



Audit and Governance Committee

Meeting: Monday, 22nd July 2019 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

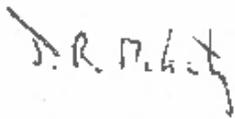
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| Membership: | Cllrs. Melvin (Chair), Brooker (Vice-Chair), Hampson, Lugg, D. Norman, Taylor and Wilson |
| Contact: | Democratic and Electoral Services 01452 396126 democratic.services@gloucester.gov.uk |

AGENDA

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| 1. | APOLOGIES To receive any apologies for absence. |
| 2. | APPOINTMENT OF CHAIR AND VICE-CHAIR To confirm the appointments made at the Annual Meeting of Council of Councillor Melvin as Chair and Councillor Brooker as Vice-Chair of the Committee. |
| 3. | DECLARATIONS OF INTEREST To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes. |
| 4. | MINUTES (Pages 7 - 12) To approve as a correct record the minutes of the meeting held on 11 March 2019. |
| 5. | PUBLIC QUESTION TIME (15 MINUTES) To receive any questions from members of the public provided that a question does not relate to: <ul style="list-style-type: none"> • Matters which are the subject of current or pending legal proceedings, or • Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers |
| 6. | PETITIONS AND DEPUTATIONS (15 MINUTES) To receive any petitions and deputations provided that no such petition or deputation is in relation to: <ul style="list-style-type: none"> • Matters relating to individual Council Officers, or • Matters relating to current or pending legal proceedings |

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| 7. | <p>AUDIT AND GOVERNANCE COMMITTEE OUTSTANDING MATTERS (Pages 13 - 14)</p> <p>To consider any outstanding matters.</p> |
| 8. | <p>STATEMENT OF ACCOUNTS</p> <p>To receive the report of the Head of Policy and Resources concerning the Council's Statement of Accounts (report to follow).</p> |
| 9. | <p>TREASURY MANAGEMENT UPDATE - ANNUAL REPORT 2018/19 (Pages 15 - 24)</p> <p>To receive the report of the Head of Policy and Resources concerning the Annual Report on Treasury Management.</p> |
| 10. | <p>DELOITTE EXTERNAL AUDIT REPORT 2018/19 (ISA 260 TO THOSE CHARGED WITH GOVERNANCE)</p> <p>To receive the report of the Council's External Auditor (report to follow).</p> |
| 11. | <p>ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2018/19 (Pages 25 - 68)</p> <p>To receive the Head of Audit Risk and Assurance's Annual Report on Internal Audit Activity.</p> |
| 12. | <p>ANNUAL GOVERNANCE STATEMENT, LOCAL CODE OF CORPORATE GOVERNANCE AND COUNCIL WIDE ASSURANCE MAP 2018/19 (Pages 69 - 110)</p> <p>To receive the joint report of the Head of Policy and Resources and the Head of Audit Risk Assurance seeking approval of the Annual Governance Statement 2018/19.</p> |
| 13. | <p>STRATEGIC RISK REGISTER UPDATE AND RISK MANAGEMENT ACTION PLAN 2019/20 (Pages 111 - 136)</p> <p>To receive the report of the Head of Audit Risk Assurance concerning the Strategic Risk Register and the Risk Management Action Plan 2019/20.</p> |
| 14. | <p>PROVISION OF AN INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT (EQA) (Pages 137 - 142)</p> <p>To receive the joint report of the Head of Policy and Resources and the Head of Audit Risk Assurance regarding recommendations for the way forward in relation to the provision of the independent quality assessment of Internal Audit.</p> |
| 15. | <p>THE REVIEW OF THE EFFECTIVENESS OF THE AUDIT AND GOVERNANCE COMMITTEE - ACTION PLAN (Pages 143 - 152)</p> <p>To receive the report of the Head of Audit Risk Assurance concerning the outcomes and associated action plan in respect of reviewing the effectiveness of the Audit and Governance Committee</p> |
| 16. | <p>MEMBERS APPOINTED TO OUTSIDE BODIES BY THE COUNCIL (Pages 153 - 162)</p> <p>To receive the report of the Corporate Director concerning the scope, content and timescales for an Audit Study of the contribution of Councillors appointed to outside bodies by the City Council.</p> |
| 17. | <p>AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME (Pages 163 - 164)</p> |

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| | To consider the Work Programme. |
| 18. | <p>EXCLUSION OF PRESS AND PUBLIC</p> <p>To consider the following resolution:</p> <p>“That the press and public be excluded from the meeting during the following item of business on the grounds that it is likely, in view of the nature of proceeding, that if members of the press or public are present during consideration of this item there will be disclosure to them of exempt information as defined in Part 1 of Schedule 12A of the Local Government Act 1972 as amended.”</p> <p>Item 19 Paragraph 3: Financial or business affairs.</p> |
| 19. | <p>AMENDMENT TO ANNUAL TREASURY MANAGEMENT STRATEGY (Pages 165 - 168)</p> <p>To receive the report of the Head of Policy and Resources seeking approval to amend Treasury Management Practice 1 (TMP1).</p> |
| 20. | <p>DATE OF NEXT MEETING</p> <p>Monday 16 September 2019.</p> |



Jon McGinty
Managing Director

Date of Publication: Friday, 12 July 2019

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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Recording of meetings

Please be aware that meetings may be recorded. There is no requirement for those wishing to record proceedings to notify the Council in advance; however, as a courtesy, anyone wishing to do so is advised to make the Chair aware before the meeting starts.

Any recording must take place in such a way as to ensure that the view of Councillors, Officers, the Public and Press is not obstructed. The use of flash photography and/or additional lighting will not be allowed unless this has been discussed and agreed in advance of the meeting.

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

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

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AUDIT AND GOVERNANCE COMMITTEE

MEETING : Monday, 11th March 2019

PRESENT : Cllrs. Gravells (Chair), Melvin (Vice-Chair), Brooker, Smith, Stephens, Taylor and Wilson

Others in Attendance

Corporate Director (Service Transformation)
Head of Policy and Resources
Head of Audit, Risk and Assurance
Democratic and Electoral Services Team Leader

APOLOGIES : Cllrs. D. Norman

54. DECLARATIONS OF INTEREST

54.1 There were no declarations of interest.

55. MINUTES

56. PUBLIC QUESTION TIME (15 MINUTES)

56.1 There were no public questions.

57. PETITIONS AND DEPUTATIONS (15 MINUTES)

57.1 There were no petitions or deputations.

58. AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN

6.1 The Committee considered the Action Plan. Members were informed that a scoping document in relation to examining the efficacy of Members appointed to outside bodies by the Council would be provided at the July Committee meeting.

6.2 A briefing document which detailed the recommendations made by the Committee and their resulting actions was provided to Members. It was

AUDIT AND GOVERNANCE COMMITTEE
11.03.19

suggested that it would be appropriate to consider this as part of agenda item 11.

- 6.3 The Chair encouraged Members to suggest areas where training would be of benefit and Members were made aware of the upcoming Member development session on risk management.
- 6.4 **RESOLVED that:** - The Audit and Governance Committee **NOTE** the Action Plan.

59. TREASURY MANAGEMENT STRATEGY

- 59.1 The Head of Policy and Resources presented the reports on Treasury Management and the Capital Strategy and highlighted key aspects.
- 59.2 Councillor Wilson queried whether any hedging had been considered in relation to the UK's proposed withdrawal from the European Union. The Head of Policy and Resources advised that, as it stood, there had been no advice to do so and that not doing so was not creating an issue.
- 59.3 Councillor Stephens noted that £15m had been allocated to the Property Investment Strategy for 2019/20. He stated that details of investments had not been disclosed, that it was not known what due diligence had been conducted and that it was necessary to receive assurance in this matter.
- 59.4 Councillor Stephens further stated that he would not be comfortable in recommending the report to Council when it was not known what investments had been made. He also stated that significant increases in capital expenditure were in the report, but it did not detail what these increases were.
- 59.5 The Head of Policy and Resources advised that he could not go into the details of commercially sensitive deals. He further advised that due diligence was always carried out and had been in this case also. The Head of Policy and Resources stated that part of his role was to ensure that funds were not at risk and that the Council would not make deals which risked these funds. He also advised that such assurances were provided in the Capital Strategy. The Head of Audit, Risk and Assurance advised that there was a proposed audit of the Property Investment Strategy, the details of which would be circulated, but this would not begin until the deals were completed.
- 59.6 **RESOLVED that:-** The Audit and Governance Committee **APPROVE** the Treasury Management Strategy.

60. CAPITAL STRATEGY

- 60.1 **RESOLVED that:** - The Audit and Governance Committee **NOTE** the Capital Strategy.

61. ANNUAL RISK MANAGEMENT REPORT 2018/19

AUDIT AND GOVERNANCE COMMITTEE
11.03.19

61.1 The Committee considered the report. The Head of Audit, Risk and Assurance advised that, due to organisation change, risk management was being embedded throughout the Council.

61.2 **RESOLVED that:** - The Audit and Governance Committee **NOTE** the report.

62. INTERNAL AUDIT ACTIVITY 2018/19 - PROGRESS REPORT

62.1 The Head of Audit, Risk and Assurance presented the report and welcomed questions.

62.2 Councillor Wilson noted that there was a query in relation to the cash collection service being lost. The Head of Audit, Risk and Assurance advised that the information was not available at the time of publication but that a procurement exercise was underway.

62.3 The Chair queried why there were outstanding actions in relation to the Employee Code of Conduct. The Corporate Director and the Head of Audit, Risk and Assurance advised that further work was required and was planned for the near future.

62.4 **RESOLVED that:** - That the Audit and Governance Committee **NOTE** the report.

63. INTERNAL AUDIT PLAN 2019-20

63.1 The Head of Audit, Risk and Assurance provided an overview of the report and highlighted that an audit of the Property Investment Board would be conducted in due course. She advised that the Internal Audit Plan was based on robust discussions with the Senior Leadership Team and the approach would be disseminated through new service plans and managers.

63.2 Councillor Stephens stated that he would like to examine what the Culture Trust had been spending and was advised that this was considered in the 2018/19 audit.

63.3 Councillor Wilson queried whether ad hoc risk were covered by the plan. The Head of Audit, Risk and Assurance advised that, where there was change, the audit team would focus on those areas. She further advised that cyclical programmes would be prioritised according to risk.

63.4 The Chair encouraged Members to submit ideas of what areas internal audit could examine. The Head of Audit, Risk and Assurance confirmed that plans could be changed and that the audit plan was a dynamic document.

63.5 **RESOLVED:** - That the Audit and Governance Committee **APPROVE** the Internal Audit Plan 2019-20.

64. REVIEW OF THE EFFECTIVENESS OF THE AUDIT AND GOVERNANCE COMMITTEE

AUDIT AND GOVERNANCE COMMITTEE
11.03.19

- 64.1 The Head of Audit, Risk and Assurance introduced the report. She advised that CIPFA had issued new guidance on what constituted an effective Audit and Governance Committee and highlighted key changes.
- 64.2 The Head of Audit, Risk and Assurance stated that the Committee met the new standards but that the Terms of Reference would need amending in order to provide for an independent Member, should the Committee wish to appoint. There was also a suggestion to have the Chair be a Member from a party which was not the administration. She also advised that it would be useful to evaluate individual Committee Members' ability anonymously. With Members' agreement, she stated that she would organise an anonymous survey for members to complete.
- 64.3 The Corporate Director advised that a piece of work could be conducted on how the Committee could be more effective and could then decide whether to engage an independent Member. The Head of Audit, Risk and Assurance advised that many Committees had independent Members.
- 64.4 Councillor Stephens stated that he could see the advantage in having such a Member but that it would be necessary to have a specific skill set. He also stated that it would be important to establish a robust process for appointing an independent Member. Councillor Stephens also shared his view that the document provided to Members in respect of recommendations made be incorporated annually.
- 64.5 Councillor Melvin restated the need for the work of the Committee to not be party political and that it would be appropriate to take officer advice with regard to a potential appointment of an independent Member.
- 64.6 **RESOLVED that:** - The Audit and Governance Committee **NOTE** the report.

65. ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE (CHAIR'S REPORT)

- 65.1 The Committee considered the Annual Report. The Chair thanked Members for their endeavour throughout the year and all officers involved in assisting the Committee.
- 65.2 **RESOLVED that:** - The Audit and Governance Committee **APPROVE** the Annual Report of the Audit and Governance Committee.

66. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

- 66.1 The Committee considered the Work Programme. The Corporate Director highlighted that a scoping document on the efficacy of Members appointed to outside bodies by the Council would be delivered to the Committee at the meeting scheduled to take place in July 2019.
- 66.2 Members were also informed that the Housing Benefit subsidy report by KPMG would be presented at the July meeting.

**AUDIT AND GOVERNANCE COMMITTEE
11.03.19**

66.3 **RESOLVED that:** - The Audit and Governance Committee **NOTE** the Work Programme.

67. DATE OF NEXT MEETING

67.1 22nd July 2019 at 6.30pm in the Civic Suite, North Warehouse.

Time of commencement: 6.30 pm

Time of conclusion: 7.45 pm

Chair

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AUDIT AND GOVERNANCE COMMITTEE – 11 MARCH 2019

OUTSTANDING MATTERS

| MINUTE NO. | MATTER | CURRENT STATUS | RAG | TARGET DATE | OWNER |
|---|--|-------------------------------------|----------|-----------------------------------|-------|
| <u>Matters arising from meeting held on 21 January 2019:</u> | | | | | |
| 48 | A report on DFGs be circulated after the conclusion of the county-wide review. | Awaiting conclusion of review | R | To begin once review is concluded | RS |
| 52 | Scope a piece of work to examine the contribution of Members appointed to outside bodies by the Council. | Added to Work Programme | G | July 2019 Committee meeting | JL |
| 52 | Undertake work to examine the efficacy of its recommendations since May 2016. | In process, material being collated | A | By the March Committee meeting | SB |
| <u>There were no new matters arising from the 11 March 2019 meeting.</u> | | | | | |

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Agenda Item 7

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Gloucester City Council

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| Meeting: | Audit and Governance Committee Cabinet | Date: 22 July 2019 11 September 2019 |
| Subject: | Treasury Management Update – Annual Report 2018/19 | |
| Report Of: | Cabinet Member for Performance and Resources | |
| Wards Affected: | All | |
| Key Decision: | No | Budget/Policy Framework: No |
| Contact Officer: | Jon Topping, Head of Finance | |
| | Email: jon.topping@gloucester.gov.uk | Tel: 396242 |
| Appendices: | 1. Prudential and Treasury Indicators 2. Interest rate forecasts | |

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2018/19. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
- 1.2 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 1.3 This report will highlight issues specific to the Council and also highlight interest rate forecasts as provided by the Council's treasury advisors Link Asset Services.
- 1.4 The body of the report provides an overview of the Council's performance for 2018/19;
 - **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, 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 2018/19, which includes the Annual Investment Strategy, was approved by the Council on 22nd March 2018. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield

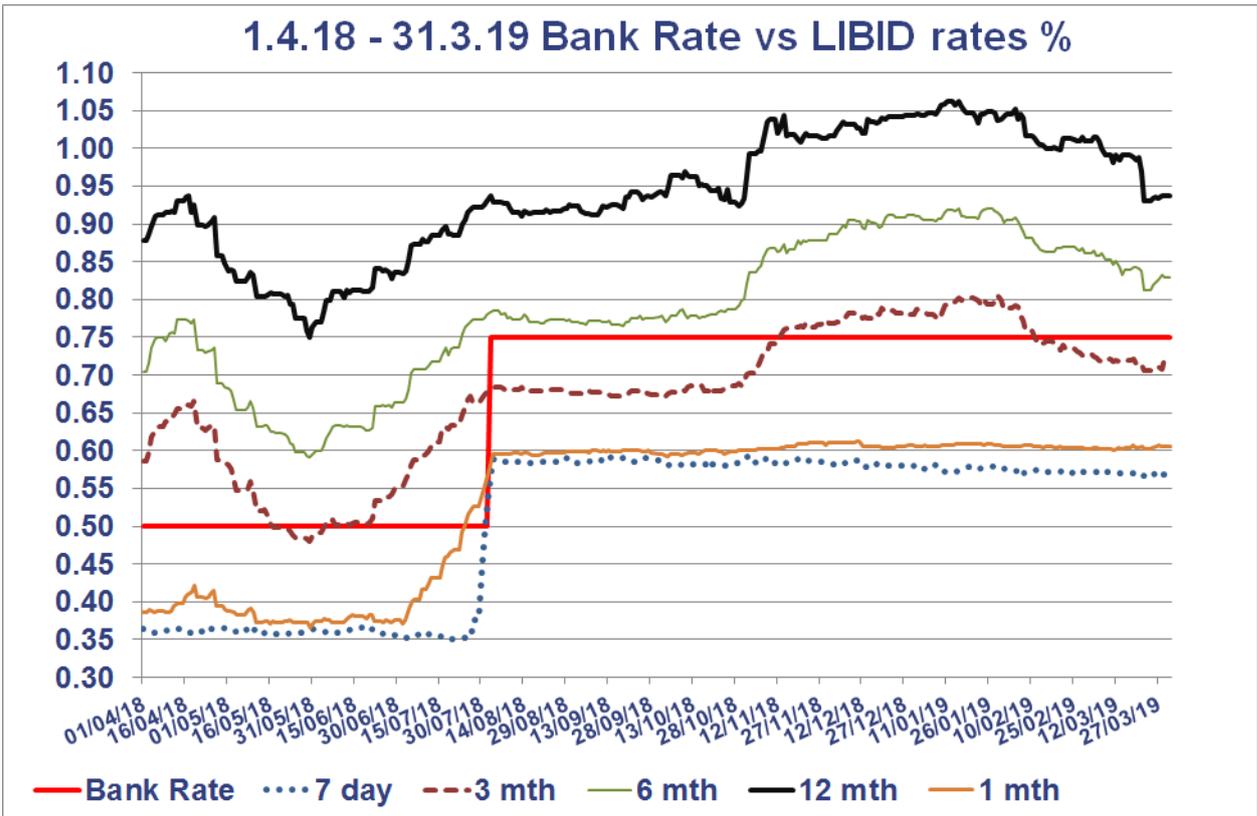
- 3.1 The Council will also aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available 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 The average level of funds available for investment purposes during the year was £11.2m. 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 holds £10m core cash balances for investment purposes (i.e. funds available for more than one year).

Investment performance for the financial year 2018/2019

| Benchmark | Benchmark Return | Council Performance | Investment Interest Earned |
|-----------|------------------|---------------------|----------------------------|
| 7 day | 0.57 | 0.65 | £73k |
| 1 month | 0.61 | 0.68 | £2k |
| 3 month | 0.72 | 0.59 | £8k |
| 6 month | 0.83 | 0.83 | £22k |

As illustrated, the Council outperformed the benchmarks by 0.02 bps.

Longer term investment rates were on a rising trend for most of the year until they started falling in December / January.



| | Bank Rate | 7 day | 1 mth | 3 mth | 6 mth | 12 mth |
|----------------|------------|------------|------------|------------|------------|----------|
| 1/4/18 | 0.50 | 0.36 | 0.39 | 0.59 | 0.70 | 0.88 |
| 31/3/19 | 0.75 | 0.57 | 0.61 | 0.72 | 0.83 | 0.94 |
| High | 0.75 | 0.59 | 0.61 | 0.81 | 0.92 | 1.06 |
| Date | 02/08/2018 | 01/11/2018 | 10/12/2018 | 29/01/2019 | 15/01/2019 | 11/01/19 |
| Low | 0.50 | 0.35 | 0.37 | 0.48 | 0.59 | 0.75 |
| Date | 01/04/2018 | 19/07/2018 | 30/05/2018 | 30/05/2018 | 30/05/2018 | 30/05/18 |
| Average | 0.67 | 0.51 | 0.54 | 0.68 | 0.79 | 0.94 |
| Spread | 0.25 | 0.24 | 0.25 | 0.33 | 0.33 | 0.31 |

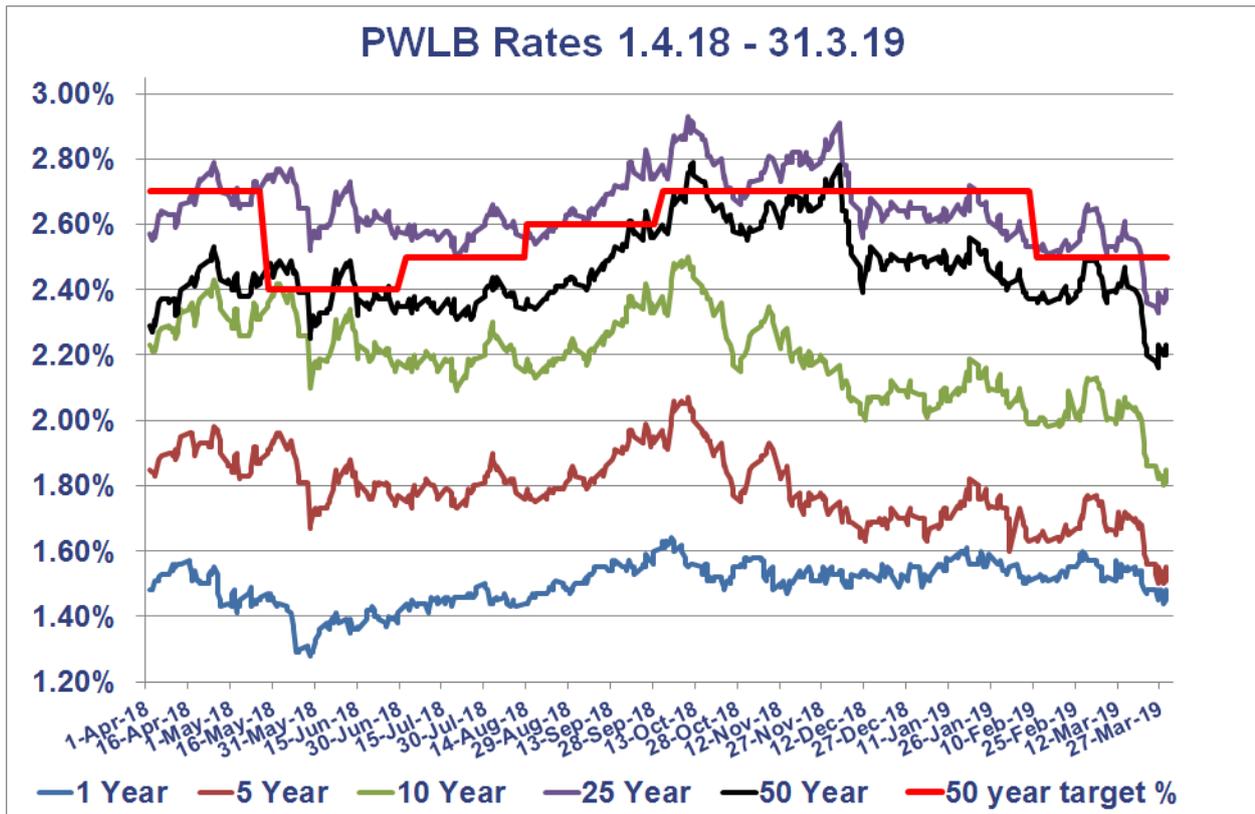
4.0 New Borrowing

4.1 No long term borrowing was undertaken during the year ended 31 March 2019.

4.2 Since PWLB rates peaked during October, most PWLB rates have been on a general downward trend since then, though longer term rates did spike upwards again during December, and, (apart from 1 year), reached lows for the year at the end of March. The 50 year PWLB target (certainty) rate for new long term borrowing varied between 2.40% and 2.70% during this period.

PWLB certainty rates, for the financial year to the 31st March 2019

| | 1 Year | 5 Year | 10 Year | 25 Year | 50 Year |
|----------------|------------|------------|------------|------------|------------|
| 2/4/18 | 1.48% | 1.85% | 2.23% | 2.57% | 2.29% |
| 29/3/19 | 1.48% | 1.55% | 1.85% | 2.40% | 2.23% |
| Low | 1.28% | 1.56% | 1.86% | 2.36% | 2.20% |
| Date | 29/05/2018 | 22/03/2019 | 22/03/2019 | 22/03/2019 | 22/03/2019 |
| High | 1.64% | 2.07% | 2.50% | 2.93% | 2.79% |
| Date | 04/10/2018 | 10/10/2018 | 10/10/2018 | 10/10/2018 | 12/10/2018 |
| Average | 1.50% | 1.80% | 2.20% | 2.66% | 2.47% |



5.0 Debt Rescheduling

5.1 During the year ended 31st March 2019, 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 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 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of

investment instruments, this change in risk appetite and policy should be brought to members' attention in treasury management update reports.

- 7.2 The Council continued to maintain an under-borrowed position in 2018/19.
- 7.4 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.
- 7.5 The Council will continue to monitor its approach to under borrowing in light of market movement and future events.
- 7.6 The Council has utilised short term borrowing in 2018/19 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 2018/19 borrowing requirement, the Council has been able to obtain short term borrowing at 0.80% compared to current long term rates at 2.20 % for 10 year. Over the year the policy has reduced annual borrowing costs by £210k.
- 7.7 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
(Legal Services have been consulted in the preparation this report.)

