



Audit and Governance Committee

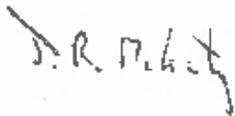
Meeting: Monday, 16th September 2019 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

Membership:	Cllrs. Melvin (Chair), Brooker (Vice-Chair), Hampson, Lugg, D. Norman, Taylor and Wilson
Contact:	Democratic and Electoral Services 01452 396127 democratic.services@gloucester.gov.uk

AGENDA

1.	APOLOGIES To receive any apologies for absence.
2.	DECLARATIONS OF INTEREST To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.
3.	MINUTES (Pages 5 - 12) To approve as a correct record the minutes of the meeting held on 22 nd July 2019.
4.	PUBLIC QUESTION TIME (15 MINUTES) To receive any questions from members of the public provided that a question does not relate to: <ul style="list-style-type: none"> • Matters which are the subject of current or pending legal proceedings, or • Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers
5.	PETITIONS AND DEPUTATIONS (15 MINUTES) To receive any petitions and deputations provided that no such petition 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
6.	AUDIT AND GOVERNANCE COMMITTEE OUTSTANDING MATTERS (Pages 13 - 14) To consider any outstanding matters.
7.	INTERNAL AUDIT ACTIVITY 2019/20 - QUARTERLY PROGRESS REPORT

	(Pages 15 - 38) To consider the report of the Head of Audit Risk Assurance updating Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2019/20.
8.	DELOITTE EXTERNAL AUDIT REPORT 2018/19 (ISA 260 TO THOSE CHARGED WITH GOVERNANCE) (Pages 39 - 66) To receive the report of the Council's external auditor.
9.	BUSINESS RATES POOLING REPORT To receive a verbal update on Business Rates Pooling.
10.	AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME (Pages 67 - 68) To consider the Work Programme.
11.	DATE OF NEXT MEETING Monday 18 th November at 6.30pm in the Civic Suite, North Warehouse.



Jon McGinty
Managing Director

Date of Publication: Friday, 6 September 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.

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



AUDIT AND GOVERNANCE COMMITTEE

MEETING : Monday, 22nd July 2019

PRESENT : Cllrs. Melvin (Chair), Hampson, Lugg, D. Norman, Taylor, Wilson and H. Norman (ex-officio)

Others in Attendance

Corporate Director
Head of Policy and Resources
Accountancy Manager
Accountancy Manger
Group Manager, Audit, Risk and Assurance
Trainee Auditor
Deloitte Representative
Democratic Services and Elections Officer

APOLOGIES : Cllr. Brooker

1. APPOINTMENT OF CHAIR AND VICE-CHAIR

1.1 The appointments of Councillor Melvin as Chair and Councillor Brooker as Vice Chair were noted.

2. DECLARATIONS OF INTEREST

2.1 The Councillor D Norman declared an interest in agenda item 8 (Statement of Accounts) by virtue of him being Gloucestershire County Council Cabinet Member for Public Protection with responsibility for the Fire Service.

3. MINUTES

3.1 The minutes of the meeting held on the 11th March 2019 were approved as a correct record and signed by the Chair.

4. PUBLIC QUESTION TIME (15 MINUTES)

4.1 There were no public questions.

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5. PETITIONS AND DEPUTATIONS (15 MINUTES)

5.1 There were no petitions or deputations.

6. AUDIT AND GOVERNANCE COMMITTEE OUTSTANDING MATTERS

6.1 The Committee considered the outstanding matters.

6.2 The Chair confirmed that minute 52, review of the effectiveness of the Committee and scope for a study of members appointed to outside bodies, would be discussed as agenda items 15, 16 and marked complete.

6.3 In relation to minute 48, report on Disabled Facilities Grants (DFG), Councillor Wilson asked when this would be circulated. The Corporate Director reassured Members that he would write directly to Councillors to indicate when the report was likely to be ready for circulation.

6.4 **RESOLVED** that the Audit and Governance Committee note the Outstanding Matters.

7. STATEMENT OF ACCOUNTS

7.1 The Committee considered the Statement of Accounts. The Head of Policy and Resources presented the accounts and commented that the Finance Team had produced them in a timely manner with only minor amendments recommended by the auditors.

