers Processes	High	Audit in Progress				
Corporate	Payroll - Zero Hours Contracts	High	Final Report Issued	Satisfactory	Satisfactory	19/09/2016	
Corporate	Shared Services - HR	High	Audit in Progress				
Corporate	Shared Services - Communciations	High	Planned				
Corporate	Staff Appraisal System	High	Planned				
Corporate	IT Disaster Recovery and Business Continuity	High	Audit in Progress				
Corporate	Cyber Security	High	Audit in Progress				
Democratic	Election Accounts	High	Final Report Issued	Not Applicable	Not Applicable	21/11/2016	New Activity requested by Democratic and Elections Service
Finance	Benefits - Uprating	High	Final Report Issued	Substantial	Substantial	19/09/2016	
Finance	Benefits - Part 2	High	Planned				
Finance	Setting of Council Tax Charges	High	Final Report Issued	Substantial	Substantial	19/09/2016	
Finance	Council Tax - Part 2	High	Audit in Progress				
Finance	Capital Accounting	High	Planned				KPMG joint working protocol
Finance	Cash & Bank	High	Planned				KPMG joint working protocol
Finance	General Non-Pay Expenditure (Creditors)	High	Planned				KPMG joint working protocol
Finance	Network Access Controls	High	Audit in Progress				KPMG joint working protocol
Finance	New Financial Management System	High	Planned				
Finance	National Non Domestic Rates (NNDR) Multipliers	High	Final Report Issued	Substantial	Substantial	19/09/2016	
Finance	National Non Domestic Rates (NNDR) - Part 2	High	Audit in Progress				
Finance	Procurement Cards	High	Final Report Issued	Substantial	Substantial	21/11/2016	
Finance	Turnover Certificate for Blackfriars Priory	High	Draft Report Issued				New Activity
Planning	Building Control Shared Service	High	Draft Report Issued				
Planning	Section 106 Agreements	High	Final Report Issued	Satisfactory	Satisfactory	21/11/2016	
Regeneration & Economic	Gloucester Supports Business Grants	High	Planned				
Regeneration & Economic	Townscape Heritage Initiative	High	Planned				
Regeneration & Economic	Follow up to Commercial Rents (brought forward)	High	Final Report Issued	Substantial	Satisfactory	19/09/2016	Brought froward from 15/16 plan
Neighbourhood Service	Community Support Grants	High	Draft Report Issued				
Neighbourhood Service	Garden Waste	High	Audit in Progress				Recommendations follow up
Neighbourhood Service	Amey - Streetcare contract	High	Audit in Progress				Specific Activity requested by Audit and Governance Committee
Public Protection	Markets and Street Trading	High	Final Report Issued	Satisfactory	Satisfactory	19/09/2016	
Other Services	Electoral Service	High	Planned				
Other Services	Homelessness	High	Planned				
Other Services	New Box Office System	High	Planned				
Other Services	Off-Street Car Park Income	High	Draft Report Issued				
Other Services	Gloucester Guildhall	High	Final Report Issued	Not Applicable	Not Applicable	19/09/2016	Recommendations follow up

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<b>Meeting:</b>	<b>Audit and Governance Committee</b>	<b>Date:</b>	<b>21<sup>st</sup> November 2016</b>
	<b>Cabinet</b>		<b>11<sup>th</sup> January 2017</b>
<b>Subject:</b>	<b>Risk Management Update</b>		
<b>Report Of:</b>	<b>Head of Audit Risk Assurance (Chief Internal Auditor)</b>		
<b>Wards Affected:</b>	<b>Not applicable</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Theresa Mortimer, Head of Audit Risk Assurance</b>		
	<b>Email:</b>		<b>Tel: 01452 396338</b>
	<b>Theresa.Mortimer@gloucester.gov.uk</b>		
<b>Appendices:</b>	<b>1. Strategic Risk Register as at 8<sup>th</sup> November 2016</b>		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 To present the Strategic Risk Register to Members for their awareness and consideration, and to update Members on risk management activity at Gloucester City Council.

### 2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RECOMMEND** that the Strategic Risk Register be noted and endorsed.
- 2.2 Cabinet is asked to **RESOLVE** that the Strategic Risk Register be noted and endorsed.

### 3.0 Background and Key Issues

#### Background

- 3.1 The Accounts and Audit Regulations 2015 state that ‘a relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk’.
- 3.2 Risk management is a core part of the Council’s corporate governance framework and internal control environment. It is one of the six core principles within the Council’s Code of Governance (part of the Council Constitution) – ‘taking informed and transparent decisions which are subject to effective scrutiny and managing risk’.
- 3.3 The Council Risk Management Strategy provides the framework for the effective management of risks and opportunities within the Council, supports decision

making at all levels, and aids delivery of the Council Plan priorities and objectives. The Strategy also includes the process for monitoring and reporting of strategic risks. The Risk Management Strategy was last updated and approved by Members in January 2015 (Cabinet approval following recommendation by Audit and Governance Committee). Review of the Risk Management Strategy against the latest risk management standards is currently in progress (see paragraphs 7.1 and 7.2).