11.0 Risk & Opportunity Management Implications

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

12.0 People Impact Assessment (PIA):

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

13.0 Other Corporate Implications

Community Safety

13.1 None

Sustainability

13.2 None

Staffing & Trade Union

13.3 None

Prudential and Treasury Indicators as at 31st March 2019

| Treasury Indicators | 2018/19 Budget £'000 | Annual (Apr-Mar) Actual £'000 |
|---|-------------------------|-------------------------------------|
| Authorised limit for external debt | £120M | £120M |
| Operational boundary for external debt | £110M | £110M |
| Gross external debt | £110M | £20.15M |
| Investments | N/A | £13.75M |
| Net borrowing | £110M | £6.40M |
| Maturity structure of fixed and variable rate borrowing - upper and lower limits | | |
| Under 12 months | 0% - 100% | 75% |
| 12 months to 2 years | 0% - 100% | 0% |
| 2 years to 5 years | 0% - 100% | 0% |
| 5 years to 10 years | 0% - 100% | 0% |
| 10 years to 20 years | 0% - 100% | 0% |
| 20 years to 30 years | 0% - 100% | 25% |
| 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% | 75% |
| Upper limit of variable interest rates based on net debt | 100% | 25% |

INTEREST RATES FORECASTS

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

| Link Asset Services Interest Rate View | | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 |
| Bank Rate View | 0.75% | 1.00% | 1.00% | 1.00% | 1.25% | 1.25% | 1.25% | 1.50% | 1.50% | 1.75% | 1.75% | 2.00% |
| 3 Month LIBID | 0.80% | 1.00% | 1.10% | 1.20% | 1.40% | 1.50% | 1.50% | 1.60% | 1.70% | 1.80% | 1.90% | 2.00% |
| 6 Month LIBID | 0.90% | 1.20% | 1.30% | 1.40% | 1.50% | 1.60% | 1.70% | 1.80% | 1.90% | 2.00% | 2.10% | 2.20% |
| 12 Month LIBID | 1.10% | 1.40% | 1.50% | 1.60% | 1.70% | 1.80% | 1.90% | 2.00% | 2.10% | 2.20% | 2.30% | 2.40% |
| 5yr PWLB Rate | 1.90% | 2.00% | 2.10% | 2.20% | 2.30% | 2.30% | 2.40% | 2.50% | 2.50% | 2.60% | 2.60% | 2.70% |
| 10yr PWLB Rate | 2.30% | 2.40% | 2.50% | 2.60% | 2.60% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.00% | 3.00% |
| 25yr PWLB Rate | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% | 3.20% | 3.30% | 3.40% | 3.40% | 3.50% | 3.50% | 3.60% |
| 50yr PWLB Rate | 2.60% | 2.70% | 2.80% | 2.90% | 3.00% | 3.00% | 3.10% | 3.20% | 3.20% | 3.30% | 3.30% | 3.40% |

After the August 2018 increase in Bank Rate to 0.75%, the first above 0.5% since the financial crash, the MPC has put any further action on hold, probably until such time as the fog of Brexit might clear and there is some degree of certainty of what the UK will be heading into.

The above forecast, and other comments in this report, were based on a central assumption that there will be an agreement on a reasonable form of Brexit. In view of the current, (1 April 2019), lack of any majority in the House of Commons for one option for Brexit, the above forecasts will probably need revision to take account of the current impasse if that were to continue. This could mean that the start of increases in Bank Rate may need to be pushed back.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.

The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

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| | | | |
|-------------------------|--|---------------------------------|----------------------------------|
| Meeting: | Audit and Governance Committee | Date: | 22nd July 2019 |
| Subject: | Annual Report on Internal Audit Activity 2018/19 | | |
| 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 396338 | |
| | Theresa.Mortimer@gloucester.gov.uk | | |
| Appendices: | 1: Annual Report on Internal Audit Activity 2018/19 | | |
| | 2: Summary Activity Progress Report 2018/19 | | |

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To provide the Committee with an annual report on Internal Audit Activity which fully meets the Chief Internal Auditor’s annual reporting requirements, as set out in the Public Sector Internal Auditing Standards (PSIAS) 2017.

2.0 Recommendations

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

- (1) Assess, from the findings set out in this Internal Audit Annual Report, whether it can take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively;
- (2) Note that the performance of Internal Audit meets the required standards;
- (3) Note the Council wide counter fraud activity during 2018/2019 which includes the fraud reporting requirements as mandated by the Local Government Transparency Code 2015 (paragraph ref 7b); and
- (4) Requests senior management attendance at the next meeting of the Committee to provide an update on the actions taken in relation to the recommendations made in the Health and Safety internal audit and the Purchasing: Low and Intermediate Value Transactions internal audit.

3.0 Background and Key Issues

3.1 The Accounts and Audit Regulations 2015 state 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’.

During 2018/19, Internal Audit work was carried out in accordance with the Public Sector Internal Audit Standards (PSIAS) 2017 and the CIPFA Local Government Application Note for the UK PSIAS.

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

3.3 To achieve full effectiveness, the scope of the internal audit function should provide an unrestricted range of coverage of the organisation’s operations and the internal audit function should have sufficient authority to access such records, assets and personnel as are necessary for the proper fulfilment of responsibilities. These access rights are specified in the Internal Audit Charter and Code of Ethics, which have been approved by Members.

3.4 The PSIAS requires the Chief Internal Auditor to ‘provide a written report to those charged with governance timed to support the Annual Governance Statement’. The content of the report is prescribed by the PSIAS which specifically requires Internal Audit to:

- Provide an opinion on the overall adequacy and effectiveness of the organisation’s internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification;
- Compare the actual work undertaken with the planned work, and present a summary of the audit activity undertaken from which the opinion was derived, drawing attention to any issues of particular relevance;
- Summarise the performance of the Internal Audit function against its performance measures and targets; and
- Comment on compliance with the PSIAS.

3.5 A separate report containing the Annual Governance Statement is included on the agenda for the Audit and Governance Committee on 22nd July 2019.

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 the Annual Report on Internal Audit Activity would lead to non compliance with the PSIAS and the Council's 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 2019/2020 audit plan are scheduled to be presented to the Audit and Governance Committee at the 2019/2020 Committee 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:

- [Accounts and Audit Regulations 2015](#);
- CIPFA Local Government Application Note for the UK PSIAS;



Local Government
Application Note for t

- [Public Sector Internal Audit Standards \(PSIAS\) 2017](#); and
- [Audit and Governance Committee's Terms of Reference](#).



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(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 (PSIAS) or guidance'*.

The standards define the way in which the Internal Audit Service should be established and undertake its functions. The Council's 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 standards also require that an independent and objective opinion is given on the overall adequacy and effectiveness of the control environment, comprising risk management, control and governance, from the work undertaken by the Internal Audit Service.

The Shared Service Internal Audit function conforms to the International Standards for the Professional Practice of Internal Auditing.

(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 challenge, advising the organisation that satisfactory 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 PSIAS is that the Chief Internal Auditor should provide an annual report to those charged with governance, to support the Annual Governance Statement. The content of the report is prescribed by the PSIAS which specifically requires Internal Audit to:

- Provide an opinion on the overall adequacy and effectiveness of the organisation's internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification;

- Compare the actual work undertaken with the planned work, and present a summary of the audit activity undertaken from which the opinion was derived, drawing attention to any issues of particular relevance;
- Summarise the performance of the Internal Audit function against its performance measures and targets; and
- Comment on compliance with the PSIAS.

When considering this report, the Committee may also wish to have regard to the quarterly interim Internal Audit Progress Reports presented to the Committee during 2018/19 and the Annual Report on Risk Management Activity 2018/19 presented to the Committee.

(4) Chief Internal Auditor’s Opinion on the Council’s Internal Control Environment

In providing my opinion it should be noted that assurance can never be absolute. The most that Internal Audit can provide is a reasonable assurance that there are no major weaknesses in risk management arrangements, control processes and governance. The matters raised in this report, and our quarterly monitoring reports, are only those that were identified during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that may exist or represent all of the improvements required.

Chief Internal Auditor’s Opinion

I am satisfied that, based on the internal audit activity undertaken during 2018/19 and management’s actions taken in response to that activity, enhanced by the work of other external review agencies, sufficient evidence is available to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of Gloucester City Council’s overall internal control environment.

In my opinion, for the 12 months ended 31st March 2019, Gloucester City Council has a **satisfactory** overall control environment, to enable the achievement of the Council’s outcomes and objectives.

This opinion will feed into the Annual Governance Statement which will be published alongside the Annual Statement of Accounts.

(4a) Scope of the Internal Audit Opinion

In arriving at my opinion, I have taken into account:

- The results of all internal audit activity undertaken during the year ended 31st March 2019 and whether our high and medium priority recommendations have been accepted by management and, if not, the consequent risk;

- The effects of any material changes in the organisation's risk profile, objectives or activities;
- Matters arising from internal audit quarterly progress reports or other assurance providers to the Audit and Governance Committee;
- Whether or not any limitations have been placed on the scope of internal audit activity; and
- Whether there have been any resource constraints imposed on internal audit which may have impacted on our ability to meet the full internal audit needs of the organisation.

(4b) Limitations to the scope of our activity

There have been no limitations to the scope of our activity or resource constraints imposed on internal audit which have impacted on our ability to meet the full internal audit needs of the Council. Whilst the core Internal Audit service is provided by the Audit Risk Assurance Shared Service, during 2018/19 the Chief Internal Auditor has:

- Commissioned external specialist ICT audit via Warwickshire County Council's Internal Audit Framework Agreement;
- Set up joint working arrangements in relation to Internal Audit and Risk Management with the Chief Internal Auditor at Warwickshire County Council;
- Arrangements in place with Gloucestershire NHS Counter Fraud Service to provide support with investigations; and
- An agreement in place with Gloucestershire's Counter Fraud Unit to provide counter fraud support.

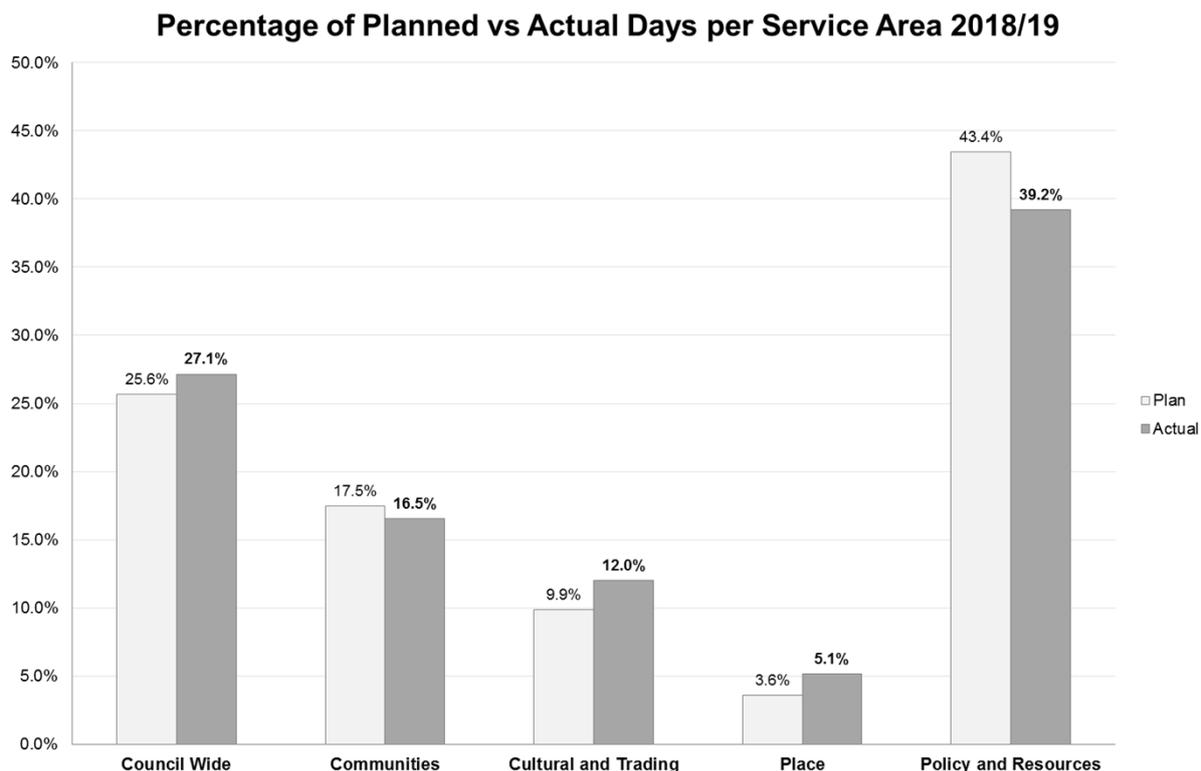
(5) Summary of Internal Audit Activity undertaken compared to that planned

The underlying principle to the 2018/19 plan is risk and as such, audit resources were directed to areas which represented 'in year risk'. Variations to the plan are required if the plan is to adequately reflect the ongoing changing risk profile of the Council.

Since the original risk based plan was approved in March 2018 by the Audit and Governance Committee, three brought forward activities from 2017/18 have been completed and reported within 2018/19 (Scheme of Delegation, Network Access Controls and Payroll) and some of the original planned audits have been deferred into the 2019/20 Internal Audit Plan (based on appropriate client request and to ensure the audit adds value). Plan changes are detailed in **Appendix 2** (the Summary Activity Progress Report 2018/19).

The net effect is that although the work undertaken was slightly different to that originally planned we are able to report that we achieved **88.9%** of the overall revised plan 2018/19, against a target of 85%.

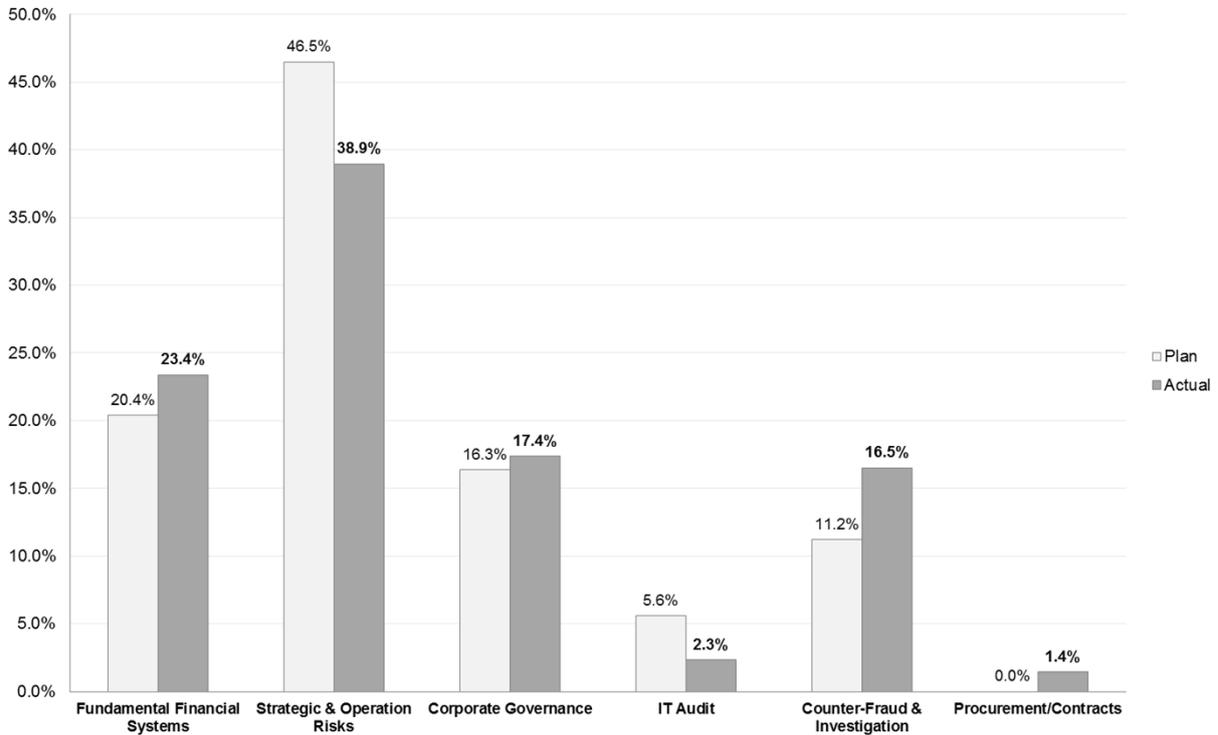
The bar charts below summarise the percentages of planned audits per service area (i.e. Council Wide, Communities, Cultural and Trading, Place and Policy and Resources) and category of activity (i.e. fundamental financial systems, governance etc.) compared with the percentage of actual audits completed.



Example rationale for the variance between 2018/19 planned and actual days per service area include (but are not exclusive to):

- Audit activity where actual days were in excess of those originally budgeted, due to the findings and outcomes of the audit work e.g. Treasury Management and Great Place Funding.
- Agreed audit deferrals into the 2019/20 Plan (e.g. Civil Parking Enforcement) and the cancellation of the Leavers Processes internal audit, in order to provide the required assurance through the Network Access Controls limited assurance follow up review within 2019/20 (improving the efficiency of audit scope delivery and adding value).
- The impact of counter fraud and investigation actual days, following case referral by the Council (i.e. actuals days have been allocated to the service area, rather than Council Wide). The outcomes of this work is detailed within section 7 of this report.

Percentage of Planned vs Actual Days per Category 2018/19



Example rationale for the variance between 2018/19 planned and actual days per category include (but are not exclusive to):

- The impact of counter fraud and investigation actual days, following case referral by the Council;
- Audit activity where actual days were less than those originally budgeted, or the audit findings and outcomes e.g. Project Solace and Service Planning; and
- Agreed audit deferrals into the 2019/20 Plan (e.g. Civil Parking Enforcement, Ongoing Cyber Resilience and IT Disaster Recovery and Business Continuity).

(6) Summary of Internal Audit Activity undertaken which informed our opinion

The schedule provided at **Attachment 1** within this report provides the summary of 2018/19 audits which have not previously been reported to the Audit and Governance Committee.

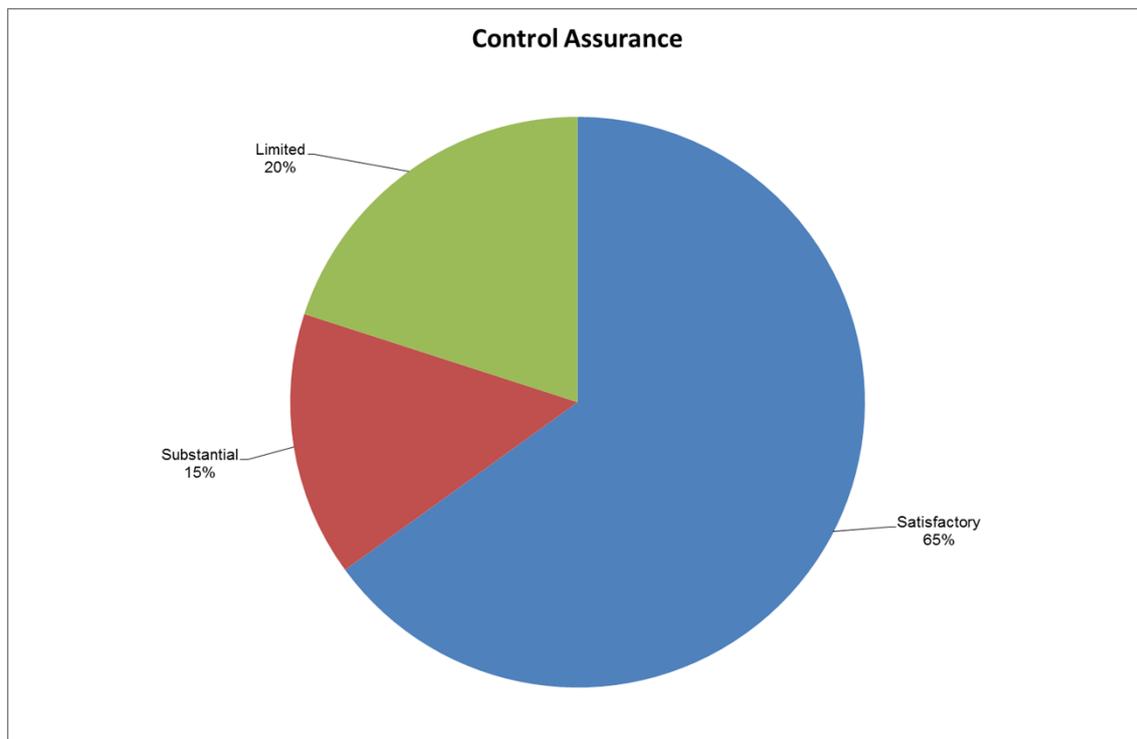
The schedule provided at **Appendix 2** contains a list of all of the audit activity undertaken during 2018/19, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Audit and Governance Committee. Explanations of the meaning of these opinions are shown below.

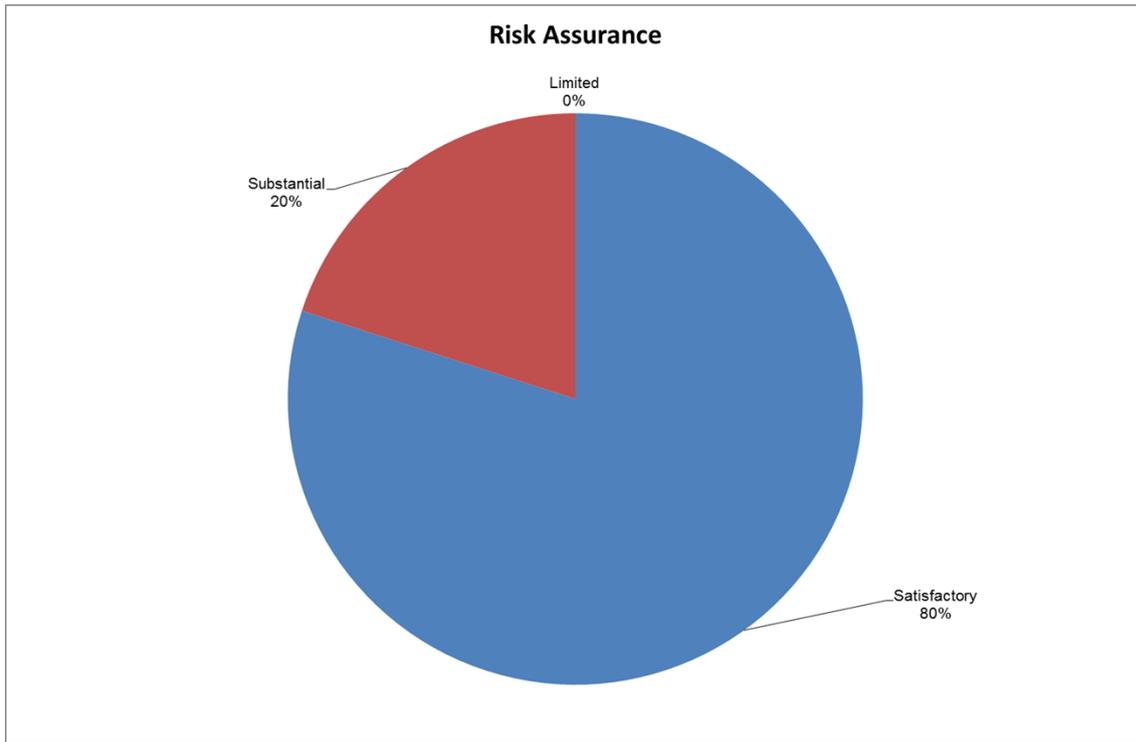
| Assurance Levels | Risk Identification Maturity | Control Environment |
|---------------------|---|---|
| Substantial | <p>Risk Managed Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation,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

(6a) Internal Audit Assurance Opinions on Risk and Control

The below pie charts show the summary of the risk and control assurance opinions provided within each category of opinion i.e. substantial, satisfactory and limited. ARA can report that the Council is showing that **80%** of the activities reviewed have received a **substantial (15%)** or **satisfactory (65%)** opinion on control. Whilst **20%** of the opinions on control are limited, this may be related to transformational change, continued focusing of our activity on the key risks of the Council and specific requests from the Audit and Governance Committee and Corporate Directors, who are asking for areas to be reviewed where issues have arisen or where independent assurance is required.

Risk and Control Opinions 2018/19





(6b) Limited Control Assurance Opinions

Where audit activity records 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.

(6c) Audit Activity where a Limited Assurance Opinion has been provided on Control

During 2018/19, four limited opinions on control were provided. These related to:

| Audited Service Area | Date reported to Audit and Governance Committee |
|---|--|
| Health and Safety | 22 nd July 2019 |
| Purchasing: Low and Intermediate Value Transactions | 22 nd July 2019 |
| Code of Conduct for Employees - Follow Up | 11 th March 2019 |
| Network Access Controls | 17 th September 2018 |

(6d) Satisfactory Control Assurance Opinions

Where audit activity records that a satisfactory assurance opinion on control has been provided where recommendations have been made to reflect some improvements in control, the Audit and Governance Committee and Senior Management Team can take assurance that improvement actions have been agreed with management to address these.

(6e) Internal Audit recommendations made to enhance the control environment

| Year | Total No. of high priority recs. | % of high priority recs. accepted by management | Total No. of medium priority recs. | % of medium priority recs. accepted by management | Total No. of recs. made |
|----------------|---|--|---|--|--------------------------------|
| 2017/18 | 7 | 100% | 52 | 100% | 59 |
| 2018/19 | 9 | 100% | 34 | 100% | 43 |

The Audit and Governance Committee and Senior Management Team 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.

(6f) Risk Assurance Opinions

During 2018/19, it is pleasing to report that no limited assurance opinions on risk have been provided on completed audits from the 2018/19 Internal Audit Plan.

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

(6g) Internal Audit's Review of Risk Management

During 2018/19, **100%** of the audited areas rated the effectiveness of risk management arrangements as **substantial (20%)** or **satisfactory (80%)** with **0%** obtaining a limited assurance opinion. This evidences that risk management continues to be further embedded into the Council's business activities.

The assurance statements obtained from the Corporate Directors and Heads of Service across the Council (when formulating the Annual Governance Statement), provided reasonable assurance that the majority of management apply the Council's Risk Management Strategy and principles within their service areas.

This together with our own assessment, have led Internal Audit to conclude that the risk management arrangements within the authority are effective.