- 3.4 The Risk Management Strategy requires the Council to assess risks at a strategic level through documentation and management of the Strategic Risk Register. The Strategic Risk Register is owned and formally reviewed by Senior Management Team (SMT) on a regular basis. Strategic risk owners are at SMT level.
- 3.5 A requirement of the Risk Management Strategy is for Member receipt and endorsement of the Strategic Risk Register on a biannual basis by the Audit and Governance Committee and Cabinet. This is to enable Member awareness of the strategic risks facing the Council and the impact on decisions to be made by the Council.
- 3.6 This report is the first Strategic Risk Register update to Members within 2016/17.

#### Strategic Risk Register – position and review

- 3.7 The process for officer review and update of the Strategic Risk Register includes:
  - Update of individual strategic risks by designated risk owners on an ongoing basis (including risk scores, current control position, further mitigating actions required and their timing);
  - Regular formal review of the Strategic Risk Register by SMT, including review and challenge of current strategic risks and consideration of potentially emerging strategic risks; and
  - Administration and update support from the Officer Risk Management Champion (including maintenance of version audit trail).

Operational risk registers are held at service, partnership and project levels. Where operational risks are high scoring or have potential strategic implications, these are also considered through the above process and added to the Strategic Risk Register where appropriate.

- 3.8 The Strategic Risk Register is documented in line with the Risk Management Strategy risk register template and assesses strategic risks over three stages:
  - Original risk score: the impact and likelihood of a risk if no action were taken;
  - Current risk score: the impact and likelihood of a risk considering current controls in place; and
  - Mitigated risk score: the target risk score, achievable following full implementation of the agreed further mitigating actions.

Emerging strategic risks (risks that may have a future strategic impact) are also documented and considered by SMT within the Strategic Risk Register.

- 3.9 The Strategic Risk Register was last reviewed and updated by SMT on 8<sup>th</sup> November 2016. See **Appendix 1**.

Strategic Risk Register – changes since last Member review:

- 3.10 The Strategic Risk Register version last reviewed by Members was within the 2015/16 Civic Year. The main areas of Strategic Risk Register update between 2015/16 and 8<sup>th</sup> November 2016 (**Appendix 1**) are summarised below:
- Strategic risks removed:
    - o Devolution (both added and removed from the Strategic Risk Register); and
    - o Lack of resilience in the senior management structure.
  - Strategic risks added:
    - o Inability of the Council to identify viable plans to achieve savings;
    - o Uncertainties arising from the UK leaving the EU with the possible impact on funding and policy change from the DCLG; and
    - o Devolution (both added and removed from the Strategic Risk Register).

#### **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 The alternative option is not to present the Strategic Risk Register to Members. This is not compliant with the Council Constitution and the CIPFA: Audit Committees Practical Guidance for Local Authorities and Police (2013). The alternative option does not support strategic risk awareness or informed prudent decision making.

#### **6.0 Reasons for Recommendations**

- 6.1 To support Member awareness of the strategic risks facing the Council and the management of those risks.
- 6.2 Compliance with Council policy and good practice:
- The Council's Constitution confirms that the Leader and Cabinet function is to review the Council's Strategic Risk Register on at least an annual basis. The Constitution includes risk management as an Audit and Governance Committee function and area of responsibility;
  - The Council Code of Governance requires the Council to ensure that an effective risk management approach is in place. This is supported by the Council's Constitution and Risk Management Strategy;
  - The Council Risk Management Strategy requires the Strategic Risk Register to be reviewed by Members through Audit and Governance Committee and Cabinet on a bi-annual basis; and
  - The CIPFA 'Audit Committees – Practical Guidance for Local Authorities and Police (2013)' confirms that the role of an Audit Committee includes keeping up to date with the risk profile of an organisation through regular review of the risk profile and areas of strategic risk.

## **7.0 Future Work and Conclusions**

- 7.1 The Council's Annual Governance Statement 2015/16 Improvement Plan includes the following action with a target date of 31<sup>st</sup> March 2017 - '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.'
- 7.2 The review of the Council's risk management arrangements is currently in progress and an update is due to be presented to Audit and Governance Committee on 23<sup>rd</sup> January 2017.
- 7.3 SMT will continue to own the Strategic Risk Register and complete formal review on a regular basis, updating the Strategic Risk Register as appropriate to ensure that it reflects the Council's current risk position. The next Strategic Risk Register update to Members will be captured within the Annual Risk Management Report 2016/17, planned for presentation to Audit and Governance Committee in March 2017.

## **8.0 Financial Implications**

- 8.1 Review and update of the Strategic Risk Register is completed by responsible officers and Members and delivered within existing resources.
- 8.2 There are a number of risks within the Strategic Risk Register which, if not managed, have the potential to expose the Council to financial costs which are not provided for within existing budgets. The documented current controls and mitigating actions aim to manage the risk of Council exposure to these costs.

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

## **9.0 Legal Implications**

- 9.1 It is fundamental that the Council has and maintains a Risk Management Strategy which considers identification, recording and management of risks to the Council in the delivery of its priorities and objectives.
- 9.2 The existence and application of an effective Risk Management Strategy (including Member review of the Strategic Risk Register and awareness of strategic risks) assists prudent decision making. Failure to identify and manage strategic risks could lead to inappropriate decision making, unnecessary liability and costly legal challenge.

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

## **10.0 Risk and Opportunity Management Implications**

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

#### **11.0 People Impact Assessment (PIA):**

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

#### **12.0 Other Corporate Implications**

##### Community Safety

- 12.1 There are no 'Community Safety' implications arising out of the recommendations in this report.

##### Sustainability

- 12.2 There are no 'Sustainability' implications arising out of the recommendations in this report.

##### Staffing and Trade Union

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

#### **Background Documents:**

- Accounts and Audit Regulations 2015;
- CIPFA: Audit Committees – Practical Guidance for Local Authorities and Police (2013);
- Council Constitution 2016/17; and
- Risk Management Strategy.

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# Gloucester City Council Strategic Risk Register, 8<sup>th</sup> November 2016

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
1.	Non achievement of the Money Plan – including the annual savings / income targets and the result of a balanced budget	4	4	16	<p>*Budget setting process – including consultation; management / leadership input into savings targets; and Overview &amp; Scrutiny and Council involvement</p> <p>*Forecasting Money Plan for medium term</p> <p>*Allocation of individual savings/income targets to an SMT sponsor, Cabinet Member and leading manager</p> <p>*Rigorous monthly monitoring of the Council's financial position - monthly income / budget monitoring at budget holder level (Finance led) and by SMT</p> <p>* Financial Services staff professionally qualified in accountancy-related disciplines</p> <p>*Assurance reviews by Internal Audit to ensure compliance with approved policies and procedures</p> <p>*Business Plans aligned with resources and subject to regular review</p>	4	3	12	<p>*Monthly monitoring of 16/17 budget savings programme lines to confirm details of savings delivery and whether the savings target will be achieved (co-ordinated by Financial Services with detail from savings line owner). Savings line owner (service manager/head of service) to report to SMT where savings non achievement is expected. Monthly formal reporting to SMT on savings position and a fortnightly verbal update.</p>	Monthly within 2016/17	4	2	8	SMT with named managers responsible for individual savings

# Gloucester City Council Strategic Risk Register, 8<sup>th</sup> November 2016

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
2.	Adverse public and media relations	3	3	9	*Dedicated communications and marketing resource with defined service scope – service delivery by County Council (SLA) from April 15 *Regular monitoring of press coverage *Key contacts for liaison with the media (i.e. controlled approach) *Standardised FOI approach with FOI Champions *Consultation approach on key areas *Development and delivery of communication strategy (internal and external) to include performance measures *Complaints policy / monitoring *Communications action plan *Publicise that business continuity plans are in place for key services *Digital communications team in place – including objectives, policies and procedures	3	2	6	*Council's communication policies & protocols to be reviewed to ensure they meet the needs of the all parties  *Review and update of the Council's information policies (including IT policies, records management and social media) – to include approval by Cabinet and roll out to officers and Members#  *Re-introduction of NETconsent with access for officers and Members#  #FMA also relevant to risk 8	31 March 17  Ongoing – full roll out reliant on NETconsent implementation  31 March 17	2	2	4	A Brinkhoff - comms actions  J Topping – IT actions

# Gloucester City Council Strategic Risk Register, 8<sup>th</sup> November 2016

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
3.	Lack of competence, probity and professionalism within the authority leading to diminished performance, inappropriate behaviour, and failure to comply with governance arrangements	3	3	9	*Dedicated HR resource with defined service scope – service delivery by County Council (SLA) from Oct 15 *Adherence to best practice recruitment and selection procedures and principles *Member and staff training *Complaints monitoring *Member role descriptors *Codes of conduct for members and officers *Defined officer roles *Staff 1:1s and performance appraisals *Disciplinary procedure *Adherence to health and safety Policy and procedures *Ask SMT *SMT visibility and walking the floor *Governance Group bi-monthly meetings	3	2	6	*Review of OD strategy *Refresh of Council values *Conclusion of Peer Challenge action plan delivery – Peer Challenge team re-visit to be arranged by the LGA	31 May 17 Mid 2017	3	1	3	SMT

# Gloucester City Council Strategic Risk Register, 8<sup>th</sup> November 2016

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
4.	Failure to effectively manage contracts and SLAs with key partners / other significant bodies, including: Amey, Civica, Marketing Gloucester, Aspire, Gloucestershire Airport, VCS organisations, Gloucestershire County Council (e.g. Audit shared service) and district councils	3	3	9	<p>In set up of the partnerships:</p> <ul style="list-style-type: none"> <li>*Corporate procurement strategy and procedures; Contract Standing Orders and general Constitution requirements; and Availability of advice from legal, finance &amp; procurement</li> <li>*Documentation on the Council contracts register</li> </ul> <p>Partnership specific controls that should be in place:</p> <ul style="list-style-type: none"> <li>*Documented signed SLA with each partner</li> <li>* Lead contact officers assigned to each partner</li> <li>*Regular performance management meetings, with reporting to SMT/Committee</li> <li>*SLAs incorporate contingency business plan approach to mitigate against loss of service</li> <li>*Partnership risk registers – either individually or within the service risk register</li> <li>*Governance arrangements identifying where decisions are taken</li> <li>*Agreement of SLA KPIs, performance standards and payments (within contract)</li> </ul>	3	2	6	<p>*Negotiation with partners to review current contract contents, define and agree penalties and/or service credits for non-achievement of contract performance standards</p> <p>*Scope and review need for Commercial Training for relevant managers as part of OD Strategy</p> <p>*Central list to be compiled of all contracts and SLAs with named responsible officers (and Members, where applicable)</p>	<p>Ongoing review within 2016/17</p> <p>31 May 2017</p> <p>October 2017</p>	2	2	4	<p>SMT - each contract and partnership has a specific risk owner within SMT (listing held separately to SRR)</p> <p>J Lund</p>