(6h) Gloucester City Council's Corporate Governance Arrangements

The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement. The Annual Governance Statement is signed by the Leader, Managing Director and the Chief Financial Officer and must accompany the Annual Statement of Accounts.

In April 2016, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authorities Chief Executives (SOLACE) published 'Delivering Good Governance in Local Government: Framework 2016' and this applies to annual governance statements prepared from the 2016/17 financial year onwards. Guidance notes were also published to assist Council Leaders and Chief Executives in reviewing and testing their governance arrangements against the revised seven principles for good governance.

The key focus of the framework is on sustainability – economic, social and environmental and the need to focus on the longer term and the impact actions may have on future generations. ARA therefore:

- Reviewed the existing governance arrangements against the principles set out in the Framework;
- Developed and implemented a refreshed local code of corporate governance, based on the principles, including an assurance framework for ensuring ongoing effectiveness; and
- Will report publically, via the Annual Governance Statement on compliance with our code on an annual basis, how we have monitored the effectiveness of our governance arrangements in the year and on planned improvement areas.

Gloucester City Council's governance framework reflects the CIPFA/SOLACE key principles and has been summarised within a Local Code of Corporate Governance 2018/19. This local code comprises the Council's systems and processes, culture and values for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community.

The key 2018/19 governance matters identified related to: Future Financial Stability / Efficiency Savings, Together Gloucester Service Transformation and Together Gloucester 2 (TG2) (of which all elements of the programme are underway).

The actions to be taken to address the above can be found within the Council's Annual Governance Statement 2018/19.

The above arrangements have therefore led Internal Audit to conclude that effective governance arrangements operate within the Council.

(7) Summary of additional Internal Audit Activity

(7a) Special Investigations/Counter Fraud Activities

Current Status

During 2018/19 (1st April 2018 to 31st March 2019) one potential financial irregularity was referred to Internal Audit (IA). The area investigated occurred within the Visitor Experiences service area and related to an allegation of theft of cash. Whilst the theft could not be proven, a number of recommendations were made to strengthen the controls around the handling of cash. Internal Audit has been advised that these recommendations have been implemented and there is a follow-up audit of this area included in the 2019/20 Internal Audit Plan. This irregularity has previously been reported to the Audit and Governance Committee.

Any fraud alerts received by Internal Audit from the National Anti Fraud Network (NAFN) are passed onto the relevant service area within the Council, to alert staff to the potential fraud.

Fraud Risk Assessment / Risk Register

A fraud risk register has been produced, the outcomes of this are used to 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 2018 and reports have started to be received and reviewed. 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.

In addition, there is an annual data matching exercise undertaken relating to matching the electoral register data to the single person discount data held within the City Council. Once all relevant data has been uploaded onto the NFI portal, a data match report is instantly produced and available for analysis.

Monitoring and Review

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 who challenge, monitor management actions and follow-up progress to date and approve all police referrals.

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 continues to undertake a self-assessment against the guidance to measure the Council's counter fraud and corruption culture and response and propose enhancements as required.

Serious and Organised Crime Strategic Partnership led by Gloucestershire Police

The Chief Internal Auditor is a member of the Serious and Organised Crime Strategic Partnership (SOCSP) to discuss the local multi agency approach to tackling crime/fraud. There is a clear direction from central government that a 'whole government approach' is required, with the co-ordination of the Police, statutory partners and the community and voluntary sector. It is the intention that this partnership is to set the context of Serious and Organised Crime within Gloucestershire and then mobilise the network of local partners to work together with a strong emphasis on a preventative, early intervention approach.

(7b) Local Government Transparency Code 2015

Introduction

This Code is issued to meet the Government's desire to place more power into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services.

Transparency is the foundation of local accountability and the key that gives people the tools and information they need to enable them to play a bigger role in society. The availability of data can also open new markets for local business, the voluntary and community sectors and social enterprises to run services or manage public assets.

Detecting and preventing fraud (taken from Annex B of code)

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

A culture of transparency should strengthen counter-fraud controls. The Code makes it clear that fraud can thrive where decisions are not open to scrutiny and details of spending,

contracts and service provision are hidden from view. Greater transparency, and the provisions in this Code, can help combat fraud.

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

Council wide fraud and irregularity activity relating to 2018/19 including Internal Audit activity

| Question | Gloucester City Council Response |
|--|---|
| Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers. | N/A |
| Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud. | 1.6 FTE fraud investigators and access to the Gloucestershire Counter Fraud Hub (CFU) as part of the Internal Audit shared service arrangement with Gloucestershire County Council and Stroud District Council i.e. Audit Risk Assurance (ARA). |
| Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists. | One FTE employed by the City Council with 1.6 FTE fraud investigators employed by ARA and access to the Gloucestershire CFU as part of the Internal Audit shared service arrangement. |
| Total amount spent by the authority on the investigation and prosecution of fraud / <u>irregularity</u> .. | £32,535 (includes an element of costs for the services of ARA and the Gloucestershire CFU as part of the Internal Audit, ARA shared service arrangement. Excludes Gloucester City Council staff costs). |
| Total number of fraud cases investigated. | 0 |

In addition to the above, it is recommended that local authorities should go further than the minimum publication requirements set out above (as detailed for Gloucester City Council) in the table below.

| Question | Gloucester City Council Response |
|----------|----------------------------------|
|----------|----------------------------------|

| | |
|--|---|
| <p>Total number of cases of irregularity investigated.</p> | <p>109 Housing Benefit (HB) cases referred to the Department for Work and Pensions (DWP) for their investigation.</p> <p>130 HB cases recalculated due to HB Matching Service (HBMS).</p> <p>276 HB cases recalculated due to Real Time Information/ Validate Earnings and Pensions Alerts Service (RTI/VEP).</p> <p>78 cases received from the DWP as a direct result of their investigations.</p> <p>1 case of theft of cash.</p> |
| <p>Total number of occasions on which a) fraud and b) irregularity was identified.</p> | <p>a) 0</p> <p>b) 1 + As a local authority there is an obligation to refer our HB fraud allegations to DWP for their consideration as to whether an investigation should take place. The City Council has no control over which cases the DWP choose to (or choose not to, investigate).</p> |
| <p>Total monetary value of a) the fraud and b) the irregularity that was detected.</p> | <p>a) 0</p> <p>b) £3,000 + Referred to DWP £334,657.71 Housing Benefit overpayments (overpayments referred to DWP for their consideration of investigation must all be over £2K to meet the referral threshold).</p> <p>Received from DWP £31,949.99 Housing Benefit overpayments.</p> <p>HBMS £213,689.76 of HB overpayments.</p> <p>(RTI/VEP) - £130,657.66 of HB overpayments.</p> |
| <p>Total monetary value of a) the fraud and b) the irregularity that was recovered</p> | <p>a) 0</p> <p>b) Recovery will be sought from all those who have been overpaid</p> |

| | |
|--|--|
| | Housing Benefit as a result of fraud / irregularity. |
|--|--|

Full details about the code and its requirements can be found at:

<https://www.gov.uk/government/publications/local-government-transparency-code-2015>

(7c) Gloucester City Council’s participation in Gloucestershire’s Counter Fraud Unit (CFU)

National Context

In 2011, the Cabinet Office Counter Fraud Taskforce issued a report on ‘Illuminating Public Sector Fraud’ which outlined four strategic priorities:

- Collaboration;
- Assessment of Risk;
- Prevention; and
- Zero Tolerance.

‘The scale of fraud against Local Government is extensive and hard to quantify with precision. Fraud costs UK public services an estimated £21 billion per year, of which £2.1 billion is the estimated cost to Local Government. A further £14 billion is lost to tax fraud and vehicle excise fraud and £1.9 billion to benefit and tax credit fraud. Reducing this is now a major priority across all areas of government.’ Cabinet Office 2016.

The National Fraud Authority and the Audit Commission have closed. However, fraudsters are becoming increasingly sophisticated. All public service organisations are more vulnerable than ever to criminal activity.

Although resources remain stretched, the reduction of fraud within the public sector is a priority and is reflected by the CIPFA Counter Fraud Centre which was launched in 2014 to lead and coordinate the fight against fraud and corruption across local and central government.

Local Context

The CFU has been engaged through ARA in 2018/19 to undertake work on behalf of the Council. All counter fraud activity undertaken by the CFU has been agreed with the S151 Officer and relevant Service Managers, and overseen by the Chief Internal Auditor.

Work streams reviewed by the CFU, in liaison with the Policy and Resources Intelligent Officer and ARA have included:

- Small Business Rate Review (SBRR) - some of this work is ongoing however to date there have been 1,292 review forms issued and 954 cases reviewed. Work is ongoing to chase the outstanding non responders. Outcomes will be reported once the work is complete.
- Council Tax Long Term Empty Property Review - 218 properties were referred for a visit. 71 of which reported to the revenues team as occupied at approximately £5,000 per property over four years, this equates to circa £355,000. The Council has introduced an empty homes premium on those empty and unfurnished properties >2years. All those that were genuinely empty are now subject to a Council Tax charge of 150%.
- Housing List Review – 557 cases were referred for urgent review or removal. The National Fraud Initiative (NFI) apply a figure of £3,240 (estimated figure used as an average basis for the calculation of the amount lost attributable to fraud and error), for each application removed, for future losses prevented as a result of removing an applicant because there is no need for temporary accommodation to be utilised. In addition, the result of the band reprioritisation is that those families who are correctly banded have a greater chance of being housed and more speedily. Based on the NFI estimate, this equates to £1,804,680.

(8) Internal Audit Effectiveness

The Accounts and Audit Regulations 2015 require '*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*'. This process is also part of the wider annual review of the effectiveness of the internal control system, and significantly contributes towards the overall controls assurance gathering processes and ultimately the publication of the Annual Governance Statement.

The Accounts and Audit Regulations 2015 also state that internal audit should conform to the Public Sector Internal Audit Standards (PSIAS) 2017.

Public Sector Internal Audit Standards (PSIAS)

These standards have four key objectives:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

The Internal Audit Charter, Quality Assurance and Improvement Programme (QAIP), Code of Ethics and the Audit and Governance Committee's Terms of Reference all reflect the requirements of the standards.

External Quality Assessment of the Effectiveness of Internal Audit

There is a requirement under the PSIAS i.e. Standard Ref '1312 External Assessments' for internal audit to have an external quality assessment which must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The standards require the Chief Internal Auditor to discuss the following with the Audit and Governance Committee:

- The form of external assessment; and
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

The review undertaken during May 2015 by the Chartered Institute of Internal Auditors (CIIA) included a review of the team's conformance to the International Professional Practice Framework (IPPF) as reflected in the PSIAS, benchmarking the function's activities against best practice and assessing the impact of internal audit on the organisation. There are 56 fundamental principles to achieve with more than 150 points of recommended practice in the IPPF. The independent assessment identified 100% conformance.

The Chartered Institute of Internal Auditors stated: *'It is our view that (the Council's) internal audit function conforms to all 56 principles. This is excellent performance given the breadth of the IPPF and the challenges facing the function'*.

The internal audit shared service applies consistent systems and processes, which supports compliance across the Audit Risk Assurance Shared Service partners.

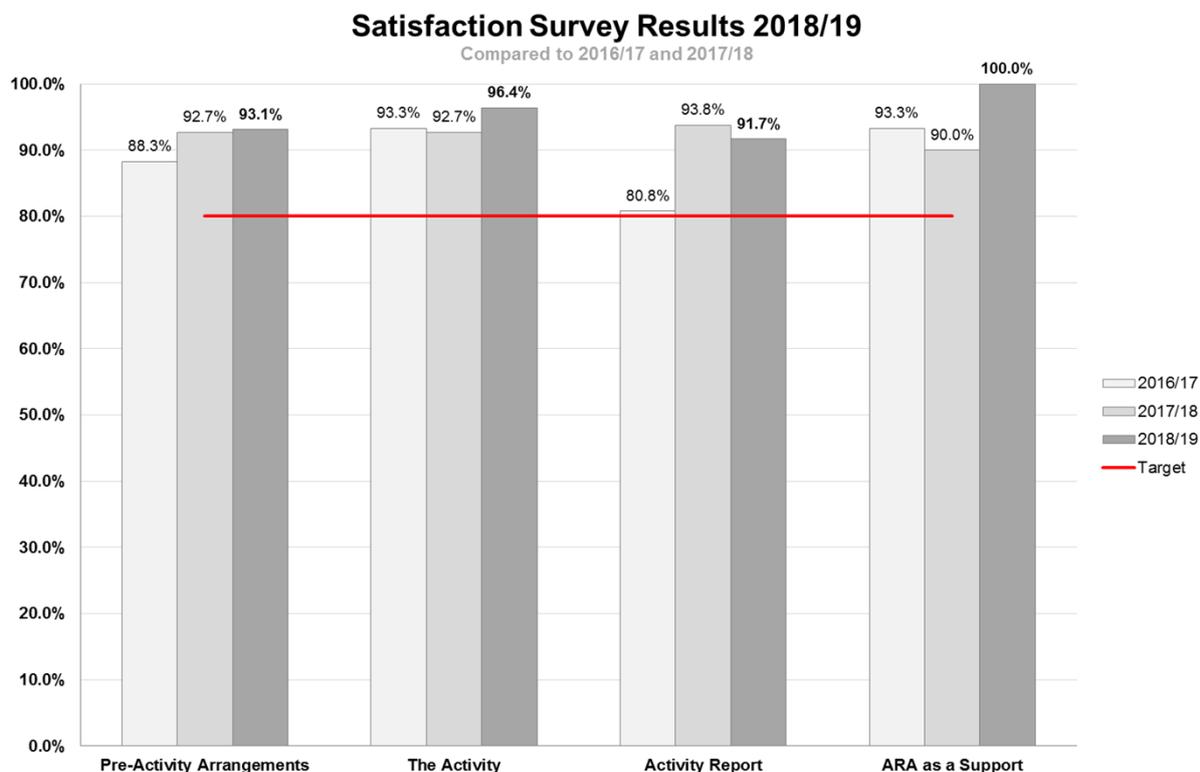
During 2018/19 the Chief Internal Auditor assessed Internal Audit's performance against the Internal Audit QAIP as required by the PSIAS. The QAIP confirmed compliance against the PSIAS.

The last External Quality Assessment (EQA) was undertaken by the CIIA in May 2015, therefore the second assessment being due during May 2020. The review will cover the three ARA partners: Gloucestershire County Council, Stroud District Council and Gloucester City Council. The outcomes will be reported to the Committee.

Internal Assessment - Customer Satisfaction Survey results 2018/19

At the close of each audit review a customer satisfaction questionnaire is sent out to the Corporate Director, Head of Service or nominated officer. The aim of the questionnaire is to gauge satisfaction of the service provided such as timeliness, quality and professionalism. Customers are asked to rate the service between excellent, good, fair and poor.

A target of 80% was set where overall, audit was assessed as good or better. The latest results as summarised below, shows that the target has been exceeded, with the score of **100%** reflecting Internal Audit as being a positive support to their service.



In addition, the following positive comments have been received from our customers:

- *“I thought the way the auditor conducted himself was really good. He was approachable and always gave clear directions on what he wanted”.*
- *“Your audit of BCM has been really useful thank you”.*
- *“I was happy with the final report”.*
- *“Clear concise and opportunity to discuss, without pre-conceived ideas”.*
- *“Thanks to you and the other auditor for making internal audits an enjoyable and valuable process”.*

Lessons Learned from customer feedback and actions taken by Internal Audit

The Chief Internal Auditor reviews all client feedback survey forms and where a less than good rating has been provided by the client, a discussion is held with both the relevant auditor and the manager to establish the rationale behind the rating and where appropriate actions are taken to address any issues highlighted.

No specific feedback for improvement of audit approach has been received within 2018/19, however a revised joint working protocol has been agreed between internal and external audit to avoid duplication and static annual auditing of the same area / system or process.

ARA Learning and Development

Development of leaders, managers and staff within ARA is a key priority, to ensure that the service has the qualities, behaviours and skills to deliver efficient and effective services to our partners and external clients.

The Chief Internal Auditor is a member of the Local Authorities Chief Auditor's Network, Midland Counties Chief Internal Auditor Network and the Midland District Chief Internal Auditors Group. ARA staff participate in CPD and / or are members of other relevant internal audit, counter fraud and risk related forums / groups, all of which provides the opportunities to discuss and understand the latest developments affecting the internal audit, counter fraud and risk management profession, contribute to strategy, exchange ideas and work collaboratively on problems and issues.

ARA is also committed to offering a structured trainee auditor programme, to attract people to the Council and to the profession, currently supporting three trainee auditor posts.

ARA Partner Dividend

During 2018/19 ARA has been in a position to be able to provide a dividend to the Council in the sum of £ 13,375.86. This is due to efficiencies achieved by the shared service during this period.

Internal Audit's relationship with the Audit and Governance Committee

The Chief Internal Auditor functionally reports to the Audit and Governance Committee and supports the Committee in fulfilling its role as an independent assurance provider.

The Chartered Institute of Public Finance and Accountancy, CIPFA, have recently produced revised guidance on the function and operation of audit committees; "Audit Committees in Local Authorities and Police, 2018 edition". The guidance represents CIPFA's view of best practice for Audit Committees in local authorities throughout the UK and replaces the Position Statement of Audit Committees in Local Government issued in 2013. In the guidance, CIPFA provide a suggested self-assessment against recommended practice.

By reviewing the Committee's effectiveness against a good practice self-assessment on an annual basis, the Committee can demonstrate a high degree of performance and evidence that the Committee is soundly based with a knowledgeable membership that is not impaired in any way. Completion of the self-assessment can also be used to support the planning of the Committee's work programme and training plans and inform the Committee's annual report to Council.

Internal Audit led on a review of their effectiveness which enabled members of the Committee to undertake a self assessment against the good practice principles. An action plan has been developed which summarises the next steps to further enhance the Committees effectiveness.

Green Impact Award

Green Impact is a sustainability accreditation scheme with an awards element. Green Impact supports organisations in meeting the reduction in energy and fuel use, cost and resulting CO2 emissions.

ARA achieved a bronze award in 2017 demonstrating and evidencing change across the team and its activities making improvements in managing waste and recycling, reduction of energy use, reduction in water usage including preventing water wastage, reusing before procuring new, alternative travel use and improving overall team health and well-being.

ARA was also identified by the scheme in 2017 by being awarded the Green Impact special award for its proactive approach in making positive changes to its processes to benefit the Council as a whole.

In 2018 ARA has further demonstrated its commitment in meeting this objective and received the gold award, the highest award within the scheme.

Completed Internal Audit Activity during the period April – June 2019

Summary of Limited Assurance Opinions on Control

| | |
|------------------------|--------------------------|
| Service Area: | Council Wide |
| Audit Activity: | Health and Safety |

Background

Gloucester City Council is committed to managing health and safety at work as an integral part of its business; to foster and promote a positive and caring attitude to health and safety in the work place.

Scope

The overarching objective was to ascertain details of the arrangements and procedures established by the Council to meet its commitment to health and safety, and fulfilment of legal requirements. In particular, to review:

- The governance framework and corporate oversight arrangements;
- Roles and responsibilities within the service areas, and compliance with the Health and Safety Policy; and
- How property related health and safety risks are being managed.

Risk Assurance – Satisfactory

Control Assurance – Limited

Key Findings

- There is a clear and documented policy outlining the Council's commitment to managing health and safety at work, which is accessible to all staff via the NET consent Policy Management Centre. The policy was last formally activated via NET consent for staff to read on 20th December 2017.
- Records confirm that all Service Managers and Heads of Service have read the policy and confirmed their understanding of this.
- Corporate oversight is partially provided by the Strategic Health and Safety Management Group. The policy also requires the formation of the Operational

Health and Safety Management Group (to support the Strategic Group), however, at the time of the audit this group has not yet been formed.

- The Community Wellbeing Officer has specific responsibilities regarding health and safety, assisting the Head of Communities and Community Wellbeing Manager, and to provide advice and support to service managers, as required. This includes a requirement to carry out annual health and safety audits. However, this review has highlighted that these fundamental audits have not been completed for at least 12 months.
- An established system is in place for staff to report incidents to the Community and Wellbeing Officer for any further investigation/action to be taken. Statistical data on incidents is provided to the Strategic Health and Safety Management Group, although at the time of the audit, this did not capture any near misses.
- The majority of managers have not received relevant corporate health and safety training, or received any recent guidance on the records that should be maintained by them, and in what format. It has been recommended that the Head of Communities (in consultation with the Community Wellbeing Officer) undertake a knowledge gap analysis and arrange for appropriate training to be provided as soon as is practical.
- Where managers have additional responsibility for operations within a Council building, clarity is required on where the division of responsibilities lay between themselves and the Assets and Property Service.
- There has been a significant breakdown in the oversight provided by the Assets and Property Service relating to the statutory requirements of Council buildings. Internal Audit was advised that a concerted effort is now being made to produce a gap analysis of all Council asset statutory records and, where appropriate, any remedial works that are required.

Conclusion

Internal Audit's review has confirmed that service managers displayed a positive attitude towards the wellbeing of their team members. However, it has also highlighted that the control environment is currently ineffective and the day to day practical application of health and safety arrangements are not fully understood, or being consistently applied and documented across the Council.

Management Actions

Management have responded positively to the audit findings and a plan of action has been agreed that when implemented will address the issues highlighted by this review.

Service Area: Council Wide

Audit Activity: Purchasing: Low and Intermediate Value Transactions

Background

The Council undertakes a variety of purchasing activities to help deliver services and meet its key aims and objectives. Failure to operate a transparent process for the procurement activity (coupled with any non-compliance with the requirements of the Public Contract Regulations 2015) exposes the Council, officers and Members to significant risks in the event that the contract award is subject to challenge or does not provide value for money.

Scope

The objective of the audit was to review low and intermediate value purchases (not exceeding £50,000) made by the Council, in order to evaluate the level of compliance with the Contract Rules contained within Part 4 of the Council's Constitution.

Risk Assurance – Satisfactory

Control Assurance – Limited

Key Findings

- In the majority of cases:
 - ProContract (The Council's e-tendering system) is not being used to facilitate and record the receipt of any quotations received in accordance with the Contract Rules;
 - Alternative quotes are not being obtained; and
 - For amounts over £10,000 formal written contracts are not being prepared/ approved by the Council's Solicitor.
- There is strong evidence of the disaggregation of purchase orders raised to the same supplier on an ongoing basis; albeit, Internal Audit found that this was due to a lack of knowledge of the Contract Rules, rather than a deliberate attempt to circumvent the required process.
- A periodic review of purchase orders raised across the Council does not take place to identify opportunities for the establishment of corporate contracts, which when combined, could offer economies of scale and better value for money.

- For ongoing commitments, officers are not considering the total expenditure over a four year period, where in some instances; the value has exceeded the EU threshold.
- Where the Contract Rules have not been followed, an appropriate waiver is not being applied for, documented and authorised (following consultation with the Section 151 Officer and Council's Solicitor) and kept by the Procurement Adviser.
- The Contracts Register on ProContract (The Council's e-tendering system) is not being kept up to date.

Conclusion

Whilst there is evidence of some good practice, the level of compliance with the Council's Contract Rules is significantly lower than is required by Part 4 of the Council's Constitution. This level of non-compliance exposes the Council to potential challenge from alternative contractors who could deliver the required service.

Going forward, an enhanced level of corporate oversight is required; coupled with proactive action to identify any non-compliance and possible opportunities where a composite corporate contract could be procured. If the level of non-compliance with the Council's Constitution continues unchecked, then officers will view this to be normal practice and over time this is likely to undermine the Council's governance arrangements.

Management Actions

Management have recognised the audit findings and have begun to implement a plan of action. Once completed, the action plan will address the issues highlighted by this review.

Summary of Satisfactory Assurance Opinions on Control

Service Area: Council Wide

Audit Activity: Business Continuity Management Planning

Background

The Civil Contingencies Act 2004 requires all local authorities to have Business Continuity Management (BCM) arrangements in place, designed to ensure that as far as possible it can continue to operate the critical elements of the service in the event of disruption such as power loss, flooded premises or high staff absence.

Scope

The objectives of the audit were to review the:

- Adequacy of the information recorded in the Corporate Strategic Risk Register for an unexpected service disruption;
- Maintenance and communication of the Business Continuity: Corporate Recovery Plan;
- Development of service Business Continuity Plans;
- Approach to simulation testing; and
- Reporting arrangements to senior management and the Audit and Governance Committee.

Risk Assurance – Satisfactory**Control Assurance – Satisfactory****Key Findings**

- The risk to Business Continuity and service delivery is fully acknowledged and is recorded on the Council's Strategic Risk Register 1.9: "Ability to respond to unexpected events in support of our communities". Changes affecting this risk are being monitored through the Council's established risk management reporting process;
- The Council's Business Continuity: Corporate Recovery Plan (BCCRP) is a strategic document which is continually evolving and was last formally updated in June 2018. It is now in need of further refresh and once completed consideration should be given to making this document accessible to all staff via the Council's intranet;
- Priority functions and targeted recovery timescales have been identified following a business impact assessment undertaken by each service area and these are recorded in the CRP and individual service plans. However, some inconsistencies were identified between the details in the CRP and service plans which need to be amended;
- At the time of the audit some service plans were still being developed and progress is being closely monitored by the Head of Communities; and
- Simulation testing has not taken place in 2018/19 due to changes resulting from the Together Gloucester programme and the planned move to Shire Hall. Internal

Audit was advised that this will recommence in 2019/20 following the updating of the CRP and the service plans affected by the changes.

Conclusion

The Council is aware of its responsibilities under the Civil Contingencies Act 2004 and has developed a framework to try and help manage and minimise the effect any significant disruption to service delivery should this occur.

Internal Audit review of these arrangements provides satisfactory assurance that the risks which are considered to be material to the achievement of the objectives for this area under review are adequately managed and controlled.