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# Gloucester City Council Strategic Risk Register, 8<sup>th</sup> November 2016

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
6.	Loss of finance, resource and reputation due to fraudulent activity	4	3	12	<p>*The following are approved policies available to officers:</p> <ul style="list-style-type: none"> <li>○ Anti-fraud and corruption strategy</li> <li>○ Anti-bribery policy</li> <li>○ Whistle blowing policy</li> <li>○ Anti-money laundering policy</li> <li>○ Fraud response plan</li> </ul> <p>*Financial regulations (including standing orders)</p> <p>*Existing internal control framework</p> <p>*Internal Audit inc. Audit &amp; Governance Committee and annual risk based internal audit plan (deterrent)</p> <p>*External audit presence (deterrent)</p> <p>*Benefit case referral to the Single Fraud Investigation Service – DWP</p> <p>*Brilliant Basics modules (fraud awareness, project management and influencing skills) available to management team</p>	4	1	4	*Options review to join the Counter Fraud Hub (hosted by CBC & CDC) has been undertaken. As part of the internal audit shared service (ARA), where necessary the service will draw down on the resources provided by the Counter Fraud Hub as required.	Monthly review with the Head of ARA in regard to draw down need, activity in progress and outputs.	4	1	4	J Topping

# Gloucester City Council Strategic Risk Register, 8<sup>th</sup> November 2016

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
7.	Non-success of the delivery of key regeneration projects (including Kings Quarter and Blackfriars)	3	3	9	*Regeneration Programme Advisory Board *Capital Monitoring Steering Group & existing capital programme controls Project specific controls that should be in place: *Project plans in place for major schemes *Project review meetings led by experienced/qualified Members and Officers with third party links/presence (e.g. developers and associated commercial agents) *Project update reporting to Cabinet and Council (in line with project plan milestones) *Brilliant Basics modules (fraud awareness, project management and influencing skills) available to management team	3	2	6	*Head of Regeneration and Economic Development to lead: Re-assessment of projects at appropriate points to review objectives and deliverables Maintenance and review of project risk registers for each regeneration project Review by Regeneration Programme Advisory Board Financial scrutiny of regeneration projects	Quarterly review (or as appropriate dependent on project profile)	2	2	4	A Hodge
8.	Failure to manage information in accordance with legislation	4	4	16	*IT Security: -BT&T partnership contract includes key IT security control continued delivery with ongoing client monitoring required -Virus protection (desktop, server, email, attachments etc) and fire wall controls -Monitoring of internet access	4	3	12	*Review and update of the Council's information policies (including IT policies, records management and social media) – to include approval by Cabinet and roll out to officers and Members#  *Re-introduction of NETconsent with access for	Ongoing – full roll out reliant on NETconsent implementation  31 March 17	4	2	8	J Topping

Gloucester City Council Strategic Risk Register, 8<sup>th</sup> November 2016

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
					and restriction on sites permitted to access -E-mail content scanning -Physical security and protection of IT suite -Procedures for login lockdown when IT staff leaving organisation -Data cleansing of IT equipment prior to disposal -Client monitoring (in-house intelligent client function) team in place -IT risk register monthly review and update by the IT Operations Board *Use of information: -FOI procedures; standardised approach; & FOI Champions -Information management rules within the Constitution - Data Protection guide -Staff training and induction to confirm appropriate management of information *Info stored / accessed: Building access controls *SIRO role allocated *Information Security Board set up, scope agreed & quarterly meetings held				officers and Members#  #FMA also relevant to risk 2  *IT Security further mitigating actions are considered at risk 11					



# Gloucester City Council Strategic Risk Register, 8<sup>th</sup> November 2016

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
9.	Capacity to deal with unexpected events (e.g. weather/phone system failure/other)	4	3	12	<p>*Up-to-date Emergency Response Plan, Flood Plan, Vulnerable People Plan, Pandemic Plan etc. drafted in conjunction with agencies, government departments and other local authorities</p> <p>*Regular review and updating of Emergency Response Plan and other plans</p> <p>*Allocated Emergency Team Leaders within the Council e.g. District Emergency Controller and Gold Officer roles</p> <p>*Business continuity plans in place for each Group/Service</p> <p>*Bad weather policy and communications</p> <p>*Climate change strategy supported by Local Resilience Forums</p> <p>*Emergency Contacts list updated every quarter</p> <p>*Defined Mutual Aid Agreement including all Gloucestershire local authorities</p> <p>*Continued testing of Emergency Plan arrangements; bi annual exercises &amp; live events (e.g. Christmas call out exercise); and use of Mutual Aid agreement</p>	4	2	8	<p>*Review and refresh of all service Business Continuity Plans to ensure up to date and appropriate content (including IT focus and BCP exercise completion)</p> <p>*IT relevant further mitigating actions are considered at risk 11.</p>	Ongoing review within 2016/17	3	2	6	SMT / G Ragon (DEPLO)

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# Gloucester City Council Strategic Risk Register, 8<sup>th</sup> November 2016

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
11.	Council services loss for a significant period, due to failure and limited capacity of IT infrastructure (leading to other financial, reputational and information governance risks)	4	4	16	*Up to date IT asset register *Appropriate secure physical location of the servers *Medium term IT infrastructure investment needs identified and capital budget agreed and delivered within 2016/17 – including on site server refresh and upgrade to Windows 7 *Infrastructure/network topology (mapping) with action plan for regular review and update including identification, risk assessment, costing and priority ranking of IT infrastructure options for investment *Joint Head of ICT post in place and resourced *PSN Cust. Compliance Certificate achieved 4 <sup>th</sup> March 16	4	3	12	*IT Business Continuity Plan review and renewal – agreement process to be confirmed & IT internal audit to be completed to support action plan  *Council IT Strategy review and approval	Audit due quarter 4 16/17  30 Dec 16	4	2	8	Head of ICT

# Gloucester City Council Strategic Risk Register, 8<sup>th</sup> November 2016

No.	Risk	Original score			Current controls	Current score			Further mitigating action	Timescale	Mitigated score			Risk owner
		Impact	Likelihood	Score		Impact	Likelihood	Score			Impact	Likelihood	Score	
12.	Inability of the Council to identify viable plans to achieve savings	4	4	16	<p>*Budget setting process – including consultation; management / leadership input into savings targets; and Overview &amp; Scrutiny and Council involvement</p> <p>*SMT and Cabinet review and approval of Money Plan savings delivery options – including commissioning and alternative delivery opportunities for savings and income generation</p> <p>*Allocation of individual savings/income targets to an SMT sponsor, Cabinet Member and leading manager</p> <p>*Rigorous monthly monitoring of the Council's financial position - monthly income / budget monitoring at budget holder level (Finance led) and by SMT</p>	4	3	12	<p>*Engagement with GMT to ensure corporate ownership of financial challenges and need for transformation</p> <p>*Together Gloucester project – focus on Council organisational redesign – with the goal to achieve the savings target, sustain or improve performance, and achieve the Council's vision and objectives</p>	<p>Ongoing within 2016/17</p> <p>Team selected – work to start late August 16 and continue within quarter 3 16/17</p>	4	2	8	SMT
13.	Uncertainties arising from the UK leaving the EU with the possible impact on funding and policy change from the DCLG	4	4	16					<p>*Engagement with business community &amp; peers to assess the anticipated impact of Brexit</p>	Ongoing within 2016/17				SMT

**POTENTIALLY EMERGING STRATEGIC RISKS: DISCUSSED AND REVIEWED BY SMT: N/A as at 08/11/2016**



Meeting:	Audit & Governance Committee	Date:	21 November 2016
Subject:	Internal Audit Charter		
Report Of:	Head of Audit Risk Assurance		
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 Charter		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 The purpose of this report is to inform Members of revisions to the Public Sector Internal Audit Standards (PSIAS) which were effective from 1st April 2016 and therefore the Internal Audit Charter has been updated accordingly.

### 2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** to review and consider the IA Charter and to formally approve its adoption. (Please note all changes to the Internal Audit Charter have been noted in **red** and *italics*).

### 3.0 Background and Key Issues

- 3.1 The Accounts and Audit Regulations 2015 state “...*a relevant body 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*”.
- 3.2 The purpose of this report is to inform members of revisions to the Public Sector Internal Audit Standards (PSIAS) which were effective from 1st April 2016.
- 3.3 The PSIAS (attribute standard 1000) require that all internal audit activities maintain an internal audit charter.
- 3.4 The current Internal Audit Charter was approved at the Audit and Governance Committee at its meeting on 14<sup>th</sup> March 2016. However there have been a small number of revisions which require approval. The key changes required relate to the following areas:-

- The introduction of a mission statement for Internal Audit “To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.
- The adoption of ten core principles for the professional practice of internal auditing which is one of the key changes within the revised PSIAS. These are:-
  1. Demonstrates integrity.
  2. Demonstrates competence and due professional care
  3. Is objective and free from undue influence (independent)
  4. Aligns with the strategies, objectives and risks of the organisation.
  5. Is appropriately positioned and adequately resourced.
  6. Demonstrates quality and continuous improvement.
  7. Communicates effectively.
  8. Provides risk-based assurance.
  9. Is insightful, proactive, and future-focused.
  10. Promotes organisational improvement.

3.5 The Internal Audit Charter is attached at Appendix 1 and has been updated to reflect these changes.

#### **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 None.

#### **6.0 Reasons for Recommendations**

6.1 Since the approval of the IA Charter in March 2016 there have been some revisions to the Public Sector Internal Audit Standards which were effective from 1<sup>st</sup> April 2016 which need to be reflected within the Internal Audit Charter.

#### **7.0 Future Work and Conclusions**

7.1 The Internal Audit Charter sets out the role, responsibility, status and authority of internal audit. Following approval of the Charter, the Head of Audit Risk Assurance will ensure compliance approach across all the internal audit shared service partner organisations.

#### **8.0 Financial Implications**

8.1 There are no additional financial implications as a result of this report

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

## **9.0 Legal Implications**

- 9.1 None specific arising from the report recommendations. The adoption of the Charter is intended to meet the statutory requirements and will aid clarity as to how internal audit is delivered within the City Council.