The engagement of the County’s Civil Protection Team Officer to provide advice, guidance and challenge is considered positive and going forward should enable the existing arrangements to be further developed as required. The re-introduction of simulation testing should be a priority.

Management Actions

Management have responded positively to the audit findings and four recommendations have been made that when implemented, will address the issues highlighted by this review.

Service Area: Communities

Audit Activity: Houses in Multiple Occupation (HMOs) – Licensing and Enforcement

Background

A house in Multiple Occupation (HMO) is a property which is let to at least five tenants who form more than one household and who share a toilet, bathroom or kitchen facility. A landlord is obliged to apply for a licenced HMO, where they are considered a “fit and proper person” and their property meets the necessary quality standards, with the objective of protecting the well-being of private tenants.

Scope

The Licensing and Management of Houses in Multiple Occupation and Other Houses Regulations 2006 details the requirements for granting of a licence. The objectives of the audit were to provide assurance that an appropriate and effective control framework is in

place to manage the licensing of HMO property and the Council's responsibilities under the regulations.

Risk Assurance – Substantial**Control Assurance – Satisfactory****Key Findings**

- There are currently circa 300 licences issued by the Council and the Uniform database and the Information at Work system is used to manage the supporting evidence;
- From 2019/20, licences are issued for a five-year period requiring the applicant to complete an on-line application form and pay an advance fee of £820;
- The Housing Team are currently completing a comprehensive review of the procedures and controls to be used for new applications, renewals and for ensuring on-going compliance with the regulations;
- Sample testing of the application and renewal process for licences identified some non-compliance issues such as the absence of property measured floor plans, as required by the above regulations;
- The 2019/20 fee model is suitably documented to show the activity-based costing process used; and is considered materially accurate, with viable financial assumptions; and
- Complaints received from tenants are handled with an appropriate procedure which is consistent with the Regulatory Services Policy.

Conclusion

Overall, the management of the HMO licencing process is effective and as such Internal Audit concludes that substantial assurance can be given for risk identification maturity and satisfactory for the control environment. The additional resource provided to the Housing team should enable the Council to become more proactive in identifying any unlicensed properties that may exist and to then take appropriate action. Two recommendations have been made with the objective of further enhancing the existing arrangements.

Management Actions

Management have responded positively to the audit findings and a plan of action has been agreed that when implemented will address the issues highlighted by this review.

Summary of Substantial Assurance Opinions on Control

Service Area: Council Wide

Audit Activity: Scheme of Delegation

Background

Gloucester City Council is required to operate within legal requirements for the delegation of decision making and also its own scheme of delegation as detailed in the Council's Constitution. The legislation, a limited body of case law, and the constitution details the extent to which, and the way in which, the Council can delegate its functions.

The procedures that are followed in support of effective governance should ensure the Council operates in an efficient, transparent and accountable manner.

Scope

The objectives of the audit were to confirm:

- The Council's scheme of delegation is periodically reviewed to ensure it meets the most recent legislative requirements and operating practices;
- The advice and guidance available to support and ensure compliance with the Council's delegation 'rules';
- That decisions by Members and Officers are in accordance with the scheme; and
- That decisions taken are recorded and made available (or restricted) in accordance with legislation and the constitution.

The audit scope was limited to Gloucester City Council's scheme of delegation to Members and Senior Officers as determined by the requirements of the Local Audit and Accountability Act 2014.

Risk Assurance – Substantial

Control Assurance – Substantial

Key Findings

- There is a clear and documented process outlined in the Council's Constitution, notably part's 3 and 7 (Responsibility for Functions and Proper Officers and Scheme of Sub Delegation respectively);

- Report templates, guides and decision making advice are available upon request from the Policy and Governance Manager. Report writing guidance was provided by email to the Gloucester Management Team on 25th March 2019;
- OneLegal, in consultation with the Council, periodically review the Council's scheme of delegation and perform appropriate oversight of the decision making process;
- Nine of the decisions had been appropriately documented and published; one implementation decision, taken on 7th March 2019, had been documented and forwarded to legal services but not subsequently published. Following Internal Audit's query, the decision was subsequently published; and
- Two decision records contain typographical errors.

Conclusion

All decisions were taken in accordance with the Council's Scheme of Delegation as detailed within the constitution, and documented as required. Whilst one implementation decision had not been published, this appears to be an oversight and has now been rectified. Additionally, two decision records contained typographical errors and indicate a need for a closer scrutiny of the records prior to being published.

Management Actions

None.

Summary of Consulting Activity and support provided where no opinions are provided

Service Area: Council Wide

Audit Activity: Key ICT Project Governance (Position Statement)

Background

As part of the 2018/19 Internal Audit Plan, a review of Key ICT Project Governance is being undertaken.

A breadth of ICT projects are being delivered within 2018/19, including those supporting the Gloucester City Council accommodation review outcomes. For a selection of key ICT projects, the audit will provide assurance that the projects align with the strategic development plan, are appropriately managed and that expected benefits have been properly quantified and have been or will be realised.

Scope

The scope of the audit includes, but is not limited to, the following areas:

- The Council has a defined policy/process/framework for ICT project governance;
- All projects align to the Council's ICT Strategy and objectives;
- Projects are supported by a documented and authorised Business Case (including allocation of a lead officer and project sponsor at senior management level);
- Project scope and requirements are clearly defined;
- Costs have been reliably estimated and are subject to real time monitoring;
- Project monitoring is completed on a regular basis and at an appropriate level; and
- Project benefits are both visible and quantifiable.

Key Findings

From information provided by the Information Governance Board together with discussions with key ICT personnel, Internal Audit has confirmed that a documented and approved ICT Strategy is in place. All ICT projects should follow a standard methodology, be documented and authorised.

A framework agreement is in place to ensure the Council obtains optimum value for money on all ICT expenditure.

An ICT Strategy Board is in place to review, validate and approve all new ICT projects. Membership of the Board includes senior officers, with representation from both Finance and ICT. The ICT Strategy Board convenes monthly to proactively monitor project progress against agreed timescales and budgetary expenditure.

The current ICT workstack includes a number of key projects. Examples include, but are not exclusive to:

- New Gloucester City data centre to house all Council server hardware;
- Windows 10 system upgrade across all Council PCs and server;
- Replacement of the legacy Aspire telephony system; and
- Windows 2008 server upgrade programme.

Internal Audit has selected a sample of key ICT projects from the 2018/19 work stack, to review and test against the audit scope criteria. Audit review and testing is in progress at the point of this position statement.

Conclusion

At the point of Internal Audit Annual Report 2018/19, the Key ICT Project Governance internal audit is in progress. Completion of the internal audit within 2019/20 will be valuable, to enable review of the ICT project governance framework to an appropriate stage for each of the sampled projects.

Outcomes of the internal audit are planned to be discussed with the Information Governance Board, prior to final presentation to Audit and Governance Committee within 2019/20.

Service Area: Policy and Resources

Audit Activity: Service Planning and Performance Reporting

Background

Effective service planning to support and ensure the delivery of corporate objectives, along with robust performance management systems are a key component of effective governance. The Annual Governance Statement for both 2016/17 and 2017/18 made reference to required actions in respect of service planning and performance management.

The Council embarked upon a significant review and refresh of its approach to performance and risk measurement, management and reporting, including investing in new Performance and Risk Management Software system (Pentana Performance).

Scope

To review the progress made to date in implementing the new service planning system, along with the plans and milestones to support and ensure delivery of the full system in accordance with the objectives and timeframe set (i.e. direction of travel).

Key Findings

Overview

The development of the Council's performance management framework has taken longer than originally planned due to the organisational impact of the 'Together Gloucester' project. Organisational structures changed during the intended implementation period and to progress elements of the development process would have resulted in abortive work. In

addition, focus was placed on the implementation of the service delivery and operating redesign resulting from the project.

A project framework operates, targeting implementation of service planning for 2019/20. On-going development will be an evolutionary process. As at mid-April 2019 service plans for 2019/20 were being entered onto the Performance Management System (PMS), when this task is complete service performance for the current year will be monitored and reported upon from the system direct. Access to a range of standard reports from the PMS will support more effective service performance monitoring for managers and Members.

Performance and Risk Management Software system

- The ongoing development of the system and associated processes has supported a formal and structured approach to service planning for the 2019/20 year.
- To utilise the system fully it has been identified that additional resource is required and a request to fund and source this resource is to be made in June 2019. Should this additional resource not be approved then we have been advised the development of the system will continue to progress but on a protracted timeline.

Service planning and monitoring

- A number of actions have occurred during 2018/19 that strengthens service planning and performance reporting for 2019/20. These actions and those planned support a structured planning and performance monitoring system, for example:
- A service planning template along with guidance notes on completion have been introduced. The template includes the links to corporate priorities, measurements (outputs and outcomes), inputs (budget and resources), interdependencies, constraints and risks. Review of the guidance and a sample of the completed service plans (developed in accordance with the template) show the process offer the base for effective service planning and performance monitoring.
- All service plans would be added to the software system and be monitored from the system in year. Service planning learning points from the current year will feed through to the service planning process for 2020/21.
- There is evidence of the development of clear links between the Council Plan to the four Theme Strategies (not all completed at the time of this review), to Service Plans. Outcomes and outputs support the delivery of priorities and a range of

performance indicators aid the monitoring of the 'business as usual' elements of service delivery.

- The staff performance appraisal guidelines identify the need to link the individual's contribution and performance targets to service plans, which in turn link to the corporate plan. The performance appraisal system is not included within the scope of this review.

Performance reporting

- In 2017/18 performance measurements maintained on the PMS by service areas were those that fed through to the formal performance reports considered by Cabinet.
- The 2018/19 first quarters monitoring report to Cabinet outlined that; 'Work towards ensuring meaningful presentation of performance data is ongoing with inclusion of more targets and thresholds to provide a RAG status for measures alongside direction of travel. Going forward, some measures may be revised to ensure that the data is presented with the appropriate context.' Internal Audit has confirmed these developments are being progressed, further development being linked to resources available.

Accountability

- Clear ownership and accountability for service planning, monitoring performance and the maintenance of the performance data rests with service managers. Projects headed by service managers will be included within their remit. Establishing the process for managing council wide projects within the system was under review, but assurance was given that clear ownership and responsibility for project performance targets, data and monitoring will be established, using the PMS.
- The Policy and Governance Team has responsibility for the administrative management of the software, developing the benefits that can derive from the system and for drawing together corporate performance monitoring reports.

Conclusion

The service planning process and the development of performance measurements has progressed during 2018/19.

There are clear plans to enhance performance reports to become a combination of performance indicators and outcome measures that evidence trends and progress in delivering service and council's priorities and objectives.

The performance and risk management IT system has been implemented. The associated systems and processes, although in their infancy, provide a sound base for effective service planning and performance monitoring arrangements leading to enhanced performance reporting. These arrangements should support effective performance management, being a key contributor to the Council's governance framework.

Within a performance management framework should be a 'golden thread' which links and evidences the contribution and performance from the individual through to the corporate wide attainment of the Council's goals. Although not examined in detail as part of this review evidence is available to indicate all the expected links will be incorporated within the system. Effective maintenance and unitisation of the PMS and compliance with the intended associated process will be key to turning the development and implementation phases into the desired operational service planning and, performance monitoring and reporting system.

The overall direction of travel is positive. Although Internal Audit has been advised the pace of continued development and enhancement will be reliant on resourcing levels.

It has been agreed that Internal Audit will undertake an assurance audit in during 2019/20 assessing the service planning and performance reporting system when more established.

Management Actions

None.

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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 |
|----------------------|---|----------|---------------------|----------------|-----------------|--|--|
| Council Wide | Business Continuity Planning | High | Final Report Issued | Satisfactory | Satisfactory | 22/07/2019 | |
| Council Wide | General Data Protection Regulations (GDPR) | High | Draft Report Issued | | | | |
| Council Wide | Health and Safety | High | Final Report Issued | Satisfactory | Limited | 22/07/2019 | |
| Council Wide | Purchasing: Low and Intermediate Value Transactions | High | Final Report Issued | Satisfactory | Limited | 22/07/2019 | |
| Council Wide | IT Disaster Recovery and Business Continuity | High | Deferred | | | | Deferred to 2019/20 plan. |
| Council Wide | Ongoing Cyber Resilience | High | Deferred | | | | Deferred to 2019/20 plan. |
| Council Wide | Key ICT Project Governance | High | Audit in Progress | Not Applicable | Not Applicable | 22/07/2019 | Position statement presented in 2018/19 Annual Report. Final outcomes to be reported in 2019/20. |
| Council Wide | Code of Conduct for Employees - Follow Up | High | Final Report Issued | Satisfactory | Limited | 11/03/2019 | |
| Council Wide | Scheme of Delegation | High | Final Report Issued | Substantial | Substantial | 22/07/2019 | Brought Forward from 2017/18 plan. |
| Council Wide | Network Access Controls | High | Final Report Issued | Satisfactory | Limited | 17/09/2018 | Brought Forward from 2017/18 plan. |
| Communities | Licensing | High | Final Report Issued | Satisfactory | Satisfactory | 17/09/2018 | |
| Communities | Houses Multiple Occupation (HMOs) - Licensing and Enforcement | High | Final Report Issued | Substantial | Satisfactory | 22/07/2019 | |
| Communities | Disabled Facilities Grants | Medium | Final Report Issued | Satisfactory | Satisfactory | 19/11/2018 | |
| Communities | Solace - Follow Up | High | Final Report Issued | Satisfactory | Satisfactory | 17/09/2018 | |
| Communities | Homelessness | High | Final Report Issued | Satisfactory | Satisfactory | 11/03/2019 | |
| Cultural and Trading | Gloucestershire Airport Limited | High | Final Report Issued | Satisfactory | Satisfactory | 11/03/2019 | |
| Cultural and Trading | Markets | Medium | Deferred | | | | Deferred to 2019/20 due to new cash handling systems being developed and implemented. |
| Cultural and Trading | Great Place Funding | High | Final Report Issued | Satisfactory | Satisfactory | 19/11/2018 | |
| Place | Planning - Processing and Performance | High | Deferred | | | | Deferred to 2019/20 plan. |
| Policy and Resources | Blackfriars Priory Turnover Certification | High | Final Report Issued | Not Applicable | Not Applicable | 17/09/2018 | |
| Policy and Resources | Leavers Processes | Medium | Cancelled | | | | Scope will be delivered through the Network Access Controls limited assurance follow up within the 2019/20 plan. |
| Policy and Resources | Treasury Management | High | Final Report Issued | Satisfactory | Satisfactory | 11/03/2019 | |
| Policy and Resources | Service Planning and Performance Reporting | High | Final Report Issued | Not Applicable | Not Applicable | 22/07/2019 | |
| Policy and Resources | Cash and Bank - Follow Up | High | Final Report Issued | Satisfactory | Satisfactory | 11/03/2019 | |
| Policy and Resources | Civil Parking Enforcement | Medium | Deferred | | | | Deferred to 2019/20 plan. |
| Policy and Resources | Local Taxation | High | Final Report Issued | Satisfactory | Satisfactory | 21/01/2019 | |
| Policy and Resources | Members' Allowances and Expenses | Medium | Final Report Issued | Substantial | Substantial | 17/09/2018 | |
| Policy and Resources | Accounts Receivable | High | Final Report Issued | Satisfactory | Satisfactory | 19/11/2018 | |
| Policy and Resources | Capital Accounting | High | Final Report Issued | Substantial | Substantial | 21/01/2019 | |
| Policy and Resources | Payroll | High | Final Report Issued | Satisfactory | Satisfactory | 17/09/2018 | Brought Forward from 2017/18 plan. |

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| | | | |
|-------------------------|--|---------------------------------|-----------------------|
| Meeting: | Audit and Governance Committee | Date: | 22nd July 2019 |
| Subject: | Annual Governance Statement (AGS) 2018/19 | | |
| Report Of: | Head of Policy and Resources | | |
| | 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 396338 | |
| | Theresa.Mortimer@gloucester.gov.uk | | |
| Appendices: | 1: Annual Governance Statement (AGS) 2018/19 | | |
| | 2: Revised Local Code of Corporate Governance (LCCG) 2018/19 | | |
| | 3: Council Wide Governance Assurance Map 2018/19 | | |

1.0 Purpose of Report

- 1.1 To summarise Gloucester City Council’s corporate governance arrangements in place during 2018/2019, via the publication of an AGS, (signed by the Leader and the Managing Director), supported by a revised Local Code of Corporate Governance 2018/2019, which is in accordance with the requirements of the Local Government Act 1999, the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authorities Chief Executives (SOLACE) guidance – Delivering Good Governance in Local Government Framework 2016 and to provide the Committee with the Council Wide Governance Assurance Map 2018/19.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** that:
- the AGS 2018/19 (including the actions planned by the Council to further enhance good governance arrangements), as set out in Appendix 1, be approved.

3.0 Background and Key Issues

- 3.1 In April 2016, CIPFA and SOLACE published ‘Delivering Good Governance in Local Government: Framework 2016 and this applies to annual governance statements prepared for the 2018/2019 financial year. Guidance notes were also published to assist Council Leaders and Chief Executives in reviewing and testing their governance arrangements against the revised seven principles for good governance.

3.2 The key focus of the framework is on sustainability: economic, social and environmental and the need to focus on the longer term and the impact actions may have on future generations.

3.3 In response to the above, we therefore:

- reviewed the existing governance arrangements against the revised principles set out in the Framework;
- developed and implemented a refreshed local code of corporate governance, based on the principles, including an assurance framework for ensuring ongoing effectiveness; and
- will report publically, via the Annual Governance Statement on compliance with our code on an annual basis, how we have monitored the effectiveness of our governance arrangements in the year and on planned improvement areas.

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

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

6.0 Reasons for Recommendations

6.1 The Accounts and Audit Regulations 2015 6 (1) (a) requires the Council to conduct an annual review of the effectiveness of the system of internal control required by regulation 3, and (b) to prepare an Annual Governance Statement.

7.0 Future Work and Conclusions

7.1 The improvement actions identified as part of the annual review and included within the AGS will be monitored by Senior Management and the Audit and Governance Committee during 2019/2020.

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 effective governance will impact on the ability of the Council to achieve its vision, priorities and key actions. It is important to recognise that the purpose of the AGS is not just to be 'compliant', but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required.

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 & Trade Union

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

Background Documents:

Reference and Council website links to supporting reports and documentation are made within the AGS and LCCG.

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Annual Governance Statement 2018/19

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Scope of Responsibility

Gloucester City Council (GCC) is responsible for ensuring that its 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

GCC acknowledges its responsibility for ensuring that there is effective governance within the Council and as such has developed a Code of Corporate Governance that defines the principles and practices that underpin the governance arrangements operating within the Council.

Page 75 The Code is reviewed and updated annually and is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) guidance 'Delivering Good Governance in Local Government framework - 2016 Edition', the key focus being on sustainability i.e. economic, social and environmental and the need to focus on the longer term and the impact actions may have on future generations.

A copy of the Code can be accessed on the Council's website. However, a summary of the seven core principles upon which it is based can be found on page 9 of this document.

This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1) (a) and (b), which requires the Council to prepare and publish an Annual Governance Statement (AGS).

The responsibility for leading and directing the annual reviews of the effectiveness of the Council's governance arrangements against the Code and providing ongoing oversight and robust challenge, is the Council's Statutory Officers, comprising, the Managing Director, Chief Financial Officer (S151 Officer) and the Monitoring Officer and when completed, the findings are reported to and improvement actions identified, monitored by the Audit and Governance Committee.

What is Governance?

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- ❑ leadership and management;
- ❑ performance and risk management;
- ❑ stewardship of public money; and
- ❑ public engagement and outcomes for our citizens and service users.

What is the purpose of a Governance Framework?

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It assures that in conducting its business, the Council:

- ❑ operates in a lawful, open, inclusive and honest manner;
- ❑ makes sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud, properly accounted for and used economically, efficiently and effectively;
- ❑ has effective arrangements for the management of risk;
- ❑ secures continuous improvement in the way that it operates;
- ❑ enables human, financial, environmental and other resources to be managed efficiently and effectively;
- ❑ properly maintains records and information; and
- ❑ ensures its values and ethical standards are met.

What is the Annual Governance Statement?

The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement, in order to report publicly on the extent to which we comply with our own Local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year.

In this document the Council:

- ❑ acknowledges its responsibility for ensuring that there is a sound system of governance;
- ❑ summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- ❑ describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- ❑ provides details of how the Council has responded to any issue(s) identified in last year's governance statement; and
- ❑ reports on any key governance matters identified from this review and provides a commitment to addressing them.

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The Annual Governance Statement reports on the governance framework that has been in place at Gloucester City Council for the year ended 31st March 2019 and up to the date of approval of the statement of accounts.

It should be noted however, that any system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Council's Governance Assurance Framework, which underpins the AGS, has been in place at the Council for the year ended 31st March 2019 and up to the date of approval of the AGS and Statement of Accounts.

What is a Governance Assurance Framework?

Assurance provides confidence, based on sufficient evidence, that internal controls are in place and are operating effectively and that objectives are being achieved. An Assurance Framework is a structure within which Members and Senior Management identify the principal risks to the Council meeting its key objectives, and through which they map out both the key controls to manage them and how they have gained sufficient assurance about the effectiveness of those controls. The assurance framework underpins the statements made within the Annual Governance Statement.

A governance assurance process is in place to provide a framework for the annual assessment of the effectiveness of the governance arrangements operating within the Council. This includes overview and oversight and robust challenge by the Council's Statutory Officers i.e. the Managing Director, Monitoring Officer and Chief Financial Officer.

Page 78 In addition, 'the three lines of defence assurance model' is in place which helps Members and Senior Management to understand where assurances are being obtained from, the level of reliance they place on that assurance and identify potential gaps in assurance.

The Three Lines of Defence in effective Risk Management and Control

Assurance can come from many sources within the Council. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance.

By defining these sources into three categories i.e. the First Line (functions that own and manage risks e.g. management and supervisory controls), the Second Line (functions that oversee risks e.g. Governance structures and processes such as Audit and Governance Committee, Scrutiny, Boards) and the Third Line (functions that provide independent assurance on the management of risks e.g. HMRC, Information Commissioner, Internal/External Audit), helps the Council understand how each contributes to the overall level of assurance and how best they can be integrated and supported. Please see page 7 below which summarises the Council's governance assurance framework, which is based on the three lines of defence model.

What is the Council's Governance Assurance Framework?

Annual Governance Statement (AGS)

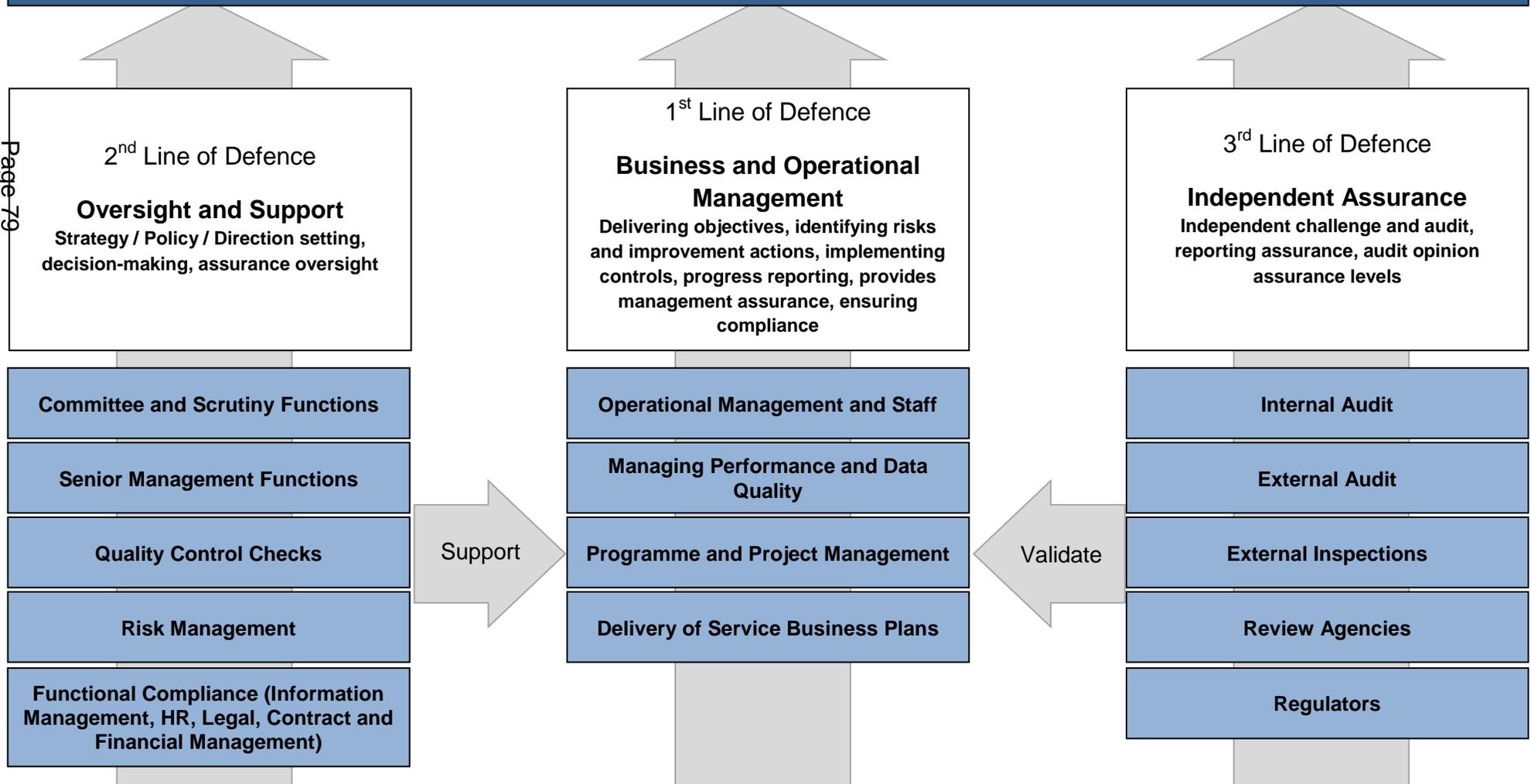
Audit and Governance Committee

(AGS Approval Committee)

Leader, Managing Director, Chief Financial Officer, Monitoring Officer, Senior Management Team

(Provides oversight of the 3 lines of defence assurance framework)

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How has the Annual Governance Statement been prepared?