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

## **10.0 Risk & Opportunity Management Implications**

- 10.1 Non-compliance with legislation/mandatory professional standards. Failure to deliver an effective Internal Audit Service will prevent an independent, objective assurance opinion to be 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 the recommendations made in this report.

### Sustainability

- 12.2 There are no 'Sustainability' implications arising out of the recommendations made in this report.

### Staffing & Trade Union

- 12.3 There are no 'Staffing & Trade Union' implications arising out of the recommendations made in this report.

**Background Documents:** PSIAS 2016 and the CIPFA Local Government Application Note for the UK PSIAS.

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# INTERNAL AUDIT CHARTER

2016-2018



Gloucester  
**City Council**

**ARA**  
AuditRiskAssurance

Gloucester City Council  STROUD DISTRICT COUNCIL  Gloucestershire COUNTY COUNCIL   
www.stroud.gov.uk

### Introduction

Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (PSIAS), which took effect from the 1st April 2013 (*updated 2016*), provide a consolidated approach across the whole of the public sector enabling continuity, sound corporate governance and transparency.

*The Standards form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes the mission; core principles; definition of internal audit; and Code of Ethics.*

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Charter is to formally define Internal Audit's statutory role, responsibility, status and authority within Gloucester City Council.

### **Mission and Core Principles**

*The IPPF's overarching "Mission" for Internal Audit services is:*

*"...to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".*

*The "Core Principles" that underpin delivery of the IPPF mission require internal audit functions to:*

- *Demonstrate integrity;*
- *Be objective and free from undue influence (independent);*
- *Align with the strategies, objectives and risks of the organisation;*
- *Be appropriately positioned and adequately resourced;*
- *Demonstrate quality and continuous improvement;*
- *Communicate effectively;*
- *Provide risk-based assurance;*
- *Be insightful, proactive, and future-focused; and*
- *Promote organisational improvement.*

### Authority

#### Accounts and Audit Regulations 2015

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (Section 151) and the Accounts and Audit Regulations 2015. The latter requires authorities 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.”*

#### Public Sector Internal Audit Standards (PSIAS)

The guidance accompanying the Regulations currently recognises the Public Sector Internal Audit Standards (PSIAS) **2016**, as representing “proper internal audit practices”. These standards define the way in which the Internal Audit Service should be established and undertake its functions.

The PSIAS also requires a mandatory Code of Ethics, which promotes an ethical and professional culture. It does not supersede or replace internal auditor’s ‘own professional bodies’ code of ethics or those of employing organisations. In addition, all internal auditors in the public sector must have regard to the Committee on Standards in Public Life’s Seven Principles of Public Life. A statement of conformance with the standards is required.

### Purpose

The City Council (management) is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

It is important to think of the internal auditor as the organisation’s critical friend, someone who can challenge current practice, champion best practice and support management in improvement, so that the organisation as a whole achieves its strategic outcomes, priorities and objectives.

This is achieved through internal audit providing a combination of assurance and consulting activities. The role of internal audit is best summarised through its mandatory definition within the Standards, 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’.*

### Assurance

The profession of internal audit is fundamentally concerned with evaluating an organisation’s management of risk. The key to an organisation’s success is to manage those risks effectively, as stakeholders demand.

The primary role of the internal auditor is to provide independent, objective assurance to Members and management that key risks are being managed effectively. To do this, the internal auditor will evaluate the quality of risk management processes, systems of internal control and corporate governance processes, across all parts of the Council, (taking into consideration other relevant internal and external assurance providers) and to provide an annual opinion on the effectiveness of these arrangements. This opinion supports the Council’s Annual Governance Statement.

### Assisting management in the improvement of internal controls

As well as providing assurance, an internal auditor’s knowledge of the management of risk enables them to act as a consultant and provide support for improvement in the Council’s procedures.

### Accountability/Responsibility

The accountability for maintaining an adequate and effective system of internal audit within Gloucester City Council lies with the Head of Finance, as the authority’s Chief Financial Officer (Section 151 Officer).

The Chief Internal Auditor is responsible for effectively managing the internal audit activity in accordance with the '*Mission*', '*Core Principles*', 'Definition of Internal Auditing', the 'Code of Ethics' and 'the Standards'.

In addition, for the purposes of this Charter, the following definitions shall apply regarding responsibilities in relation to Internal Audit:

Definition	Details	Responsibility in relation to Internal Audit at GCC
The Board	The governance group charged with providing independent assurance on the adequacy of the control environment, comprising risk management, control and governance.	Audit and Governance Committee.
Senior Management	Those responsible for the management of the Council.	Senior Management Team

### Position in the organisation

The Chief Internal Auditor reports functionally to the Board, and organisationally to the Head of Finance (Section 151 Officer).

### Right of Access

The Chief Internal Auditor has the right of direct access to the Statutory Officers, i.e. Chief Executive, Monitoring Officer and the Chief Financial Officer (s151 Officer).

Where it is considered necessary for the proper discharge of the internal audit function, the Chief Internal Auditor has the right of direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Audit and Governance Committee).

To provide independent assurances to senior management and the board, internal audit, with strict accountability for confidentiality and safeguarding records and information, is

granted full, free and unrestricted access to all personnel, documents, personal records, other records, assets, and premises, belonging to the City Council and/or its key delivery partner organisations, as considered necessary for the purposes of the audit.