In preparing the Annual Governance Statement the Council has:

- ❑ reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance;
- ❑ updated the Council's Local Code of Corporate Governance to reflect this guidance which includes the revised seven principles of good governance and associated required actions and behaviours taken by the Council that demonstrate good governance; and
- ❑ assessed the effectiveness of the Council's governance arrangements against the revised Local Code of Corporate Governance.

How does the Council monitor and evaluate the effectiveness of its governance arrangements?

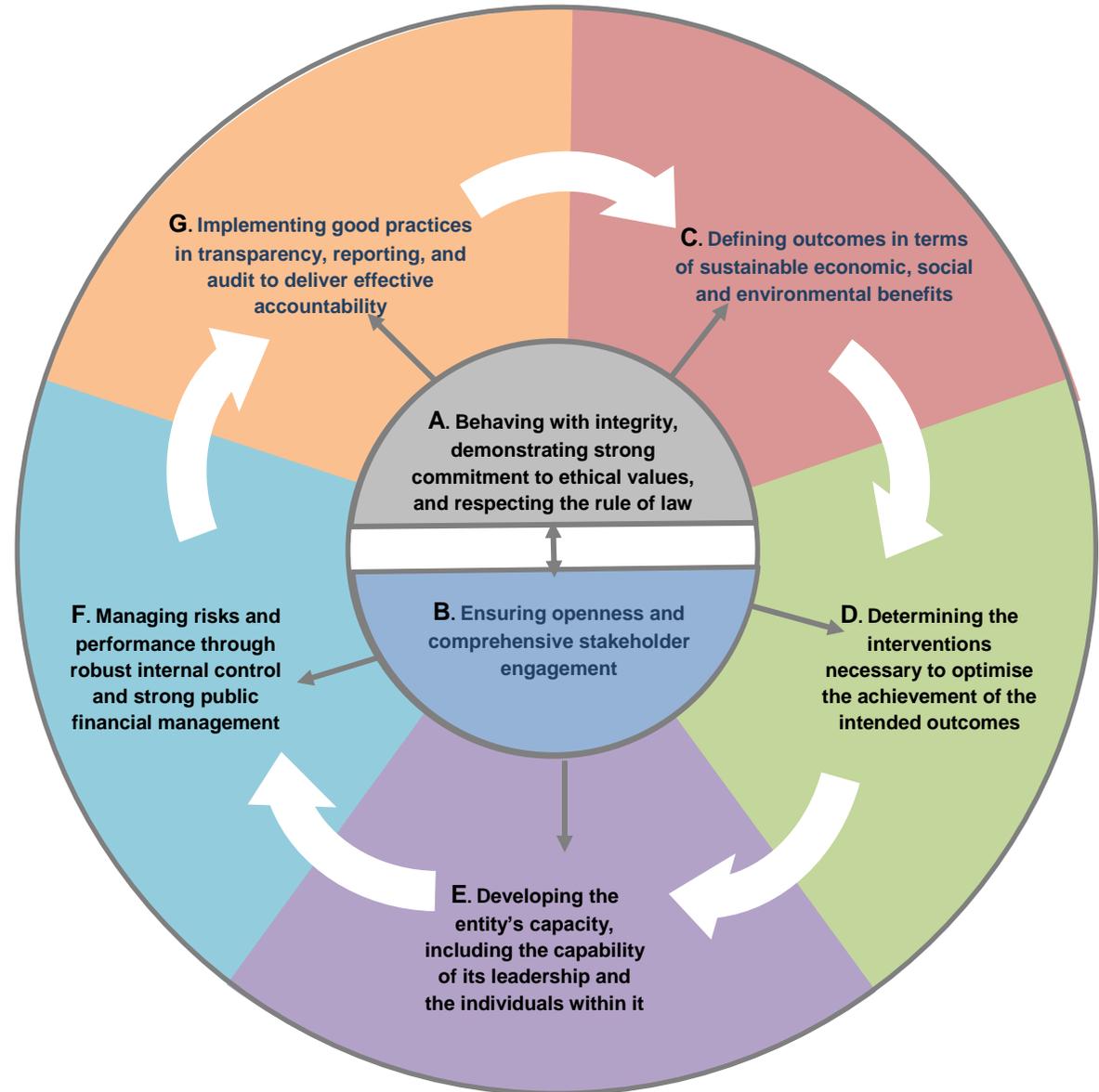
Page 80

The Council annually reviews the effectiveness of its governance arrangements. The key sources of assurance that inform this review are outlined below:

- ❑ The development and implementation of a Member / Management governance assurance framework which enables the Council to gain assurance that good governance actions and behaviours are operating within the Council;
- ❑ The work of Members and Senior Officers of the Council who have responsibility for good governance;
- ❑ The Chief Internal Auditor's annual opinion which has provided a **satisfactory** independent opinion on the effectiveness of the Council's control environment comprising, risk management, control and governance.
- ❑ The annual report on Risk Management Activity 2018/2019;
- ❑ Any comments made by the Council's External Auditors; and
- ❑ Any other review agencies and inspectorates.

What are the key elements of GCC's Governance Framework?

The Council aims to achieve good standards of governance by adhering to the seven core principles below, which form the basis of the Council's Code of Corporate Governance:



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The following pages provide a summary of actions and behaviours taken by the Council in relation to each of these seven core principles and associated sub principles.

Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Supporting Principles:

Behaving with integrity

Demonstrating strong commitment to ethical values

Respecting the Rule of Law

How we do this:

- ❖ The Council has an [Audit and Governance Committee](#) to promote high standards of Member conduct. Elected Members must follow a [Code of Conduct](#) to ensure high standards in the way they undertake their duties. The Monitoring Officer advises Members on the Code of Conduct.
- ❖ Officer behaviour is governed by the Officers' Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work.
- ❖ External providers of services acting on behalf of the Council are also required to comply with the Code of Conduct.
- ❖ These Codes are regularly reviewed to ensure they are operating effectively.

- ❖ Arrangements exist to ensure that Members and officers are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
 - Registers of disclosable conflicts of interests;
 - Declarations of disclosable conflicts of interests and disclosable other interests at the start of meetings; and
 - Registers of gifts and hospitality.
- ❖ A corporate complaints procedure exists to receive and respond to any complaints received.
- ❖ Actively seek to deter and prevent fraud and corruption and ensure where irregularity is suspected that it is thoroughly investigated.
- ❖ The required leadership and staff 'behaviours' are embedded into the performance appraisal process.

- ❖ The [Constitution](#) sets out the responsibilities of the Council, the Cabinet, Scrutiny and other Committees, as well as officers, including decision making powers.
- ❖ The Council has a duty to appoint three of its staff to specific roles, these being:
 - The Head of Paid Service (Managing Director), who has overall accountability for the governance arrangements operating within the Council.
 - The Monitoring Officer who has a key role in ensuring that decisions taken by the Council are within the law and the Council complies with the provisions of its Constitution.
 - The Chief Financial Officer is the principal financial adviser to the Council and is responsible for the proper administration of the Council's financial affairs and internal control environment.

Principle B

Ensuring openness and comprehensive stakeholder engagement

Supporting Principles:

Openness

Engaging comprehensively with institutional stakeholders

Engaging stakeholders effectively, including individual citizens and service users

How we do this:

- ❖ The [Gloucester City Council Plan 2017-2020](#) sets out our key objectives, actions, projects, measures and targets.
- ❖ Cabinet Member decisions and significant officer decisions are also reported on the Council's website.
- ❖ The Council publishes an [annual report on the activity of the Overview and Scrutiny Committee](#).
- ❖ Data is published in accordance with the [Local Government Transparency Code](#) which enables more power to be placed into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services.

- ❖ Elected Members are democratically accountable to their local area and this provides a clear leadership role in building sustainable communities.
- ❖ The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.
- ❖ Formal [Public Consultation](#) arrangements and public meetings held to ascertain stakeholder views prior to developing and implementing key policy changes.
- ❖ Developed and implemented alternative service delivery models to allow for resources to be used more efficiently and effectively.

- ❖ Elected Members have the opportunity to scrutinise decisions that have been taken by the Members through the 'call-in' mechanism. This allows an opportunity for further consideration of the issue before implemented.
- ❖ Have Your Say: If you have ever wanted to make your views heard, but simply don't have the time to attend public meetings or events, our free email alerts service will help keep you connected and updated on the things that matter to you and will enable you to have your say on a variety of issues and topics within Gloucester.
- ❖ City Life is the Council's digital newsletter for the residents of Gloucester. Latest issue is [here](#).

Principle C

Defining outcomes in terms of sustainable, economic, social and environmental benefits

Supporting Principles:

Defining outcomes

Sustainable economic, social and environmental benefits

How we do this:

- ❖ The [Joint Core Strategy](#) (JCS) is a partnership between Gloucester City Council, Cheltenham Borough Council and Tewkesbury Borough Council, supported by Gloucestershire County Council which will set out a strategic planning framework for the three areas.
- ❖ [Gloucester City Plan](#): Gloucester is a transforming, growing and regeneration City. Together with the Joint Core Strategy (JCS), the Gloucester City Plan (GCP) will continue Gloucester's regeneration journey by providing the development framework to guide the City's future growth up to 2031. It covers a timeframe of 15 years between 2016 and 2031.
- ❖ A Budget and Medium Term [Money Plan](#), Capital Programme and annual budget process ensure that financial resources are directed to the Council's priorities and targets. These are reported to and monitored by the Senior Management Team, Overview and Scrutiny Committee and Cabinet.

- ❖ Together Gloucester is a savings programme which has identified efficiency savings across the organisation in a systematic and considered manner.
- ❖ The Council aims to ensure that the purchase or commissioning of goods, services or works required to deliver services is acquired under Best Value terms.
- ❖ The Council has developed business continuity plans to ensure that critical service delivery can be maintained or recovered during an emergency.
- ❖ The Council's decision making process requires consideration of the 'sustainability' i.e. economic, social and environmental impacts of policies and plans when taking decisions about service provision.
- ❖ The Council works with partner organisations where there are shared objectives and clear economic benefits from joint working.
- ❖ Programme and project management arrangements require consideration of Political, Environmental, Societal (i.e. increased demand for a service and demographic changes), technological, legislative, economic and efficiency issues, risks and opportunities and value for money.

Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

Supporting Principles:

Determining interventions

- ❖ The Council's decision making process ensures that decision makers receive objective and robust analysis of a variety of options indicating how the intended outcomes will be achieved, providing information on the risks and opportunities associated with those options, thus helping to inform those decisions.
- ❖ Public consultation is undertaken to ensure that feedback from citizens and service users are fully considered when making decisions about service improvements / changes.
- ❖ The Council has a [complaints](#) procedure to enable our customers to tell us how we are doing, whether good or bad, so we can review what we do and change the way we work to enable us to deliver excellent customer service.

Planning interventions

- ❖ The Council has developed annual Service Plans, Service Level Agreements, Shared Service Agreements and contracts with defined outcomes and a balanced set of measures and risks to evaluate performance. These plans are aligned to the Council Plan, Joint Core Strategy and City Plan objectives.
- ❖ A strategic planning / performance framework and 'input to impact' methodology has been developed which enables individual service priorities link to the Council's priorities. This methodology requires consideration of the inputs, activities, outputs, outcomes and impacts associated with and needed to achieve these priorities. This then informs key performance indicators / targets.

Optimising achievement of intended outcomes

- ❖ The Council has developed and implemented a [Budget](#) and Medium Term Financial Plan.
- ❖ The financial plan demonstrates how the Council's financial resources will be deployed over the next five years to deliver declared aims and priorities.
- ❖ The Money Plan sets out the overall shape of the Council's budget by determining the level of resources that will be available and how these are currently allocated between services.
- ❖ The Council ensures the achievement of 'social value' (i.e. a way of thinking about how scarce resources are allocated and used when awarding a contract) when commissioning services and service planning.
- ❖ [Performance reporting](#) arrangements are in place analysing trends and latest budget position which are monitored at management and committee meetings and mitigation strategies are implemented to manage current and emerging risks.

How we do this:

Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it

Supporting Principles:

Developing the Council's capacity

How we do this:

- ❖ The Council participates in relevant benchmarking exercises and peer reviews to help inform how the resources are allocated, so that outcomes can be achieved effectively and efficiently.
- ❖ Collaborative working and alternative service delivery models are fully considered as part of the option appraisal process, when looking to determine how the Council's resources are allocated in order to meet our priorities.
- ❖ The Council has refreshed its workforce organisational development plan to align with the Council's new structure / operating model.
- ❖ A Talent Management Programme has been implemented to support succession planning and we are actively seeking to develop talent via our apprenticeship offering and support for staff undertaking professional qualifications.
- ❖ The Council has access to an Occupational Health Service that offers health assessments, health screening, health and well-being advice, ill health retirement advice, rehabilitation advice and advises managers on health related performance or attendance issues and an Employee Assistance Programme which provides staff counselling and advice.

Developing the capability of the Council's leadership and other individuals

- ❖ The Council's Constitution clearly defines the statutory and distinctive leadership roles of the Leader of the Council and the Managing Director, whereby the Managing Director leads on implementing strategy and managing the delivery of services and other requirements set by Members.
- ❖ A Members Development Programme is in operation, which supports continued Member development.
- ❖ The Council's staff performance appraisal process and talent assessment / management arrangements are in place. This provides an opportunity to reflect on how the individual is performing, what is going well and also where the individual may need further support or development as part of their role.
- ❖ The above includes leadership skills and behaviours as these behaviours are essential for the delivery of our key priorities, to continue to support our savings targets, and form part of our on-going commitment to personal and professional development.
- ❖ A comprehensive training and development offer is in place for managers and staff covering a range of core skills and leadership and management training. This includes a bespoke, modular programme for Senior Leaders and a dedicated Team Leader training programme in addition to a range of core skills training.
- ❖ Senior managers qualified at level 5 in coaching and mentoring and due to launch a joint coaching and mentoring offer with the County Council.

Principle F

Managing risks and performance through robust internal control and strong public financial management

Supporting Principles:

Managing Risk

How we do this:

- ❖ The Council has a [Risk Management Policy / Strategy](#) which clearly defines the roles and responsibilities for managing risk, confirming that risk management is an integral part of all our business activities including all aspects of business planning, option appraisals and decision making.
- ❖ Business Continuity arrangements are in place for critical services to ensure they can continue to operate in an emergency.
- ❖ The Audit and Governance Committee monitor the adequacy of the risk identification, monitoring and control of strategic and operational risk within the Council.

Managing Performance

- ❖ [City Council Plan 2017-2020](#) outlines our four clear priorities i.e. Working to create a vibrant and prosperous city, to maintain a safe and attractive city, to build strong and resilient communities and to provide great services that ensure Value for Money.
- ❖ A business planning framework is in operation which sets out our key priorities/ tasks / targets / risks for the day job in order to meet these priorities.
- ❖ Officers hold bi-monthly performance meetings with their relevant Cabinet Portfolio Holder.
- ❖ Priorities are monitored through our performance, programme and project management framework and overseen by, and reported to the relevant Committees and Cabinet.

Robust internal control

- ❖ There is an Internal Audit (IA) function (100% compliant with Public Sector Internal Audit Standards) which has provided a **satisfactory** independent opinion on the effectiveness of the Council's control environment comprising, risk management, control and governance.
- ❖ The Council takes fraud, corruption and maladministration very seriously and has established policies and processes which aim to prevent or deal with such occurrences. These can be found within the [Anti Fraud and Corruption Policy Statement and Strategy and confidential reporting procedure \(Whistleblowing\)](#).
- ❖ Audit and Governance Committee is responsible for monitoring and reviewing the above.

Managing Data

- ❖ Data is managed in accordance with the law. The key information management and security policies in place or being refreshed are: The [Data Protection Policy](#), Freedom of Information [Publication Scheme](#) and Information Security Incident Management Policy.
- ❖ Information Sharing protocols are in place when sharing data with third parties.
- ❖ Policy ownership rests with the Senior Information Risk Officer (SIRO) and the Information Security Board Members who are responsible for agreeing, monitoring, promoting and reviewing Policy implementation.

Strong public financial management

- ❖ Robust budget management arrangements are in place including monitoring and review by the Overview and Scrutiny Committee and Cabinet.
- ❖ External Audit review and report on the Council's financial statements (including this Annual Governance Statement), providing an opinion on the accounts and concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).
- ❖ The Audit and Governance Committee monitor the effectiveness of the Chief Financial Officer's responsibility for ensuring an adequate internal / financial control environment.

Principle G

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Supporting Principles:

Implementing good practices in transparency

Implementing good practices in reporting

Assurance and effective accountability

How we do this:

- ❖ Agendas and minutes of Council, Cabinet and Committee meetings including Scrutiny are publicly available on the [Council's website](#).
- ❖ The Council has a Freedom of Information Act publication scheme (to ensure the members of the public have access to all recorded information held by the Council).
- ❖ Compliance with the Local Government Data Transparency Code which sets out the minimum data that the Council should be publishing, the frequency it should be published and how it should be published e.g. expenditure exceeding £500, grants to voluntary, community and social enterprise organisations, senior salaries etc. This makes it easier for local people to contribute to the local decision making processes and help to shape public services.

- ❖ The published [Annual Statement of Accounts](#) is the statutory summary of the Council's financial affairs for the financial year. The purpose of the Annual Statement of Accounts is to give clear information on the income and expenditure of the Council and to demonstrate the Council's stewardship of public money for the year.
- ❖ The Council publishes an [Annual Governance Statement](#) in order to report how we have monitored the effectiveness of our governance arrangements (self assessed against the seven key principles set out within our Code of Corporate Governance) in year and on any planned changes in the coming year.
- ❖ The Audit and Governance Committee review and approve the Annual Statement of Accounts and Annual Governance Statement.

- ❖ Accountability and decision making arrangements are clearly defined within the Council's Constitution. These accountabilities include arrangements when delivering services with our key partners.
- ❖ The Audit and Governance Committee provide independent assurance to the Council on the adequacy and effectiveness of the governance arrangements and internal control environment operating within the Council.
- ❖ Risk based internal auditing provides ongoing assurance that the key risks material to achieving the Council's objectives are being managed.
- ❖ Peer reviews and benchmarking undertaken to ascertain good practice and implement improvements as identified.

What are the key roles of those responsible for developing and maintaining the Governance Framework?

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| | |
|--|--|
| The Council | <ul style="list-style-type: none"> - Approves the Council Plan. - Approves the Constitution (including Standing Orders and Financial Regulations). - Approves key policies and budgetary framework. |
| Cabinet | <ul style="list-style-type: none"> - The main decision-making body of the Council. - Comprises six Cabinet Members (including the Leader) who have responsibility for particular portfolios. |
| Audit and Governance Committee | <ul style="list-style-type: none"> - Provides independent assurance to The Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment. - Promotes high standards of Member conduct and approves the Annual Statement of Accounts and Annual Governance Statement. |
| Committees | <ul style="list-style-type: none"> - There are four main Committees (excluding the Audit and Governance Committee). The Overview and Scrutiny Committee scrutinises the Council's performance. The Planning Committee and Licencing Enforcement Committee oversee relevant regulatory matters and the General Purposes Committee makes recommendations to Council on a range of matters including amendments to the Constitution and electoral matters. |
| Managing Director (MD) Senior Management Team | <ul style="list-style-type: none"> - The Managing Director has overall accountability for the governance framework. - Implements the policy and budgetary framework set by the Council and provides advice to Cabinet and the Council on the development of future policy and budgetary issues and oversees the implementation of Council policy. |
| Chief Financial Officer (s151) | <ul style="list-style-type: none"> - Accountability for developing and maintaining the Council's governance, risk and control framework. - Contribute to the effective corporate management and governance of the Council. |
| Monitoring Officer | <ul style="list-style-type: none"> - To advise the Council on ethical issues, standards and powers to ensure The Council operates within the law and statutory Codes of Practice. - Overall responsibility for the maintenance and operation of the Confidential Reporting Procedure for Employees. (Whistleblowing) and contributes to the effective corporate management and governance of the Council. |
| Internal Audit | <ul style="list-style-type: none"> - Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. - Delivers an annual programme of risk based audit activity, including counter fraud and investigation activity. - Makes recommendations for improvements in the management of risk. |
| External Audit | <ul style="list-style-type: none"> - Audit / review and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion). |
| Managers | <ul style="list-style-type: none"> - Responsible for developing, maintaining and implementing the Council's governance, risk and control framework. - Contribute to the effective corporate management and governance of the Council. |

How has the Council addressed the governance improvement actions from 2017/18?

The Annual Governance Statement 2017/18 contained the following key improvement actions. Details of the issues and how they have been addressed during the year have been reported to the Audit and Governance Committee at their meeting on 21st January 2019. Please note that whilst improvement plans are in place to address these issues, due to their significance in relation to governance and inherent risk, one of these actions have been carried forward into the 2018/2019 Action Plan to enable their ongoing monitoring.

| AGS 2017/18 review reference | Action | Position as at 31 st March 2019 |
|--|--|---|
| AGS Assurance Framework | Future Financial Sustainability / Efficiency Savings | Carried forward into the 2018/ 2019 AGS Action Plan |
| AGS Assurance Framework | Local Government Association (LGA) Corporate Peer Challenge | An action plan to respond to the review findings was produced and reported to Cabinet on 10 th October 2018 as complete. |
| Revised CIPFA Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition) | CIPFA Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition) | Initial self assessment against the guidance completed and discussed at the committee meeting on 11 th March 2019. Audit and Governance Committee member survey arranged to finalise assessment and agree an action plan to deliver any improvements identified. Annual self assessment to be undertaken. |
| AGS Assurance Framework | Corporate Performance / Risk Management | Quarterly performance reports are now provided to members alongside the Council's financial monitoring, this is a significant improvement in performance monitoring. The risk register has been implemented on Pentana and this work continues to be progressed. |

What are the key 2018/19 Governance matters identified?

The review of the effectiveness of the Council’s governance framework has identified the following actions that will need to be addressed during 2019/20, which includes the carried forward actions from 2017/2018.

| Review Reference | Governance matters identified/actions taken | Target Date | Lead Officer |
|-------------------------|---|-----------------|------------------------------|
| AGS Assurance Framework | <p>Future Financial Sustainability / Efficiency Savings</p> <p>The Money Plan sets out the Council’s strategic approach to the management of its finances and presents indicative budgets and Council Tax levels for the medium term. It also comments on the significant financial risks facing the Council in the forthcoming years and explains what the Council is doing to reduce those risks. The Money Plan forecasts indicate the need for a continued delivery of savings in each year of the Plan. In February 2019, Council approved the implementation of the target savings for the Money Plan 2019-24. In addition to savings in previous years, further savings of £0.250m in 2019/20 were included. With the inclusion of settlement figures for 2019/20 and the assumption of further formula grant reductions over the life of the plan, further savings will be required. The financial gap is £0.090m in 2019/20.</p> <p>Due to the high levels of further savings required, the Council put in place a transformation programme called ‘Together Gloucester’ to deliver required efficiencies in line with the Council’s Money Plan.. The Council’s challenge is to continue this journey of transformation to fully implement Together Gloucester and designed outcomes. The Council has now commenced its move to Shire Hall and the digital transformation journey is continuing to deliver the required transformation and savings.</p> <p>Actions taken in response to the above: Close monitoring of budgets will be carried out in each financial year. Continuous monitoring of service pressures and ongoing focus on preventative support.</p> | 31st March 2020 | Head of Policy and Resources |

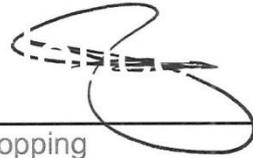
| Review Reference | Governance matters identified/actions taken | Target Date | Lead Officer |
|-------------------------|---|-----------------|-------------------|
| AGS Assurance Framework | <p data-bbox="315 201 943 233">Together Gloucester Service Transformation</p> <p data-bbox="315 304 1688 440">A peer challenge was undertaken in November 2017 and made 10 recommendations for future action and corporate improvement. This action has been completed. However the Council is continuing its transformation journey.</p> <p data-bbox="315 504 1688 847">The Together Gloucester programme is focussed on putting in place a coherent transformation programme and a clearer narrative for our internal transformation plans. Identifying and promoting Gloucester's 'Unique Selling Point' and use it consistently for inward investment, tourism, cultural and economic development regeneration and to establish a stronger identity for Gloucester. Finding effective ways to harness the co-operation, spending power and resources of local, county and regional partners to shape and deliver Gloucester based solutions which have a beneficial social impact and make the most of our 'asset based community development' approach.</p> <p data-bbox="315 911 1025 943">Additional Actions taken in response to the above:</p> <p data-bbox="315 1015 1666 1150">The Council commissioned Ignite, a market leader in this field, to help us develop a resourced transformation programme which will enable us to redesign business processes and develop a robust IT transformation plan. The transformation proposals were presented to Cabinet on 12th September 2018.</p> | 31st March 2020 | Managing Director |

| Review Reference | Governance matters identified/actions taken | Target Date | Lead Officer |
|------------------|--|-------------|--------------|
| | <p>In October 2018 Together Gloucester 2 (TG2) was launched to deliver 5 transformational work streams:</p> <ol style="list-style-type: none"> 1. Accommodation – the relocation of the City Council’s main offices to Shire Hall, Gloucester to provide a fully agile, IT enabled working environment; 2. Service Redesign – to critically examine 180 high volume or high value operational processes to eliminate, streamline, simplify or automate where possible; 3. IT Investment – to implement an ambitious programme of investment in hardware and software to enable service redesign and office agility; 4. Commercialisation – to explore opportunities to reduce expenditure or increase income from the Council’s commercial, contracted or commissioned activities; and 5. Strategy, Performance and Governance – to increase the Council’s capacity better manage its strategic direction, its performance management and its programme and project governance. <p>All elements of the TG2 programme are underway.</p> | | |

Certification

I can confirm that the Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2016.

Signed:



Jon Topping
Chief Financial Officer (S151 Officer)

Date:

24th May 2019.

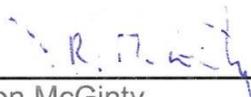
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To the best of our knowledge, the governance arrangements, as defined above and within the Council's Code of Corporate Governance, have been effectively operating during the year with the exception of those areas identified on pages 19 – 21 above. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Signed:



Paul James
Leader of the Council



Jon McGinty
Managing Director

Date:

24th May 2019

31st May 2019

Code of Corporate Governance

2018-2019

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Introduction

The Council's Code of Corporate Governance is based upon the CIPFA / SOLACE publication entitled "Delivering Good Governance in Local Government: Framework 2016 Edition."

What do we mean by Governance?

'The International Framework: Good Governance in the Public Sector' defines 'governance' as comprising the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The Framework also states that to deliver good governance in the public sector both governing bodies and individuals working for them must aim to achieve the Council's objectives while acting in the public interest at all times.

Core Principles

The Council's Code of Corporate Governance is based on seven core principles:-

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes;
- E. Developing the Council's capacity, including the capability of its leadership and the individuals within it;
- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Code specifically identifies the actions and behaviours taken by the Council in relation to each of these core principles and associated sub principles. The Code, along with its supporting infrastructure is set out below at Appendix A and is summarised in diagrammatic form in Appendix B.

The Audit and Governance Committee is currently responsible for approving this Code and ensuring it is annually reviewed and updated accordingly.

Appendix A - Actions and behaviours taken by the Council that demonstrate good governance.

| Principle | Sub Principles | Council Actions and Behaviours |
|---|---|---|
| (A) Behaving with integrity, demonstrating strong Commitment to ethical values, and respecting the rule of law | Behaving with integrity | <ul style="list-style-type: none"> Ensure that Members and Officers behave with integrity and lead a culture where acting in the public interest is visible and consistently demonstrated thereby protecting the reputation of the Council; Ensure that Members take the lead in establishing specific standard operating principles or values for the Council and its staff and that they are communicated and understood. These will build on the Seven Principles of Public Life (The Nolan Principles); Lead by example and use the above standard operating principles or values as a framework for decision making and other actions; and Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which will be reviewed on a regular basis to ensure they are operating effectively. |
| | Demonstrating strong commitment to ethical values | <ul style="list-style-type: none"> Seek to establish, monitor and maintain the Council's ethical standards and performance; Underpin personal behaviour with ethical values and ensure they permeate all aspects of the Council's culture and operation; Develop and maintain robust policies and procedures which place emphasis on agreed ethical values; and Ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the Council. |
| | Respecting the Rule of Law | <ul style="list-style-type: none"> Ensure Members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations; Create the conditions to ensure that the statutory officers, other key post holders, and Members are able to fulfil their responsibilities in accordance with legislative and regulatory provisions; Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders; Deal with breaches of legal and regulatory provisions effectively; and Ensure corruption and misuse of power is dealt with effectively. |
| (B) Ensuring openness and comprehensive stakeholder engagement | Openness | <ul style="list-style-type: none"> Ensure an open culture through demonstrating, documenting and communicating the Council's commitment to openness; Make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption will be for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential will be provided; Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and will be explicit about the criteria, rationale and considerations used. In due course, the Council will ensure that the impact and consequences of those decisions are clear; and Use formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action. |
| | Engaging comprehensively with institutional stakeholders | <ul style="list-style-type: none"> Effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably; Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively; and Ensure that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit. |
| | Engaging stakeholders effectively, including individual citizens and service users | <ul style="list-style-type: none"> Establish a clear policy on the type of issues that the Council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes; Ensure that communication methods are effective and that Members and Officers are clear about their roles with regard to community engagement; Encourage, collect and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs; Implement effective feedback mechanisms in order to demonstrate how their views have been taken into account; Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity; and Take account of the interests of future generations of tax payers and service users. |

| Principle | Sub Principles | Council Actions and Behaviours |
|--|---|--|
| (C) Defining outcomes in terms of sustainable economic, social and environmental benefits | Defining outcomes | <ul style="list-style-type: none"> Have a clear vision, which is an agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the Council's overall strategy, planning and other decisions; Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer; Deliver defined outcomes on a sustainable basis within the resources that will be available; Identify and manage risks to the achievement of outcomes; and Manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available. |
| | Sustainable economic, social and environmental benefits | <ul style="list-style-type: none"> Consider and balance the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision; Take a longer term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints; Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs; and Ensure fair access to services. |
| (D) Determining the interventions necessary to optimise the achievement of the intended outcomes | Determining interventions | <ul style="list-style-type: none"> Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided; and Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts. |
| | Planning interventions | <ul style="list-style-type: none"> Establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets; Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered; Consider and monitor risks facing each partner when working collaboratively including shared risks; Ensure arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances; Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured; Ensure capacity exists to generate the information required to review service quality regularly; Prepare budgets in accordance with organisational objectives, strategies and the medium term financial plan; and Inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. |
| | Optimising achievement of intended outcomes | <ul style="list-style-type: none"> Ensure the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints; Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term; Ensure the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage; and Ensure the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes". |

| Principle | Sub Principles | Council Actions and Behaviours |
|--|---|---|
| (E) Developing the Council's capacity, including the capability of its leadership and the individuals within it | Developing the Council's capacity | <ul style="list-style-type: none"> ▪ Review operations, performance use of assets on a regular basis to ensure their continuing effectiveness; ▪ Improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the Council's resources are allocated so that outcomes are achieved effectively and efficiently; ▪ Recognise the benefits of partnerships and collaborative working where added value can be achieved; and ▪ Develop and maintain an effective workforce plan to enhance the strategic allocation of resources. |
| | Developing the capability of the Council's leadership and other individuals | <ul style="list-style-type: none"> ▪ Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained; ▪ Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body; ▪ Ensure the Leader and the Managing Director have clearly defined and distinctive leadership roles within a structure whereby the Managing Director leads the Council in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority; ▪ Develop the capabilities of Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> ➢ ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged; ➢ ensuring Members and Officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis; and ➢ ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external. ▪ Ensure that there are structures in place to encourage public participation; ▪ Take steps to consider the leadership's own effectiveness and ensure leaders are open to constructive feedback from peer review and inspections; ▪ Hold staff to account through regular performance reviews which take account of training or development needs; and ▪ Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. |
| (F) Managing risks and performance through robust internal control and strong public financial management | Managing Risk | <ul style="list-style-type: none"> ▪ Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making; ▪ Implement robust and integrated risk management arrangements and ensure that they are working effectively; and ▪ Ensure that responsibilities for managing individual risks are clearly allocated. |
| | Managing Performance | <ul style="list-style-type: none"> ▪ Monitor service delivery effectively including planning, specification, execution and independent post implementation review; ▪ Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the Council's financial, social and environmental position and outlook; ▪ Ensure an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the Council's performance and that of any organisation for which it is responsible; ▪ Provide Members and senior management with regular reports on service delivery plans and on progress towards outcome achievement; and ▪ Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements). |
| | Robust internal control | <ul style="list-style-type: none"> ▪ Align the risk management strategy and policies on internal control with achieving objectives; ▪ Evaluate and monitor the Council's risk management and internal control arrangements on a regular basis; ▪ Ensure effective counter fraud and anti-corruption arrangements are in place; ▪ Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor; ▪ Ensure an Audit and Governance Committee which is independent of the executive and accountable to the Council: <ul style="list-style-type: none"> ➢ provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and ➢ that its recommendations are listened to and acted upon. |

| Principle | Sub Principles | Council Actions and Behaviours |
|--|---|--|
| (F) Managing risks and performance through robust internal control and strong public financial management | Managing Data | <ul style="list-style-type: none"> ▪ Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data; ▪ Ensure effective arrangements are in place and operating effectively when sharing data with other bodies; and ▪ Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring; |
| | Strong public financial management | <ul style="list-style-type: none"> ▪ Ensure financial management supports both long term achievement of outcomes and short-term financial and operational performance; and ▪ Ensure well –developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. |
| (G) Implementing good practices in transparency, reporting and audit to deliver effective accountability | Implementing good practice in transparency | <ul style="list-style-type: none"> ▪ Write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate; and ▪ Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand. |
| | Implementing good practices in reporting | <ul style="list-style-type: none"> ▪ Report at least annually on performance, value for money and the stewardship of its resources to stakeholders in a timely and understandable way; ▪ Ensure Members and senior management own the results; ▪ Ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publish the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (Annual Governance Statement); ▪ Ensure that the Framework is applied to jointly managed or shared service organisations as appropriate; and ▪ Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations. |
| | Assurance and effective accountability | <ul style="list-style-type: none"> ▪ Ensure that recommendations for corrective action made by external audit are acted upon; ▪ Ensure an effective internal audit service with direct access to Members is in place which provides assurance with regard to governance arrangements and that recommendations are acted upon; ▪ Welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations; ▪ Gain assurance on risks associated with delivering services through third parties and evidence this in the annual governance statement; and ▪ Ensure that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met. |

Appendix B - Gloucester City Council's Corporate Governance Framework

'The International Framework: Good Governance in the Public Sector' defines 'governance' as comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The framework also states that to deliver good governance in the public sector both governing bodies and individuals working for them must try to achieve the Council's objectives while acting in the public interest at all times.

| Core Principles | (A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | (B) Ensuring openness and comprehensive stakeholder engagement | (C) Defining outcomes in terms of sustainable economic, social, and environmental benefits | (D) Determining the interventions necessary to optimise the achievement of the intended outcomes | (E) Developing the Council's capacity, including the capability of its leadership and the individuals within it | (F) Managing risks and performance through robust internal control and strong public financial management | (G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability |
|-----------------------------|---|---|---|--|---|---|---|
| Evidence of Good Governance | The Constitution | The Gloucester City Council Plan 2017-2020 | Cabinet Reports | Consultation Planning and Implementation Protocol | The Constitution | The Constitution | Audit and Governance Committee |
| | Schemes of Delegation / Decision making protocols | Decision Making Protocols | The Gloucester City Council Plan 2017-2020 | Budget Consultation | Member Development Framework | Audit and Governance Committee | Scrutiny Framework |
| | Audit and Governance Committee | Council website records all council meetings and key decisions | Scrutiny Framework | Stakeholder Engagement | Member Induction Programme | Scrutiny Framework | Decision Making Protocols |
| | Scrutiny Framework | Scrutiny Annual Report | Decision Making Protocols | Option Appraisals | Workforce and Organisational Development Strategy | Contract Standing Orders / Financial Regulations | External audit of accounts and value for money opinion |
| | Contract Standing Orders / Financial Regulations | Public Meetings | Cultural Vision and Strategy 2016-2026 | The Gloucester City Council Plan 2017-2020 | Leadership Performance Management and Leadership Development Programme | External audit of accounts and value for money opinion / Statement of Accounts / Medium Term Financial Plan | Annual Statement of Accounts |
| | Statutory Officers Roles Managing Director, Chief Financial Officer/Monitoring Officer / Legal Services | Public Consultations | Option Appraisals | Money Plan | Staff Performance Development Review | Risk Management Policy / Strategy / Toolkit | Annual Governance Statement / Assurance Framework |
| | Members and Officers Codes of Conduct | City Plan | Economic Growth Strategy 2018-2021 | Decision Making Protocols | Peer Reviews / External Inspection | Information Governance | Chief Internal Auditors Annual Opinion / Report |
| | Members / Officers Register of Interests / Register of Gifts and Hospitality | Joint Core Strategy | Service Level / Outcome Agreements | Strategic Plans | Benchmarking | Strategic Risk Register / Operational Risk Registers | Internal Audit Service |
| | Protocol for Member Officer Relations | City Vision 2012-2022 | Service Plans | Risk Management Policy / Strategy | Internally led reviews / independent challenge | Risk Based Internal Auditing Service / planning | Strategic performance, financial and risk reporting framework |
| | Anti-fraud and Corruption Policy and Strategy | Strategic performance, financial and risk reporting framework | Risk Management Policy / Strategy | Alternative Service Delivery Models | Alternative Service Delivery Models | Chief Internal Auditors Annual Opinion / Report | Open Data and Transparency Code |
| | Anti-Bribery and Anti Money Laundering Policies | Open Data and Transparency Code | Social Value Policy | Strategic performance, financial and risk reporting framework | Shared Services Programme | Strategic performance, financial and risk reporting framework | Website |
| | Whistleblowing Policy | Customer feedback / Complaints, Comments, Compliments Procedure | Strategic performance, financial and risk reporting framework | Service Plans | Continuing Professional Development Programmes | Anti-fraud and Corruption Policy / Strategy | FOI Publication Scheme, |
| | Risk Management Policy / Strategy | FOI Publication Scheme | Environmental Information Regulations (EIR) | Public Consultations | Safety, Health and Wellbeing | Anti Bribery Policy / Anti Money Laundering Policy | Complaints, Comments and Compliments procedure |
| | Procurement Strategy / Guidance | Annual Statement of Accounts and Annual Governance Statement published | Local Authority of the Year in the south west property wards enabling regeneration schemes across the city. | | Periodic staff surveys | Emergency / Business Continuity Management | |

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ANNUAL GOVERNANCE STATEMENT 2018/19 – Assurance Map

Policy and Resources Assurance Statements – Summary

| | |
|---|---------------|
| Leader of the Council | Paul James |
| Managing Director | Jon McGinty |
| Corporate Director | Jonathan Lund |
| Head of Policy and Resources | Jon Topping |
| Actions to address non or partial compliance are monitored by Director | |

| Key | 17/18 | 18/19 |
|---------------------|-------|-------|
| Fully compliant | G | G |
| Partially compliant | A | A |
| Not compliant | R | R |

| | | | |
|---|-------------------------------|----------------|------------------------------|
| Seven Core Governance Principles | Property Commissioning | Finance | Policy and Governance |
| | | | |
| | | | |

| | 17/18 | 18/19 | 17/18 | 18/19 | 17/18 | 18/19 |
|---|-------|-------|-------|-------|-------|-------|
| a. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law. | G | G | G | G | G | G |
| b. My service area operates in a way that ensures openness and comprehensive stakeholder engagement. | G | G | G | G | G | G |
| c. My service area defines outcomes in terms of sustainable economic, social and environmental benefits. | A | A | G | G | A | G |
| d. My service area determines the interventions necessary to optimise the achievement of intended outcomes. | A | G | G | G | A | G |
| e. My service area continually develops its capacity including the capability of its leadership and the individuals within it. | A | A | G | G | G | G |
| f. My service area manages risk and performance through robust internal control, strong public financial management, and managing data appropriately. | A | A | G | A | A | A |
| g. My service area has implemented good practice in transparency, reporting, and audit to deliver effective accountability. | G | G | G | G | A | G |

ANNUAL GOVERNANCE STATEMENT 2018/19 – Assurance Map

Cultural and Trading Services Assurance Statements – Summary

| | |
|---|---------------------------|
| Leader of the Council | Paul James |
| Managing Director | Jon McGinty |
| Corporate Director | Jonathan Lund (JL) |
| Head of Cultural and Trading Services | Jill Riggs (JL Completed) |
| Actions to address non or partial compliance are monitored by Director | |

| Key | 17/18 | 18/19 |
|---------------------|-------|-------|
| Fully compliant | G | G |
| Partially compliant | A | A |
| Not compliant | R | R |

| | | |
|---|-----------------------------|--|
| Seven Core Governance Principles | Bereavement Services | Visitor Experience and Cultural Development |
| | | |

| | 17/18 | 18/19 | 17/18 | 18/19 |
|---|-------|-------|-------|-------|
| a. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law. | G | G | A | G |
| b. My service area operates in a way that ensures openness and comprehensive stakeholder engagement. | G | G | A | G |
| c. My service area defines outcomes in terms of sustainable economic, social and environmental benefits. | G | G | A | G |
| d. My service area determines the interventions necessary to optimise the achievement of intended outcomes. | G | G | G | G |
| e. My service area continually develops its capacity including the capability of its leadership and the individuals within it. | G | G | A | G |
| f. My service area manages risk and performance through robust internal control, strong public financial management, and managing data appropriately. | A | G | A | A |
| g. My service area has implemented good practice in transparency, reporting, and audit to deliver effective accountability. | G | G | G | G |

ANNUAL GOVERNANCE STATEMENT 2018/19 – Assurance Map

Communities Assurance Statements – Summary

| | |
|---|----------------|
| Leader of the Council | Paul James |
| Managing Director | Jon McGinty |
| Corporate Director | Anne Brinkhoff |
| Head of Communities | Ruth Saunders |
| Actions to address non or partial compliance are monitored by Director | |

| Key | 17/18 | 18/19 |
|---------------------|-------|-------|
| Fully compliant | G | G |
| Partially compliant | A | A |
| Not compliant | R | R |

| | | |
|---|--|--|
| Seven Core Governance Principles | Housing and Community Wellbeing | Customer Service Transformation |
| | | |

| | 17/18 | 18/19 | 17/18 | 18/19 |
|---|-------|-------|-------|-------|
| a. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law. | G | G | G | G |
| b. My service area operates in a way that ensures openness and comprehensive stakeholder engagement. | G | G | G | G |
| c. My service area defines outcomes in terms of sustainable economic, social and environmental benefits. | G | G | A | G |
| d. My service area determines the interventions necessary to optimise the achievement of intended outcomes. | G | G | A | G |
| e. My service area continually develops its capacity including the capability of its leadership and the individuals within it. | G | G | A | G |
| f. My service area manages risk and performance through robust internal control, strong public financial management, and managing data appropriately. | A | G | A | G |
| g. My service area has implemented good practice in transparency, reporting, and audit to deliver effective accountability. | G | G | G | G |

ANNUAL GOVERNANCE STATEMENT 2018/19 – Assurance Map

Place Assurance Statements – Summary

| | |
|---|----------------|
| Leader of the Council | Paul James |
| Managing Director | Jon McGinty |
| Corporate Director | Anne Brinkhoff |
| Head of Place | Ian Edwards |
| Actions to address non or partial compliance are monitored by Director | |

| Key | 17/18 | 18/19 |
|---------------------|-------|-------|
| Fully compliant | G | G |
| Partially compliant | A | A |
| Not compliant | R | R |

| | | |
|---|---------------------------------|---|
| Seven Core Governance Principles | City Growth and Delivery | City Improvement and Environment |
|---|---------------------------------|---|

| | 17/18 | 18/19 | 17/18 | 18/19 |
|---|-------|-------|-------|-------|
| a. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law. | G | G | G | G |
| b. My service area operates in a way that ensures openness and comprehensive stakeholder engagement. | G | G | G | G |
| c. My service area defines outcomes in terms of sustainable economic, social and environmental benefits. | G | G | A | G |
| d. My service area determines the interventions necessary to optimise the achievement of intended outcomes. | G | A | G | G |
| e. My service area continually develops its capacity including the capability of its leadership and the individuals within it. | A | G | A | G |
| f. My service area manages risk and performance through robust internal control, strong public financial management, and managing data appropriately. | A | G | A | G |
| g. My service area has implemented good practice in transparency, reporting, and audit to deliver effective accountability. | G | G | A | G |

ANNUAL GOVERNANCE STATEMENT 2018/19 – Assurance Map

Legal Assurance Statements – summary

| | |
|---|-----------------|
| Leader of the Council | Paul James |
| Managing Director | Jon McGinty |
| Corporate Director | Jonathan Lund |
| Council Solicitor | Sara Freckleton |
| Actions to address non or partial compliance are monitored by Director | |

Head of Legal

During the course of the year, Council Solicitor – One Legal lead Officer confirmed she was satisfied that the governance arrangements were operating effectively within One Legal and there are no significant governance issues to report.

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Gloucester City Council

| | | | |
|-------------------------|--|---------------------------------|---------------------------------------|
| Meeting: | Audit and Governance Committee | Date: | 22nd July 2019 |
| | Cabinet | | 11th September 2019 |
| Subject: | Strategic Risk Register Update and Risk Management Action Plan 2019/20 | | |
| 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 396338 | |
| | Theresa.Mortimer@gloucester.gov.uk | | |
| Appendices: | 1: Strategic Risk Register as at 2nd July 2019 | | |
| | 2: Risk Management Action Plan 2019/20 | | |

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To present the Strategic Risk Register and the Risk Management Action Plan 2019/20 to Members for their awareness and consideration.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RECOMMEND** that both the Strategic Risk Register and the Risk Management Action Plan 2019/20 be noted and endorsed.
- 2.2 Cabinet is asked to **RESOLVE** that both the Strategic Risk Register and the Risk Management Action Plan 2019/20 be noted and endorsed.

3.0 Background and Key Issues

Background

- 3.1 'Risk management is the culture, process and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and objectives' – ALARM, the public risk management association.
- 3.2 The Accounts and Audit Regulations 2015 (part 2 paragraph 3) state 'a relevant local authority must ensure that it has a sound system of internal control which...includes effective arrangements for the management of risk'.
- 3.3 Risk management is a key part of the Council's corporate governance framework and internal control environment. It is one of the seven core principles within the Council's

Code of Corporate Governance – ‘managing risks and performance through robust internal control and strong public financial management’.

- 3.4 The Council’s Risk Management Policy Statement and 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 values, key actions and projects. The Strategy also includes the process for monitoring and reporting of strategic risks. The Risk Management Policy Statement and Strategy 2017–2020 was last updated and approved by Members in February 2017 (Cabinet approval following recommendation by Audit and Governance Committee).
- 3.5 The Risk Management Policy Statement and 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.
- 3.6 Member receipt and endorsement of the Strategic Risk Register is completed 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, the mitigation measures put in place to manage them and the impact on decisions to be made by the Council.
- 3.7 This report is the first Strategic Risk Register update to Members within 2019/20.

Strategic Risk Register – position and review

- 3.8 The process for officer review and update of the Strategic Risk Register includes:
- Update of individual strategic risks by designated risk owners via the Pentana performance and risk management system (including risk scores, current control position, further mitigating actions required and their timing); and
 - 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.

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.

- 3.9 The Strategic Risk Register is documented in line with the Risk Management Policy Statement and 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.

3.10 The Strategic Risk Register was last reviewed, updated and agreed by SMT on 2nd July 2019. See **Appendix 1**.

Strategic Risk Register – changes since last Member review:

3.11 The Strategic Risk Register version last reviewed by Members was as at 23rd October 2018. The main areas of Strategic Risk Register update between that date and 2nd July 2019 (**Appendix 1**) are summarised below:

- Strategic risk removed:
 - o No strategic risks have been removed from the register, to date within 2019/20.
- Strategic risks added:
 - o Emerging strategic risks have been considered by SMT (including the progression and impact of Brexit and the implications of climate change); however no new strategic risks have been added to the strategic risk register to date within 2019/20.

3.12 As with the 23rd October 2018 Strategic Risk Register, this updated version has been produced for Member review from the Pentana performance and risk management system. Future risk registers submitted to Members will continue to reflect the direction of travel of risk scores.

Risk Management Action Plan 2019/20

3.13 The Risk Management Action Plan 2019/20 was reviewed and agreed by SMT on 2nd July (**Appendix 2**).

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 option is not compliant with the CIPFA: Audit Committees Practical Guidance for Local Authorities and Police (2018) and does not support strategic risk awareness or informed prudent decision making.

6.0 Reasons for Recommendations

6.1 The Audit and Governance Committee's role (as per the Constitution) includes the function to 'monitor the adequacy and effectiveness of the Council's governance arrangements' including 'monitoring the arrangements for the identification, monitoring and control of strategic and operational risk within the Council'.

- 6.2 The CIPFA: 'Audit Committees Practical Guidance for Local Authorities and Police (2018)' 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.
- 6.3 The Risk Management Policy Statement and Strategy includes the following role and responsibility for Cabinet 'Endorse the content of the Strategic Risk Register and proposed risk mitigation plans, and monitor implementation'.
- 6.4 This report aims to meet requirements 6.1 to 6.3 and support Member delivery of their relevant roles and responsibilities.

7.0 Future Work and Conclusions

- 7.1 Strategic Risk Register review will be completed on an ongoing basis by SMT, with the next formal presentation and agreement in October 2019. The next presentation to Audit and Governance Committee will be in March 2020.