In addition, internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

If required, this access should not be subject to prior notice, which extends to partner bodies and external contractors working on behalf of the council. Internal audit's right of access to third parties should be reflected in contracts and service level agreements.

All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities.

### Independence and objectivity

The Internal Audit activity will remain free from interference by any element in the organisation in determining the scope of activity, performing work and communicating results. Internal auditors must:

- be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice;
- exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined; and
- make a balanced assessment of all the relevant circumstances and not be duly influenced by their own interests or by others in forming judgements and opinions.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, effective arrangements are in place within Gloucester City Council, to ensure the internal audit activity:

- operates in a framework that allows unrestricted access to ‘Senior Management’ and ‘the Board’;
- reports functionally to ‘the Board’;
- reports in their own name;
- rotates responsibilities for audit assignments within the internal audit team;
- freedom to determine its priorities;
- completes individual annual declarations confirming compliance with rules on ethics, independence, objectivity, conflicts of interest, the Bribery Act 2010 and acceptance of inducements; and
- ensures the planning process recognise and address potential conflicts of interest through internal audit staff not undertaking an audit for at least two years in an area where they have had previous operational roles and/or undertaken consulting activity.

The Chief Internal Auditor will confirm to the board at least annually that the internal audit activity is organisationally independent.



If there has been any real or apparent impairment of independence or objectivity, the details of the impairment will be disclosed to ‘Senior Management’ and ‘the Board’. The nature of the disclosure will depend upon the impairment.

### Internal audit resources

The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB or equivalent) and have wide ranging internal audit, risk management and management experience.

The City Council will provide the Chief Internal Auditor with the resources necessary to fulfil the City Council’s requirements and to meet statutory obligations. The internal audit budget is reported to Cabinet and Full Council for approval annually as part of the overall Council budget.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, personal attributes, qualifications, experience and competencies required to perform and deliver its responsibilities. In addition to in-house internal audit resource, the Chief Internal Auditor may engage the use of external resources where it is considered appropriate, including the use of specialist providers e.g. IT internal audit provision and counter fraud specialists.

The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the City Council.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to ‘Senior Management’ and ‘the Board’.

‘Senior Management’ and ‘the Board’ will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the annual internal audit plan, due to limitations on resources.

If ‘Senior Management’, ‘the Board’ or the Chief Internal Auditor, consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Chief Financial Officer, accordingly.



## **Proficiency and Due Professional Care**

Internal auditors will perform work in accordance with the PSIAS and with due professional care, competence and diligence. Internal auditors cannot be expected to identify every risk, control weakness or irregularity but their work should be designed to enable them to provide reasonable assurance that the key risks (including the consideration of fraud and information technology risks) within the scope of their review, are being effectively controlled / managed, taking into consideration the relative complexity, materiality or significance of matters to which assurance procedures are applied. Auditors will take into consideration the cost of assurance, in relation to the potential benefits and risk exposure.

Internal Auditors will be required to undertake a programme of Continuing Professional Development in order to develop and maintain their professional and behavioural skills, competencies and knowledge.

## **Relationship with External Audit/Other Relevant Assurance Providers/Regulatory Bodies**

Internal Audit will liaise, share information and co-ordinate its activities with internal and external providers of assurance to ensure there is adequate coverage and minimise duplication of effort. Where other external and internal assurance providers have undertaken assurance work, Internal Audit will seek to rely on the work of these other providers, if deemed relevant.

## **Scope of Internal Audit Activities**

### **Assurance**

The service is responsible for providing assurance across the Council's entire 'control environment', comprising risk management, control and governance. This means that the scope includes all of the Council's operations, resources, services and responsibilities to enable the Chief Internal Auditor to provide an annual opinion. However, in addition to the core assurance activity, Internal Audit also provides the following services:

### Anti-Fraud and Corruption

Managing the risk of fraud and corruption is the responsibility of management. Internal Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. However, whilst Internal Audit does not have responsibility for the detection or prevention of fraud and corruption, Internal Audit fully considers the risk of fraud and corruption when undertaking its activities.

Investigations into potential financial irregularities are undertaken by Internal Audit, whether reported directly to the Chief Internal Auditor, or referred to Internal Audit by officers named in the Council's Anti-Fraud and Corruption Policy Statement and Whistleblowing Policy. The scope and approach taken to the investigation is dependent upon the nature of the allegations, which may also require referral to the police or other enforcement agencies.

In certain circumstances, Internal Audit may delegate the investigation of specific allegations to the service itself following an assessment of risk and financial impact.

On completion, findings are reported to an appropriate level of management, who will then be responsible for determining action to be taken.

Internal Audit also facilitates the City Council's participation in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.

### Consultancy

The service also undertakes consultancy work designed to improve the effectiveness of risk management, control and governance processes at the request of the Council, subject to there being no material impact on the core assurance activity and the availability of skills and resources.

Due to Internal Audit's knowledge of the Council's systems and processes Internal Audit is well placed to provide risk and control advice and support to managers on potential implications of changes to policy, process and/or systems. The provision of such advice does not prejudice Internal Audit's right to evaluate the established systems and controls at a later date.