8.0 Financial Implications

- 8.1 There are no direct financial implications arising from the report recommendations. However, 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 None specifically arising from the report recommendations.
- 9.2 It is fundamental that the Council has an embedded risk management framework (including a Risk Management Policy Statement and Strategy) which considers the identification, recording and management of risks to the Council in the delivery of its priorities and objectives.
- 9.3 The existence and application of an effective Risk Management Policy Statement and 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 (2018)
- Council Constitution (current)
- Risk Management Policy Statement and Strategy 2017- 20

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Strategic Risk Register Report as at 2nd July 2019

SRR1 Strategic Risk Register

| Risk Ref | Risk | Original Impact | Original Likelihood | Original Score | Description | Current Impact | Current Likelihood | Current Score | Further Mitigating Action | Timescale | Target Impact | Target Likelihood | Target Score | Risk Owner |
|----------|---|-----------------|---------------------|----------------|---|----------------|--------------------|---------------|---------------------------|-----------|---------------|-------------------|--------------|----------------------------|
| SRR1.1 | 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 & 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 budget monitoring (including budget savings programme lines) 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>*Service Plans aligned with resources and subject to regular review.</p> | 3 | 2 | 6 | | | 3 | 2 | 6 | Head of Policy & Resources |

| Risk Ref | Risk | Original Impact | Original Likelihood | Original Score | Description | Current Impact | Current Likelihood | Current Score | Further Mitigating Action | Timescale | Target Impact | Target Likelihood | Target Score | Risk Owner |
|----------|--|-----------------|---------------------|----------------|--|----------------|--------------------|---------------|---|-------------|---------------|-------------------|--------------|-----------------------------------|
| SRR1.2 | Adverse public and media relations | 3 | 3 | 9 | *Dedicated communications and marketing resource with defined service scope – service delivery by County Council (SLA). *Regular monitoring of press coverage. *Formal route for media press contact (controlled approach). *Standardised FOI approach with FOI Champions. *Dedicated support for key consultations. *Communication Strategy on key campaigns, including performance measures. *Internal Communications Channel Plan. *Complaints policy / monitoring. *Digital communications team in place – including objectives, policies and procedures. *Approved campaigns plan in place. *Release of new Council website. * Completion of media training for Members and key officers | 3 | 2 | 6 | | | 2 | 2 | 4 | Corporate Director - Partnerships |
| SRR1.3 | Lack of competence, staff engagement, probity and professionalism within the authority | 3 | 3 | 9 | *Dedicated HR resource with defined service scope – service delivery by County Council (s101 agreement). *Adherence to best practice recruitment and selection procedures and principles. *Member and staff training. | 3 | 2 | 6 | Further review and development of the apprenticeship scheme | 31-Aug-2019 | 3 | 1 | 3 | Corporate Director - Partnerships |
| | | | | | | | | | Workforce Strategy Action Plan approval and delivery | 30-Sep-2019 | | | | |

| Risk Ref | Risk | Original Impact | Original Likelihood | Original Score | Description | Current Impact | Current Likelihood | Current Score | Further Mitigating Action | Timescale | Target Impact | Target Likelihood | Target Score | Risk Owner |
|----------|--|-----------------|---------------------|----------------|--|----------------|--------------------|---------------|---------------------------|-----------|---------------|-------------------|--------------|------------|
| | leading to diminished performance, inappropriate behaviour, and failure to comply with governance arrangements | | | | *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. *Staff survey. *Staff engagement activities. *Governance Group bi-monthly meetings. *Council Values and behaviours refreshed and adopted. *Development Plan and Learning & Training Plan in place. *OD Plan in place. *Talent management scheme and apprenticeship scheme in place. *Together Gloucester phase 1 (transformation) delivery. *Provision of comprehensive Policies and Management Guidance Notes on the intranet on all aspects of people management and core HR topics, including performance, behavioural standards expected and conduct. *Dedicated Staff Wellbeing Working Group tasked with developing/ procuring health and wellbeing initiatives for staff and increasing staff | | | | | | | | | |

| Risk Ref | Risk | Original Impact | Original Likelihood | Original Score | Description | Current Impact | Current Likelihood | Current Score | Further Mitigating Action | Timescale | Target Impact | Target Likelihood | Target Score | Risk Owner |
|----------|--------|---|---------------------|----------------|--|---|--------------------|---------------|---------------------------|---|---------------|-------------------|--------------|------------|
| Page 120 | | | | | <p>engagement in such activities.</p> <p>*Culture Action Plan setting out key actions arising from Staff Survey covering a range of areas including Performance and Workload Management, Member-Officer Relationships, Council Transformation and Wellbeing.</p> <p>*Staff Engagement Index – annual measure to assess level of engagement as part of Staff Survey.</p> <p>*Gender Pay Working Group and Action Plan to ensure that our family friendly offer is competitive and we attract and retain the best staff.</p> <p>*Comprehensive staff benefits offer.</p> | | | | | | | | | |
| | SRR1.4 | Failure to effectively manage contracts and SLAs with key partners / other significant bodies, including: Amey, Civica, Marketing Gloucester, Aspire, Gloucestershire Airport, VCS organisations, | 3 | 3 | 9 | <p>*Central list held of all contracts and SLAs with named responsible officers and Members.</p> <p>*In set up of the partnerships: * Corporate procurement strategy and procedures; Contract Standing Orders; Constitution requirements; and Availability of advice from legal, finance & procurement. * Documentation on the Council contracts register. *Partnership specific controls required (for each partner); *Documented signed SLA.</p> | 3 | 2 | 6 | Together Gloucester Phase 2, Work Package 5 | 30-Sep-2019 | 2 | 2 | 4 |

| Risk Ref | Risk | Original Impact | Original Likelihood | Original Score | Description | Current Impact | Current Likelihood | Current Score | Further Mitigating Action | Timescale | Target Impact | Target Likelihood | Target Score | Risk Owner |
|----------|---|-----------------|---------------------|----------------|---|----------------|--------------------|---------------|------------------------------------|-------------|---------------|-------------------|--------------|---------------|
| | Gloucestershire County Council (e.g. Audit shared service) a | | | | *Lead contact officers assigned to each partner. *Regular performance management meetings, with reporting to SMT/Committee. *SLAs incorporate contingency business plan approach to mitigate loss of service. *Partnership risk registers – either individually or within the service risk register. *Governance arrangements identifying where decisions are taken. *Agreement of SLA KPIs, performance standards and payments (within contract). *Ongoing negotiation with partners to review current contract contents, to ensure up to date (e.g. GDPR considerations) and fit for purpose. | | | | | | | | | |
| SRR1.5 | Failure to support and enable business growth within the city | 3 | 3 | 9 | *Support local businesses both start up and new - 'Better Business For All'. *Partnership support for skills/jobs and attraction of inward investment. *Council's promotion of city through links with GFirst LEP; Marketing Gloucester; and with adjacent authorities (e.g. JCS). *Cultural Strategy – including 6 monthly review and update. *Liaison with Business Improvement District | 3 | 2 | 6 | City Plan development and delivery | 31-Dec-2019 | 2 | 2 | 4 | Head of Place |

| Risk Ref | Risk | Original Impact | Original Likelihood | Original Score | Description | Current Impact | Current Likelihood | Current Score | Further Mitigating Action | Timescale | Target Impact | Target Likelihood | Target Score | Risk Owner |
|----------|---|-----------------|---------------------|----------------|--|----------------|--------------------|---------------|---------------------------|-----------|---------------|-------------------|--------------|----------------------------|
| | | | | | (including consideration of uncertainties arising from the UK leaving the EU). *Regeneration and Economic Development Strategy in place. *Ongoing review and bidding for regeneration funding, with continued focus on regeneration sites. | | | | | | | | | |
| SRR1.6 | Loss of finance, resource and reputation due to fraudulent activity | 4 | 3 | 12 | *The following are approved policies available to officers: -Anti-fraud and corruption strategy (including Anti-bribery policy and Anti-money laundering policy). -Whistle blowing policy. -Fraud response plan. *Financial regulations (including standing orders). *Existing internal control framework. *Internal Audit inc. Audit & Governance Committee and annual risk based internal audit plan (deterrent). *External audit presence (deterrent). *Benefit case referral to the Single Fraud Investigation Service – DWP. *Brilliant Basics modules (fraud awareness, project management and influencing skills) available to management team. *SLA with ARA (County hosted) for drawdown of days from Glos. Counter Fraud | 4 | 1 | 4 | | | 4 | 1 | 4 | Head of Policy & Resources |

| Risk Ref | Risk | Original Impact | Original Likelihood | Original Score | Description | Current Impact | Current Likelihood | Current Score | Further Mitigating Action | Timescale | Target Impact | Target Likelihood | Target Score | Risk Owner |
|----------|--|-----------------|---------------------|----------------|---|----------------|--------------------|---------------|--|-------------|---------------|-------------------|--------------|----------------------------|
| | | | | | Unit for targeted anti-fraud work – Council position reviewed monthly by S151 Officer and Chief Internal Auditor. | | | | | | | | | |
| SRR1.7 | Failure to deliver key regeneration priorities (including Kings Quarter and Blackfriars) | 3 | 3 | 9 | <ul style="list-style-type: none"> *Regeneration Advisory Board. *Capital Monitoring Steering Group & existing capital programme controls. *Brilliant Basics modules (project management and influencing skills) available to management team. *Project specific controls that should be in place: <ul style="list-style-type: none"> -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). - Re-assessment of projects at appropriate points to review objectives and deliverables. - Maintenance and review of project risk registers for each regeneration project. -Ongoing internal review and financial scrutiny of projects. | 3 | 2 | 6 | Together Gloucester Phase 2, Work Packages | 30-Sep-2019 | 2 | 2 | 4 | Head of Place |
| SRR1.8 | Failure to manage | 4 | 4 | 16 | <ul style="list-style-type: none"> *IT Security: -Civica ITO contract includes | 4 | 2 | 8 | | | 4 | 1 | 4 | Head of Policy & Resources |

| Risk Ref | Risk | Original Impact | Original Likelihood | Original Score | Description | Current Impact | Current Likelihood | Current Score | Further Mitigating Action | Timescale | Target Impact | Target Likelihood | Target Score | Risk Owner |
|----------|--|-----------------|---------------------|----------------|---|----------------|--------------------|---------------|---------------------------|-----------|---------------|-------------------|--------------|------------|
| | information in accordance with legislation | | | | <p>key IT security control continued delivery with ongoing client monitoring required.</p> <p>-Virus protection (desktop, server, email, attachments etc) and fire wall controls.</p> <p>-Monitoring of internet access and restriction on sites permitted to access</p> <p>-E-mail content scanning (incl. Forcepoint).</p> <p>-Physical security and protection of IT suite.</p> <p>-Procedures for login lockdown when IT staff leaving organisation.</p> <p>-Data cleansing of IT equipment prior to disposal.</p> <p>-Client monitoring (in-house intelligent client function) team in place.</p> <p>-IT risk register monthly review and update by the IT Operations Board.</p> <p>*Use of information:</p> <p>-FOI procedures; standardised approach; & FOI Champions.</p> <p>-Information management rules within the Constitution.</p> <p>-Data Protection guide and GDPR implementation/training action plan.</p> <p>-Staff training and induction to confirm appropriate management of information.</p> <p>*Info stored / accessed - Building access controls.</p> | | | | | | | | | |

| Risk Ref | Risk | Original Impact | Original Likelihood | Original Score | Description | Current Impact | Current Likelihood | Current Score | Further Mitigating Action | Timescale | Target Impact | Target Likelihood | Target Score | Risk Owner |
|----------|---|-----------------|---------------------|----------------|---|----------------|--------------------|---------------|--|-------------|---------------|-------------------|--------------|---------------------|
| | | | | | *SIRO role allocated. *Information Governance Board and ICT Strategy Board in place. *Suite of information policies in place and available on NETconsent policy management system. * SIRO and IT Service Manager attend Government sponsored Warning, Advice and Reporting Point (WARP) and participate in LGA / NCSC run Cyber Security awareness programme * The council has subscribed to NCSC email and web security monitoring tools * SMT, Members and Staff Cyber security awareness training plan in place | | | | | | | | | |
| SRR1.9 | Ability to respond effectively to unexpected events in support of our communities (e.g. weather/terror attack/phone system failure/other) | 4 | 3 | 12 | *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. *Regular review and updating of Emergency Response Plan and other plans. *Allocated Emergency Team Leaders within the Council e.g. District Emergency Controller and Gold Officer roles. *Business continuity plans in place for each Service. *Bad weather policy and | 4 | 2 | 8 | Review and refresh of all service Business Continuity Plans to ensure up to date and appropriate content | 31-Aug-2019 | 3 | 2 | 6 | Head of Communities |

| Risk Ref | Risk | Original Impact | Original Likelihood | Original Score | Description | Current Impact | Current Likelihood | Current Score | Further Mitigating Action | Timescale | Target Impact | Target Likelihood | Target Score | Risk Owner | |
|----------|--|-----------------|---------------------|----------------|---|----------------|--------------------|---------------|--|-------------|---------------|-------------------|--------------|----------------------------|--|
| | | | | | <p>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 & live events (e.g. Christmas call out exercise); and use of Mutual Aid agreement. With ongoing shared learning.</p> | | | | | | | | | | |
| SR1.10 | Council services loss for a significant period, due to technology failure (leading to other financial, reputational and information governance risks). | 4 | 4 | 16 | <p>*Up to date IT asset register now electronically maintained through Snow.</p> <p>*Appropriate secure physical location of the servers planned enhancement by the end of 2019 through the migration to Azure and Indectron data centre hosting service.</p> <p>*2017 – 2019 ICT Strategy, including budget signed off, which has seen significant investment in improving the resilience of the council's IT infrastructure .</p> <p>*Infrastructure/network topology (mapping) identified a number of areas of high risk, all of which have been</p> | 4 | 2 | 8 | <p>IT internal audit to be completed to support ICT action plan</p> <p>Review and refresh of all service Business Continuity Plans to ensure up to date and appropriate content</p> <p>Achievement of Cyber Essential Plus</p> | 31 Mar 2020 | 3 | 2 | 6 | Head of Policy & Resources | |

| Risk Ref | Risk | Original Impact | Original Likelihood | Original Score | Description | Current Impact | Current Likelihood | Current Score | Further Mitigating Action | Timescale | Target Impact | Target Likelihood | Target Score | Risk Owner |
|----------|--|-----------------|---------------------|----------------|---|----------------|--------------------|---------------|---------------------------|-----------|---------------|-------------------|--------------|----------------------------|
| | | | | | <p>mapped to the ICT Strategy to secure funding to mitigate or remove by the end of 2019</p> <p>*PSN Compliance Certificate achieved. Stage one of Cyber Essential achieved with Cyber Essential Plus plan to be achieved by the end of 2019</p> <p>*ICT Business Continuity Plan is being built around the use of Azure and Indectron data centre which will be in place by the end of 2019. The council's cloud first strategy has seen Microsoft productivity tools, email, security, Intranet and web site hosted externally which help simplify the BC plan. A number of line of business application are also planned to be cloud hosted by the end of 2020</p> <p>*ICT Strategy in place to the end of 2019, with that for a further two years in development.</p> <p>*Information Governance Board and ICT Security Board in place.</p> | | | | | | | | | |
| SRR1.11 | Inability of the Council to continue to identify viable plans to achieve savings | 4 | 4 | 16 | <p>*Budget setting process – including consultation; management/leadership input into savings targets; and Overview & Scrutiny and Council involvement.</p> <p>*SMT and Cabinet review and approval of Money Plan</p> | 4 | 3 | 12 | | | 4 | 2 | 8 | Head of Policy & Resources |

| Risk Ref | Risk | Original Impact | Original Likelihood | Original Score | Description | Current Impact | Current Likelihood | Current Score | Further Mitigating Action | Timescale | Target Impact | Target Likelihood | Target Score | Risk Owner |
|----------|--|-----------------|---------------------|----------------|---|----------------|--------------------|---------------|---------------------------|-----------|---------------|-------------------|--------------|-------------------|
| Page 128 | | | | | <p>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> <p>*Engagement with GMT to ensure corporate ownership of financial challenges and need for active identification of efficiency & income opportunities for the Council.</p> | | | | | | | | | |
| SRR1.13 | Inability of the Council to deliver the Corporate Plan to 2020 | 4 | 4 | 16 | <p>*Corporate Plan developed jointly by Cabinet and Senior Management Team, scrutinised and endorsed by the wider Council membership.</p> <p>*Corporate Plan approval completed.</p> <p>*Budget Strategy and Money Plan designed to appropriately resource the delivery of the Corporate Plan.</p> <p>*Performance management framework.</p> <p>*Service planning processes to ensure Corporate Plan link</p> | 3 | 2 | 6 | | | 3 | 2 | 6 | Managing Director |

| Risk Ref | Risk | Original Impact | Original Likelihood | Original Score | Description | Current Impact | Current Likelihood | Current Score | Further Mitigating Action | Timescale | Target Impact | Target Likelihood | Target Score | Risk Owner |
|----------|--|-----------------|---------------------|----------------|--|----------------|--------------------|---------------|---------------------------|-----------|---------------|-------------------|--------------|----------------------------|
| | | | | | to Service Plans. *Appraisal processes link personal objectives and development needs to the needs of the organisation, talent development and personal well being. | | | | | | | | | |
| SRR1.14 | Negative financial implications due to inappropriate delivery and management of the Property Investment Strategy; and a risk of political priorities diluting commercial considerations around hedging | 4 | 4 | 16 | *Property Investment Strategy (including risk management considerations) endorsed by Cabinet and approved by Council. *Property Investment Board set up with a defined Terms of Reference to oversee the investment of the £80m fund. *Council approved delegation of authority to the Council Solicitor to conclude documents (in line with senior officer agreed heads of terms) to enable completion of each acquisition. *Property Investment Board to receive investment prospectus and officer evaluations of potential property acquisitions; to make recommendations to the s151 Officer with regards to investment; and to oversee the due diligence and acquisition process in accordance with the Property Investment Strategy. *Property Investment Board to monitor fund position (including cost of borrowing) and the management of the | 4 | 2 | 8 | | | 4 | 2 | 8 | Head of Policy & Resources |

| Risk Ref | Risk | Original Impact | Original Likelihood | Original Score | Description | Current Impact | Current Likelihood | Current Score | Further Mitigating Action | Timescale | Target Impact | Target Likelihood | Target Score | Risk Owner |
|----------|------|-----------------|---------------------|----------------|---|----------------|--------------------|---------------|---------------------------|-----------|---------------|-------------------|--------------|------------|
| | | | | | estate, with outcomes to be reported to senior officers and Members. *Legal implications ongoing review to ensure relevant local authority powers remain in place to support the Property Investment Strategy. | | | | | | | | | |

Gloucester City Council - DRAFT Risk Management Action Plan 2019/20

The below proposed actions aim to support the Council in continuing to embed risk management at Gloucester City Council and deliver the requirements of the Risk Management Policy Statement and Strategy. Delivery of the plan will be undertaken by Audit Risk Assurance (ARA).

| Area | Action | Deadline/Target |
|---|---|--|
| Strategic Risk Register | <p>Facilitation and support of Strategic Risk Register review and update by Senior Management Team (SMT). Formal quarterly updates to occur at SMT.</p> <p>Bi annual reporting of the Strategic Risk Register to Audit and Governance Committee.</p> | <p>Ongoing within 2019/20.</p> <p>July 2019 and March 2020 Committee meetings.</p> |
| Annual Risk Management Report | Draft the Annual report to Audit and Governance Committee. | March 2020 Committee. |
| Risk Management Self Assessments | <p>Completion of risk management self assessments against the latest regulatory requirements, best practice guidance, principles and standards.</p> <p>Outcomes/actions to be fed into the updated Risk Management Policy Statement and Strategy and Risk Management Toolkit.</p> | Ongoing within 2019/20. |
| Risk Management Policy Statement and Strategy | Review and update of the document, considering regulatory requirements, best practice principles, guidance and standards. Final version to be presented to Audit and Governance Committee for approval. | January 2020 Committee. |

| Area | Action | Deadline/Target |
|---|---|---|
| Risk management guidance and support available to staff and Members | Creation of a Risk Management page on the Council's intranet, to include (but not be exclusive to) the up to date Risk Management Policy Statement and Strategy and Risk Management Toolkit. | November 2019. |
| Risk management support on Council's significant projects | Offer and provision of risk management advice, support and guidance e.g. Together Gloucester, Gloucester Transport Hub, Climate Change Forum, etc. | Ongoing within 2019/20. |
| Risk management training and awareness sessions programme | Linking with the Council's insurers, Zurich Municipal, to deliver training for: Members; SMT; Gloucester Management Team and Service Managers. | Ongoing within 2019/20. |
| Service Risk Registers | <p>Provision of guidance and support to service leads to ensure service risk registers are documented for all Council service areas and are updated accordingly.</p> <p>Exercise to be undertaken to confirm that all services have documented up to date service risk registers.</p> | <p>Ongoing within 2019/20.</p> <p>March 2020.</p> |
| Risk Maturity Model | To ascertain the level of risk maturity within the Council to include a risk maturity self assessment within the Annual Governance Statement assurance statement process. This will enable more focused risk management support to service areas as required. | To be included within the 2019/20 assurance statements. |

| Area | Action | Deadline/Target |
|--|--|-------------------------|
| Risk Management responsibilities – the 2 nd Line of Defence | <p>ARA risk management work will be based on the 3 Lines of Defence risk assurance model, which includes the key objectives (detailed below) on what risk management roles and responsibilities are:</p> <ul style="list-style-type: none"> • Supporting management policies, defining roles and responsibilities, and setting goals for implementation. • Providing risk management frameworks. • Identifying known and emerging issues. • Identifying shifts in the organisation's implicit risk appetite. • Assisting management in developing processes and controls to manage risks and issues. • Providing guidance and training on risk management processes. • Facilitating and monitoring implementation of effective risk management practices by operational management. • Alerting operational management to emerging issues and changing regulatory and risk scenarios. • Monitoring the adequacy and effectiveness of internal control, accuracy and completeness of reporting, compliance with laws and regulations, and timely remediation of deficiencies. | Ongoing within 2019/20. |

| Area | Action | Deadline/Target |
|------|--|-----------------|
| | <p>Tasks and targets will be allocated beneath each objective, thus ensuring we are operating in line with this model.</p> | |

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Gloucester City Council

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|-------------------------|---|---------------------------------|-----------------------|
| Meeting: | Audit and Governance Committee | Date: | 22nd July 2019 |
| Subject: | Provision of an Internal Audit External Quality Assessment (EQA) | | |
| Report Of: | Head of Policy and Resources 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 396338 | |
| | Theresa.Mortimer@gloucester.gov.uk | | |
| Appendices: | 1. The Chartered Institute of Internal Auditors Review Team | | |

1.0 Purpose of Report

- 1.1 To provide the Committee with a recommended way forward in relation to the provision of the independent quality assessment of Internal Audit.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE TO NOTE** that the Chartered Institute of Internal Auditors (CIIA) is engaged to carry out an independent assessment of the Internal Audit function.

3.0 Background and Key Issues

- 3.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit (England) Regulations 2015. The latter states that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control, comprising risk management, control and governance, in accordance with the proper practices in relation to internal control”.
- 3.2 Audit Risk Assurance (ARA) under a s101 shared service agreement, fulfils the internal audit function for Gloucester City Council, Stroud District Council and Gloucestershire County Council (host authority) and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to the partner organisations’ Audit Committees and Board of Directors for Ubico Ltd, a Local Authority owned Environmental Services Company (external client).
The guidance accompanying the Regulations recognises that with effect from 1st April 2013, 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.

3.3 **Attribute Standard 1300 - Quality Assurance and Improvement Programme (QAIP)**

The Chief Internal Auditor must develop and maintain a QAIP that covers all aspects of the internal audit activity. A QAIP is designed to enable an evaluation of internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The Chief Internal Auditor should encourage Audit and Governance Committee oversight in the QAIP.

External Assessments

In addition to annual internal self assessments, to conform to the standards, external assessments must be conducted at least once every five years, by a qualified, independent assessor or assessment team from outside the organisation. The Chief Internal Auditor must discuss the following with the Audit Committee(s):

- The form of external assessment; and
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards. The external assessment may also include operational or strategic comments.

A qualified assessor or assessment team must demonstrate competence in two areas:

- the professional practice of internal auditing; and
- the external assessment process.

Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The Chief Internal Auditor should use her professional judgement when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

In addition, an independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation(s) to which the internal audit activity belongs.

The previous EQA was undertaken during May 2015 by the Chartered Institute of Internal Auditors, which verified that the internal audit function conformed to the International Standards for the Professional Practice of Internal Auditing. Therefore in line with the Standards, the next EQA is due to take place during May 2020.

3.4 **Provider Options Appraisal**

In order to conform to the external assessment standard, the Chief Internal Auditor requested quotations and service assessment specifications from the following

competent organisations, which were identified following consultation with other Chief Internal Auditors, feedback from EQA providers' clients and her own professional judgement:

- Chartered Institute of Internal Auditors (CIIA);
- Chartered Institute of Public Finance and Accountancy (CIPFA); and
- A peer review was also considered with neighbouring authorities, however was not developed further due to this form of review not deemed to be truly independent.

3.5 Proposal

Following a full assessment of competence, quality and value for money, it is proposed that a self assessment with independent validation is undertaken by the CIIA for the following key reasons:

- The CIIA is the only professional body dedicated exclusively to training, supporting and representing internal auditors in the UK and Ireland. They represent the profession of internal auditing and they deliver services to internal auditors.
- They are the authors of the International Professional Practices Framework (IPPF) of which the Public Sector Internal Audit Standards (PSIAS) adopts the mandatory elements.
- The Institute has over 10,000 members in all sectors of the economy including private companies, government departments, utilities, voluntary sector organisations, local authorities and public service organisations.
- Members of the CIIA are part of a global network of over 180,000 members in 170 countries and are part of the Global IIA which has 180,000 members in 190 countries. All members across the globe work to the same International Standards and Code of Ethics.
- Broad range of both large public and private sector clients which include Department of Foreign Affairs and Trade, Home Office, National Audit Office, Southern Internal Audit Partnership (Hampshire Councils), Kent and Lancashire County Councils, West Norfolk Borough Council, Barnardo's, University of Kent, National Grid, Civil Aviation Authority, Rural Payments Agency, BT Group and Santander – UK. This enables benchmarking and sharing good practice across all sectors and introducing good practice principles to ARA where relevant.
- They are independent of any other organisation and because they set the standards, they thoroughly understand them.
- They have no interest beyond promoting and developing the profession, so they never try to sell additional services that we do not require or offer alternative suggestions for the delivery of internal audits.
- Fully qualified and experienced EQA review panel, including industry experts (Please see Appendix 1 below which provides details on the CIIA Review Team).

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

6.0 Reasons for Recommendations

6.1 The Public Sector Internal Audit Standards (as per paragraph 3.3 above) require an External Quality Assessment of the internal audit service at least every 5 years.

7.0 Future Work and Conclusions

7.1 The CIAA to report the key findings and recommendations to the Audit and Governance Committee. Any improvement actions identified as part of the assessment will be monitored by the ARA Shared Services Board and the partners' Audit Committees.

8.0 Financial Implications

8.1 There are no additional costs associated with this review as they will be met from within the existing 2019/20 ARA Shared Service budget.

(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 Non compliance with the PSIAS and the inability of the Head of ARA to evidence that the internal audit service "Conforms to the International Standards for the Professional Practice of Internal Auditing." It is important to recognise that the purpose of the review is not just to be 'compliant', but also to provide an accurate representation of the internal audit arrangements in place during the year and to highlight those areas where improvement is required.

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 & Trade Union

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

Background Documents:

None

The reviewers are experienced heads of internal audit, have passed the CIIA's assessment process and are members of the CIIA, thereby ensuring they abide by their Code of Professional Conduct.

John Chesshire CFIIA

John is a Chartered Fellow of the Chartered Institute of Internal Auditors. He has recently been a member of the Institute's Professional Development Committee and is chairman for the southwest region. He is also a member of Information Systems Audit and Control Association (ISACA) and the Institute of Risk Management (IRM). John has over 20 years' experience in internal audit, risk management and governance roles and is the Independent Chair of a local authority Audit Committee.

John has undertaken internal audit roles in a number of organisations and currently works as Head of Assurance, covering internal audit and risk management, in the public sector. He also leads external quality assessments of internal audit functions in private, public and third sector organisations, reviewing both the effectiveness of internal audit and its adherence to the international standards for the professional practice of internal auditing. John has a valuable perspective on the quality of internal audit and assurance because of his extensive experience as a freelance internal audit consultant, delivering a variety of training and internal audit engagements for a range of clients.

As well as his demanding day job, he continues to undertake a number of roles for the CIIA as a trainer, facilitator, tutor, author and examiner. This breadth of knowledge gives him a unique range of practical and theoretical insight into good practice internal auditing.

Liz Sandwith CFIIA

Liz has nearly 30 years' experience in internal audit and risk management. Liz's most recent role was at Bupa where she held a number of roles in her 5 years there from Head of Assurance, Risk and Compliance to Head of Internal Audit - Operations. Liz is responsible for advising and representing the Institute on all matters relating to the professional practice of internal audit; on ensuring quality standards; and on technical issues. She is also technical advisor to the Institute's EQA service.

Liz's background is firmly embedded in internal audit and risk management. She has worked for a number of private and public sector organisations, helping to develop risk management and control awareness and has delivered training to internal auditors in the UK and internationally.

Liz is a non-executive director and chair of an Audit Committee for a Leeds based Housing Association and is also an independent board member and a member of the Remuneration Committee. Prior to joining Bupa, she spent thirteen years as Head of Internal Audit at Channel 5. She has also worked with the Information Commissioner's Office and the Electoral Commission, as well as advising a number of local authorities on internal audit and risk management issues. Liz served as President of the Institute of Internal Auditors between 2000 and 2001.

Gloucester City Council

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|-------------------------|--|---------------------------------|----------------------------------|
| Meeting: | Audit and Governance Committee | Date: | 22nd July 2019 |
| Subject: | The Review of the Effectiveness of the Audit and Governance Committee | | |
| 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: The Review of the Effectiveness of the Audit and Governance Committee – Outcomes and Action Plan | | |

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To ascertain the Committee's views on the outcomes and associated action plan in respect of reviewing the effectiveness of the Audit and Governance Committee.

2.0 Recommendations

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

Approve the action plan emanating from the effectiveness review and consider any further training / developmental requirements to support them in their role.

3.0 Background and Key Issues

- 3.1 The Chartered Institute of Public Finance and Accountancy, CIPFA, have recently produced revised guidance on the function and operation of audit committees; "Audit Committees in Local Authorities and Police, 2018 edition". The guidance represents CIPFA's view of best practice for Audit Committees in local authorities throughout the UK and replaces the Position Statement of Audit Committees in Local Government issued in 2013.
- 3.2 Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 3.3 Good audit committees are characterised by:
- A membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role.

- The political balance of a formal committee of a council will reflect the political balance of the council however, it is important to achieve the right mix of apolitical expertise.
- A membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives.
- A strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are:
 - Promoting apolitical open discussion.
 - Managing meetings to cover all business and encouraging a open approach from all participants.
 - An interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.

3.4 In the guidance, CIPFA provide a suggested self-assessment against recommended practice. By reviewing the Committee’s effectiveness against a good practice self-assessment on an annual basis, the Committee can demonstrate a high degree of performance and evidence that the Committee is soundly based with a knowledgeable membership that is not impaired in any way.

Completion of the self-assessment can also be used to support the planning of the Committee’s work programme and training plans and inform the Committee’s annual report to Council.

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

6.0 Reasons for Recommendations

- 6.1 The role of the Audit and Governance Committee within the Council's Constitution is to gain and provide assurance that the Council's governance arrangements are operating effectively in line with good practice guidance. It was therefore agreed at the Committee's meeting on 11th March 2019 that a self assessment against the new CIPFA guidance would be undertaken via a survey. Appendix A attached to this report provides the Committee with the outcomes of the self assessment via an action plan proposing the next steps to further enhance the committee's effectiveness.

7.0 Future Work and Conclusions

- 7.1 The outcomes of this and future self assessments will be included in the Audit and Governance Committee's annual report to Council and the Council's Annual Governance Statement 2019/20.

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 The revised Guidance provides the Committee with a good opportunity to assess itself against the most current best practice for Audit Committees.

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

10.0 Risk and Opportunity Management Implications

- 10.1 Failure to deliver an effective Audit and Governance Committee will prevent the non-executive, advisory function supporting those charged with governance.

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 & Trade Union

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

Background Documents: CIPFA – Audit Committees – Practical Guidance for Local Authorities and Police 2018.

CIPFA's Position Statement – Audit Committees in Local Authorities and Police 2018

THE REVIEW OF THE EFFECTIVENESS OF THE AUDIT AND GOVERNANCE COMMITTEE



Action Plan

| Ref | Areas where Audit and Governance Committee can add value by supporting improvement | Actions | Action Owner(s) |
|-----|--|--|--|
| 1 | Consideration is given to appointing an independent member who is not a councillor, or an officer of the Council, to the Committee. | Formulation of a Job Description / Person Specification. | Monitoring Officer (MO) Head of ARA (HoA) |
| | | Depending on outcome, lead on recruitment, selection and approval process. | Appointments Panel of one Councillor from each Group |
| 2 | Consideration is given to the Chair of the Audit and Governance Committee to be drawn from outside the group or groups forming the administration or an independent member (as above). | To consider with effect from May 2020 following elections. | MO |
| 3 | Minor drafting updates to the Committee's Terms of Reference to reflect the requirements of the revised guidance. | Draft prepared and presented to Committee for endorsement. | HoA |
| | | Approval process via General Purposes Committee and Council implemented. | S151 / Policy and Governance Manager (P&GM) |

| Ref | Areas where Audit and Governance Committee can add value by supporting improvement | Actions | Action Owner(s) |
|-----|--|---|-----------------|
| 4 | Promoting the principles of good governance and their application to decision making. | Wider promotion of the Annual Governance Statement. To consider presentation at Scrutiny Committees and via Members and Officers newsletters. | MO/S151 / HoA |
| | | Invite Overview and Scrutiny Committee Chair once a year to Committee to gain reasonable assurance on the effectiveness of Scrutiny arrangements. | MO |
| | | Invite Managing Director once a year to Committee to gain reasonable assurance on the effectiveness of corporate governance arrangements. | MO |
| 5 | Contributing to the development of an effective control environment. | More Member input into the setting of the Committee's agenda. | MO / S151 |
| 6 | Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements. | Uncertainty around the role of Audit and Governance Committee and its responsibility in relation to corporate performance and risk management. The role of the Audit and Governance Committee will need to be determined in the context of what other committees are doing. For example, other committees in the governance structure might also scrutinise the Council's financial performance. Care should be taken to avoid duplication and maintain the focus of the Audit and Governance Committee on financial reporting and financial governance rather than on wider issues of performance and spending priorities. | MO / S151 / HoA |

| Ref | Areas where Audit and Governance Committee can add value by supporting improvement | Actions | Action Owner(s) |
|-----|---|---|-----------------|
| | | <p>Financial scrutiny is a different role from that fulfilled by the Audit and Governance Committee. Financial scrutiny committees are likely to undertake reviews of the Council’s budget proposals and financial performance. The Audit and Governance Committee should not seek to replicate scrutiny undertaken elsewhere but should focus on the oversight of governance, risk and control and the audit process.</p> <p>An assurance framework to be developed to enable assurance to be provided on the effectiveness of performance, project and programme management arrangements.</p> | |
| 7 | Supporting the development of robust arrangements for ensuring value for money (VFM). | Clarity is required on the role of Audit and Governance Committee in relation to VFM. | MO / S151 |
| 8 | Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability. | Consider promoting the work of the Committee via the Communications Team / press office. | MO / S151 / HoA |
| 9 | Members knowledge and skills self assessment. | To review members self assessments and develop either individual and / or committee briefing / training awareness sessions as required. | MO / S151 / HoA |

| Ref | Areas where Audit and Governance Committee can add value by supporting improvement | Actions | Action Owner(s) |
|-----|--|--|-----------------|
| 10 | Annual Review of the effectiveness of the Audit and Governance Committee. | To consider inviting all ARA partners Audit Committee members (Gloucester City Council, Stroud District Council and Gloucestershire County Council) to collectively participate in the annual effectiveness review, to enable networking, benchmarking and to share good practice. | S151 / HoA |

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|-------------------------|--|--|---------------------|---------------|
| Meeting: | Audit and Governance Committee | Date: | 22 July 2019 | |
| Subject: | Outside Bodies – Audit Study Scoping | | | |
| Report Of: | Jonathan Lund, Corporate Director | | | |
| Wards Affected: | All | | | |
| Key Decision: | No | Budget/Policy Framework: | No | |
| Contact Officer: | Jonathan Lund, Corporate Director | | | |
| | Email: | jonathan.lund@gloucester.gov.uk | Tel: | 396276 |
| Appendices: | 1. City Council list of appointments to outside bodies. | | | |

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To make proposals to the Committee on the scope, content and timescales for an Audit Study of the contribution of Councillors appointed to outside bodies by the City Council.

2.0 Recommendations

2.1 Audit and Governance Committee is asked to consider the proposals contained in the report agree the content and scope of an audit study into the contribution of Councillors appointed to outside bodies.

3.0 Background and Key Issues

3.1 Gloucester City Council makes annual appointments to 28 the managing boards, committees or trusts of external organisations. 19 Councillors and 12 external appointees are appointed. A full list of appointments is considered and approved at the Council’s Annual Meeting each May and the list for 2019/20 is attached to this report at appendix 1.

3.2 In broad terms the outside bodies fall into one of five types:

Partner Organisations – Bodies which the Council works with in a contractual or transactional relationship to deliver City Council objectives.

Collaborative Organisations – Bodies which have objectives or purposes compatible with or contributing to the objectives of the City Council.

Charities – Charitable organisations with governing documents which allow or require appointees from the local authority – often because of longstanding practice or statute.

Other Public Bodies or Joint Committees (Non-Executive) – boards, committees or groups set up by other public bodies with representation from Gloucester City Council

Other Public Bodies or Joint Committees (Executive) – boards, committees or groups set up by other public bodies with executive representation from Gloucester City Council.

The table below categorises each of Gloucester City's 28 Outside Bodies

| Partner Organisations | |
|------------------------------------|--|
| 1 | Aspire Sports and Cultural Trust |
| 2 | Gloucester Docks Estate Company Ltd |
| 3 | Citizens Advice Bureau |
| 4 | Gloucester City Homes Board |
| 5 | Gloucester Culture Trust |
| 6 | Gloucester Historic Buildings Ltd |
| 7 | Gloucester Law Centre Management Committee |
| 8 | Gloucestershire Airport Ltd |
| 9 | Gloucestershire Airport Consultative Committee |
| 10 | Marketing Gloucester Ltd |
| | |
| Collaborative Organisations | |
| 11 | Barton and Tredworth Development Ltd |
| 12 | Gloucester Playing Fields Association |
| 13 | Gloslink |
| 14 | Llanthony Secunda Trust |
| | |
| Charities | |
| 15 | Charity of John Ward |
| 16 | Free Hospital Fund for Children |
| 17 | Gloucester Charities Trust |
| 18 | Gloucester Relief of Sickness Fund |
| 19 | Gloucester United Schools Charity |
| 20 | St Ann Society of Gloucester |
| | |
| Non-Executive Public Bodies | |
| 21 | Environment and Ecology Forum |
| 22 | Gloucestershire Economic Growth O&S Committee |
| 23 | Gloucestershire health and Care O&S Committee |
| 24 | Lower Severn Drainage Board |
| | |
| Executive Public Bodies | |
| 25 | LGA General Assembly |
| 26 | National Parking Adjudication Service |
| 27 | South West Councils |
| 28 | South West provincial Council |
| | |

- 3.3 The Audit and Governance Committee has expressed a wish to consider whether engagement with and participation in each of these organisations is:-
- 3.3.1 Worthwhile to the host organisation in terms of the time, input and outcomes achieved by having a City Council appointee(s)
 - 3.3.2 Worthwhile to the City Council in terms of the time, input and outcomes achieved through providing a City Council appointee(s)
 - 3.3.3 Achieving appropriate two-way dialogue so that the corporate objectives of the City Council are communicated clearly to the host organisation and the issues facing the host organisation are fed into the forward planning of the City Council.
 - 3.3.4 Providing appropriate mechanisms for communicating, highlighting and showcasing the City Council's engagement with the host organisations.
 - 3.3.5 Holding City Council appointees to account for their contribution to delivering 3.3.1 to 3.3.4 above.
- 3.4 The outcome of the Audit Study might include recommendations on:
- 3.4.1 Withdrawing representation in appropriate cases
 - 3.4.2 Adding to the Outside Bodies if gaps become apparent
 - 3.4.2 Amending the support given to appointees where necessary or appropriate
 - 3.4.3 Introducing mechanisms to facilitate greater reporting back to Council
 - 3.4.4 Providing an Annual Report on the City Council's engagement with its Outside Bodies.
- 3.5 If the scope outlined in paragraphs 3.2, 3.3 and 3.4 are acceptable to the Committee the work plan set out below might be appropriate

| Item | Date | Action | Lead |
|------|---------------|---|------|
| 1 | 22/07/19 | Agree content and scope | |
| 2 | 22/07/19 | Agree questionnaire to GCC appointees and host organisations | |
| 3 | 22/07/19 | Appoint a Task and Finnish Group | |
| 3 | From 22/07/19 | T&F Group interview a sample of appointees and draft final recommendations | |
| 4 | 16/09/19 | Results of Survey reported to A&G | |
| 5 | 16/09/19 | Sample Host Organisations invited to A&G Cttee | |
| 6 | 18/11/19 | Draft report considered by A&G with recommendations to Council/Cabinet (as necessary) | |

4.0 Asset Based Community Development (ABCD) Considerations

- 4.1 The Council's engagement with 28 outside organisations demonstrates a high degree of commitment to working with partner organisations as harness the potential of the assets based in Gloucester and Gloucestershire. This report seeks to propose mechanisms to audit that engagement and make recommendations to strengthen and improve our approach to ABCD

5.0 Alternative Options Considered

5.1 This report presents options in respect of the content, scope and programme of work to audit the City Council's relationship with outside bodies. A range of alternative options may be considered as part of the discussion of the proposals

6.0 Reasons for Recommendations

6.1 To provide options to meet the Committee's objective of undertaking an audit study of the effectiveness of the City Council's engagement with outside bodies.

7.0 Future Work and Conclusions

7.1 See para 3.5 for proposals

8.0 Financial Implications

8.1 None arising from the content of this report

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

9.0 Legal Implications

9.1 None arising from the content of this report

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

10.0 Risk & Opportunity Management Implications

10.1 There is a risk that Outside Bodies will not engage fully with the study and that the outcomes may point to resource implications beyond the current means of the City Council, raising expectations that would be difficult to meet.

11.0 People Impact Assessment (PIA) and Safeguarding:

11.1 None arising from the content of this report

12.0 Other Corporate Implications

Community Safety

12.1 None

Sustainability

12.2 None

Staffing & Trade Union

12.3 None

Background Documents: 2019/20 list of appointments to outside bodies

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**COUNCIL APPOINTMENTS TO OUTSIDE BODIES,
COMMUNITY BODIES AND FORA, ETC. FOR 2019-20
CONFIRMED AT ANNUAL COUNCIL ON 20 MAY 2019**

| Organisation | | Representatives 2018/19 | Representatives 2019/20 | Term of Office | Meeting frequency |
|--------------|--|--|--|------------------------------------|--|
| 1. | Aspire Sports and Cultural Trust | 1. Cllr. Hampson 2. Cllr. Toleman | 1. Cllr. Hampson 2. Cllr. Toleman | 1 year | Quarterly |
| 2. | Barton and Tredworth Development Ltd | 1. Vacant | 1. Vacant | 1 year | Monthly, usually Mondays 5.00pm |
| 3. | Charity of John Ward | 1. Cllr. Lugg 2. Mr B. Large 3. Mr T. Haines 4. Mr S. Ayland | 1. Cllr. Lugg 2. Mr B. Large 3. Mr T. Haines 4. Mr S. Ayland | 4 years | Quarterly |
| 4. | Citizens' Advice Bureau | 1. Cllr. Finnegan 2. Cllr. Hansdot | 1. Cllr. Finnegan 2. Cllr. Hansdot | 1 year | Bi-monthly, evenings AGM lunchtime in June |
| 5. | Environment and Ecology Forum | 1. Cllr. Bhaimia 2. Cllr. Brazil 3. Cllr. D.Brown 4. Cllr. Cook 5. Cllr. Taylor | 1. Cllr. Bhaimia 2. Cllr. Brazil 3. Cllr. D. Brown 4. Cllr. Cook 5. Cllr. Taylor | 1 year | 3 times a year |
| 6. | Free Hospital Fund for Children | 1. Dr G. Cole 2. Mrs D Fenton 3. Mr R. Stanley 4. Ms H. Sutcliffe 5. Ms R. Woodliffe | 1. Dr G. Cole 2. Mrs D Fenton 3. Mr R. Stanley 4. Ms H. Sutcliffe 5. Ms R. Woodliffe | 4 years | Quarterly |
| 7. | Gloucester Docks Estate Company Ltd | 1. Cllr. Cook | 1. Cllr. Cook | 1 year | Quarterly |
| 8. | Gloucestershire Playing Fields Association | 1. Cllr. Noakes | 1. Cllr. Morgan | 1 year renewed each December | Quarterly |
| 9. | Gloslinks | 1. Cllr. Bhaimia 2. Cllr. Gravells 3. Cllr. Tracey | 1. Cllr. Bhaimia 2. Cllr. Gravells 3. Cllr. Tracey | 1 year | Annually and ad-hoc |

| | Organisation | Representatives 2018/19 | Representatives 2019/20 | Term of Office | Meeting frequency |
|-----|--|--|--|---|--|
| 10. | Gloucester Charities Trust | 1. Cllr. Lugg 2. Cllr. Melvin 3. Cllr. Tracey 4. Mr S Ayland 5. Mr G Howell 6. Mr T Haines 7. Mr M White | 1. Cllr. Lugg 2. Cllr. Melvin 3. Cllr. Tracey 4. Mr S Ayland 5. Mr G Howell 6. Mr T Haines 7. Mr M White | May 2022 May 2020 May 2020 May 2020 May 2021 May 2021 May 2020 (4 years) | Monthly, daytime |
| 11. | Gloucester City Homes Board (3 year period) | 1. Mr J Beeley 2. Mr D. Johnson | 1. Mr J Beeley 2. Mr D. Johnson | May 2020 May 2020 (3 years) | Monthly, Weds |
| 12. | Gloucester Culture Board | 1. Cllr. Noakes | 1. Cllr. Morgan | The Cabinet Member for Culture and Leisure or their appointed nominee | |
| 13. | Gloucester Historic Buildings Limited | 1. Cllr. Dee 2. Cllr. Hampson 3. Cllr. Toleman 4. Mr G. Heath | 1. Cllr. Dee 2. Cllr. Hampson 3. Cllr. Toleman | 1 year | Bi-monthly |
| 14. | Gloucester Law Centre Management Committee | 1. Cllr. Lugg 2. Cllr. Williams | 1. Cllr. Lugg 2. Cllr. Williams | 1 year | Monthly |
| 15. | Gloucester Relief in Sickness Fund | 1. Cllr. Bhaimia | 1. Cllr. Bhaimia | 4 years | Monthly usually second Monday of month |
| 16. | Gloucester United Schools Charity | 1. Cllr. Brooker | 1. Cllr. Brooker | 1 year | 4 times a year |
| 17. | Gloucestershire Airport Ltd - 1 Director | 1. Cllr. Melvin | 1. Cllr. Melvin | May 2019 (3 years) | Monthly |
| 18. | Gloucestershire Airport Consultative Committee | 1. Vacant | 1. Vacant | Ongoing | Quarterly |

| | Organisation | Representatives 2018/19 | Representatives 2019/20 | Term of Office | Meeting frequency |
|-----|---|---|---|--|------------------------------|
| 19. | Gloucestershire Economic Growth Overview and Scrutiny Committee | 1. Cllr. Patel Substitute 1. Cllr. Stephens | 1. Cllr. Patel Substitute 1. Cllr. Stephens | Ongoing | Bi-monthly |
| 20. | Gloucestershire Health and Care Overview and Scrutiny Committee | 1. Cllr. Finnegan Substitute 1. Cllr. Hampson | 1. Cllr. Finnegan Substitute 1. Cllr. Hampson | 1 year | Bi-monthly |
| 21. | Llanthony Secunda Priory Trust | 1. Cllr. Tracey | 1. Cllr. Tracey | 1 year | Bi-monthly |
| 22. | Local Government Association General Assembly | 1. Cllr James | 1. Cllr. James | 1 year | Annually |
| 23. | Lower Severn Drainage Board | 1. Cllr. Morgan | 1. Cllr. Toleman | 1 year | Quarterly plus ad-hoc |
| 24. | Marketing Gloucester Limited | 1. Cllr. James | 1. Cllr. Watkins | The Leader of the Council or their appointed nominee | Bi-monthly |
| 25. | National Parking Adjudication Service | 1. Cllr. James | 1. Cllr. James | Executive Member with responsibility for parking | AGM |
| 26. | South West Councils | 1. Cllr. James | 1. Cllr. James | The Leader of the Council or their appointed nominee | 3 per year plus AGM |
| 27. | South West Provincial Council | 1. Cllr. James | 1. Cllr. James | The Leader of the Council or their appointed nominee | Twice a year |
| 28. | St Ann Society of Gloucester | 1. Cllr. Tracey | 1. Cllr. Tracey | 1 year | Not known |

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Gloucester City Council
Audit and Governance Work Programme 2019-2020
(Updated 02 July 2019)

| Item | Format | Committees | Lead Officer | Comments |
|------|--------|------------|--------------|----------|
|------|--------|------------|--------------|----------|

22 July 2019

| | | | | |
|---|------------------|---------------|--|---|
| 1. Audit and Governance Committee Action Plan | Timetable | ----- | ----- | Standing agenda item requested by the Committee |
| 2. Statement of Accounts | Written report | Audit and Gov | Head of Policy and Resources | Part of the Committee's annual work programme |
| 3. Treasury Management Six Monthly Update 2018/19 | Written Report | Audit and Gov | Head of Policy and Resources/Accountancy Manager | Part of the Committee's annual work programme |
| 4. Deloitte External Audit Report 2018/19 (ISA 260 to those charged with Governance) | | | | |
| 5. Annual Report on Internal Audit Activity 2018/19 | Written Report | Audit and Gov | Head of IA&RM Shared Service | Part of the Committee's annual work programme |
| 6. Annual Governance Statement, Local Code of Corporate Governance and Council Wide Assurance Map 2018/19 | Written Report | Audit and Gov | Head of IA&RM Shared Service | Part of the Committee's annual work programme |
| 7. Strategic Risk Register Update | Written Report | Audit and Gov | Head of IA&RM Shared Service | Part of the Committee's annual work programme |
| 8. Internal Audit - External Quality Assessment | Written Report | Audit and Gov | Head of IA&RM Shared Service | Part of the Committee's annual work programme |
| 9. The Review of the Effectiveness of the Audit and Governance Committee – Action Plan | Written Report | Audit and Gov | Head of IA&RM Shared Service | |
| 10. Members appointed to outside bodies by the Council | Scoping Document | Audit and Gov | Corporate Director | Requested by the Committee |

| | | | | |
|--|----------------|---------------|------------------------------|---|
| 11. Audit and Governance Committee Work Programme | Timetable | ----- | ----- | Standing Agenda Item |
| 16th September 2019 | | | | |
| 1. Audit and Governance Committee Action Plan | Timetable | ----- | ----- | Standing agenda item requested by the Committee |
| 2. Internal Audit Activity 2019/20 – Progress Report | Written Report | Audit and Gov | Head of IA&RM Shared Service | Part of the Committee’s annual work programme |
| 3. Business Rates Pooling Annual Report | Written Report | Audit and Gov | Head of Policy and Resources | Part of the Committee’s Annual Work Programme |
| 4. Local Government Ombudsman, annual standards and complaints monitoring report | Written Report | Audit and Gov | Monitoring Officer | Part of the Committee’s annual work programme |
| 5. Audit and Governance Committee Work Programme | Timetable | ----- | ----- | Standing Agenda Item |

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

Page 164

- Regulation of Investigatory Powers Act 2000 (RIPA) – Annual Review of Procedural Guide
- Review the Amey Street Scene Contract

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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