In order to help services to develop a greater understanding of audit activity and have a point of contact in relation to any support they may need, Internal Audit has put in place a set of service liaison arrangements that provides a specific named contact for each service and regular liaison meetings. The arrangements also enable Internal Audit to keep in touch with key changes and developments within services that may impact on its work.

### Other Activity

The Chief Internal Auditor, may, at the request of 'the Board' or 'Senior Management', carry out investigations into issues where the Council's strategic, operational and/or financial interests are at stake.

The Chief Internal Auditor shall seek approval from the Board for any significant additional consultancy services/other activity not already included in the Annual Internal Audit Plan, prior to accepting the engagement, if this materially affects the core assurance activity.

### Internal Audit Planning

The Chief Internal Auditor will produce an Annual Risk Based Internal Audit Plan to determine the priorities of the internal audit activity.

These plans are developed in consultation with senior managers across the Council with the proposed activity taking account of the Council's priorities, objectives, risk management framework, including risk appetite levels set by management and internal audits own judgement of risks.

To ensure internal audit resources continue to be focussed accordingly, particularly during periods of radical change, it is essential that Internal Audit understand the Council's' needs, which means building relationships with key stakeholders, which includes the Audit and Governance Committee, in order to gain crucial insight and ongoing 'intelligence' into the strategic and operational change agendas within Council.

This insight is not only at the initial development stages of the plan but dialogue continues throughout the financial year(s) which increases the ability for the internal audit service to adapt more closely to meet the assurance needs of the Council. The plan is therefore dynamic and flexible to meet these needs.

‘Senior Management’ will be consulted on the Annual Risk Based Internal Audit Plans, which will detail the Internal Audit activities and submitted to ‘the Board’, for approval. The Chief Internal Auditor will be responsible for delivery of the plan.

## Reporting

### Reporting to Management

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each Internal Audit activity and will be distributed as appropriate. The Internal Audit report will include management’s response, corrective action taken, or to be taken and target dates in regard to specific findings and recommendations. Internal Audit will follow up all high priority recommendations made.

### Reporting to ‘the Board’ and ‘Senior Management’

#### The Board (at Gloucester City Council the Audit and Governance Committee)

The Chief Internal Auditor shall deliver an annual internal audit opinion and report (and quarterly progress reports on Internal Audit activity) to ‘the Board’ that helps to inform the Council’s Annual Governance Statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control.

The annual report will include, as a minimum:

- The opinion;
- A summary of the work that supports the opinion;
- A statement of conformance with the PSIAS; and
- The results of the quality assurance and improvement programme.

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Board. Such reporting will include:

- approving the internal audit charter;
- approving the annual risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity’s performance relative to its plan and other matters, including the annual report and opinion;
- receiving and considering major Internal Audit findings and recommendations;
- monitoring management’s response to Internal Audit findings and the implementation of the recommendations;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations;
- agreeing the scope and form of the external assessment as part of the quality assurance and improvement plan;
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance with professional standards; and

- approving significant consulting services not already included in the audit plan, prior to acceptance of the engagement, if this materially impacts on core assurance activity.

### Senior Management

As those responsible for the management of the Council it is imperative that the Corporate Management Team is engaged in:

- Reviewing and being consulted on the internal audit charter;
- Reviewing and being consulted on the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

Within Gloucester City Council, the Head of Finance and the Chief Internal Auditor ensure that all of the above are brought to the attention of the Senior Management Team.

### Quality Assurance and Improvement Programme (QAIP)

The PSIAS require that the Internal Audit function is subject to a quality assurance and improvement programme that must include both internal and external assessments.

The Chief Internal Auditor has developed and implemented a QAIP that covers all aspects of the internal audit activity which enables conformance with all aspects of the PSIAS to be evaluated.

In addition, the Chief Internal Auditor will communicate to the Senior Management and the Board on the internal audit activity's QAIP, including results of annual internal assessments and external assessments conducted at least every five years.

The external assessment will be undertaken by a qualified, independent assessor or assessment team from outside the Council. Progress against any improvement plans agreed following external assessment, will be reported in the Internal Audit Annual Report.

The Chief Internal Auditor will discuss options for the assessment jointly with the 'Board'.

**Gloucester City Council**  
**Audit and Governance Work Programme 2016-2017**  
**(Updated 8 November 2016)**

Item	Format	Committees	Lead Officer	Comments
<b>21 November 2016</b>				
1. Audit and Governance Committee Action Plan	Timetable	Audit and Gov	-----	Standing agenda item requested by the Committee
2. Annual Audit Letter 2015/16	Written Report	Audit and Gov	KPMG	Part of the Committee's annual work programme
3. 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
4. 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
5. Internal Audit Activity Progress report 2016-17	Written report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
6. Risk Management Update	Written report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
7. Internal Audit Charter – update to the IA Charter to align with the Public Sector Internal Audit Standards 2016	Written report	Audit and Gov	Head of IA&RM Shared Service	Item requested by Head of IA & RM
8. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
<b>23 January 2017</b>				
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 – Progress Report (Including Amey Audit 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. Review of Risk Management	Written report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
6. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
<b>13 March 2017</b>				
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. Anti-Fraud Corruption Strategy Review.	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
11. 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
- Review of Benefit Audit Accuracy Rate (June 2017)

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