7.2 The Head of Policy and Resources informed Members that the final Statement of Accounts would not be ready for approval until the 31st of July when advice concerning the impact of the McCloud judgement had been received and the audit process finalised. He advised them that the McCloud judgement was a ruling of the High Court in December 2018 that found transitional protections in the Firefighters' pension scheme unlawful with as yet unconfirmed implications for the Local Government Pension Scheme and all local authorities that may require a contingent liability in their accounts. The Head of Policy and Resources stated that it was not expected for the impact on the Statement of Accounts to be material.

7.3 Councillor Wilson noted that the July deadline to finalise the accounts was tighter than it had been and sought reassurance that Members would receive the final Statement of Accounts in good time to examine in detail over the summer for discussion at the September meeting. The Head of Policy and Resources explained that the statutory deadline had been brought forward from September to July and assured Members that a briefing note would be given should there be any change to the documents before them.

7.4 **RESOLVED** that the Chair and Head of Policy and Resources are delegated to approve and sign the Statement of Accounts by the 31st July subject to any changes.

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8. TREASURY MANAGEMENT UPDATE - ANNUAL REPORT 2018/19

- 8.1 The Committee considered the report of the Cabinet Member for Performance and Resources that highlighted treasury management issues specific to the Council, interest rate forecasts and provided an overview of the Council's performance for 2018-19. The Head of Policy and Resources highlighted the key aspects of the report and reassured Members that the impact of interest rates on both long- and short-term borrowing were under close observation by officers through the treasury management advisors.
- 8.2 Councillor Wilson noted that the interest rate forecasts (Appendix 2) were based on a favourable Brexit outcome. He sought clarification on what the impact of a 'No Deal' Brexit would be and whether the Council had funds on deposit in a European bank. The Head of Policy and Resources confirmed that there was no money on deposit in a European bank and that there was no official guidance to take measures against an unfavourable Brexit. He advised Members that the impact was unknown and that undertaking action now to fix interest rates could be costly. The Head of Policy and Resources further stated that the treasury management advisors would keep officers aware of the situation.
- 8.3 The Chair asked if a special contingency account had been considered for the anticipated reduction in spending. The Head of Policy and Resources replied that spending was continually monitored as a whole and that reductions in spending in particular areas were used to offset challenges in other areas as they occurred.
- 8.4 Councillor Lugg enquired how the £300,000 withheld from the Council's environmental and waste services contractor Amey announced at the Council meeting of 11th July 2019 (Minute 17.9) was accounted for. The Head of Policy and Resources responded that the amount was held as a creditor on the account and would be managed when an agreement with the contractor had been reached.
- 8.5 **RESOLVED** that the Audit and Governance Committee note the Treasury Management Update.

9. DELOITTE EXTERNAL AUDIT REPORT 2018/19 (ISA 260 TO THOSE CHARGED WITH GOVERNANCE)

- 9.1 The Committee considered the Deloitte External Audit Report presented by the Deloitte representative. He commented that the accounts received were good and required only minor changes to wording. The representative drew Members' attention to the outstanding matters on page 3 of the report. Concerning the appropriateness of the implicit RPI rate applied to the Kings Walk Lease he stated that this had since been resolved. In relation to the pension matters he confirmed that these would be finalised by the 31st July. The Deloitte representative referred to the recommendation to improve

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internal IT controls on page 13 of the report and informed Members that a management response was still awaited.

- 9.2 Councillor Wilson asked for clarification of the Management Override of Controls identified as a `Significant Risk' on page 8 of the report and in particular whether this represented a standard finding. The Deloitte representative replied that this was a standard assumption in all audit reports and that in his opinion it did not represent a problem in this case.
- 9.3 The Chair thanked the Deloitte representative for presenting a comprehensive report. She further commented that presentation by video-link would be considered for future meetings as a measure to reduce negative impact on the environment.
- 9.4 The Head of Policy and Resources reassured Members that the outstanding pieces of work would be completed before the deadline for signing off the accounts on the 31st July.
- 9.5 **RESOLVED** that the Chair and Head of Policy and Resources are delegated to approve the Deloitte External Audit Report 2018-19 by the 31st July subject to any changes.

10. ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2018/19

- 10.1 The Committee considered the Annual Report of the Chief Internal Auditor on Internal Audit Activity. The Group Manager Audit Risk Assurance Shared Service presented the report, gave the background and summarised the key findings.
- 10.2 Councillor Wilson asked if the internal audit activity during the last quarter would be considered at the next meeting. The Group Manager confirmed that the outcomes from seven 2018/19 activities were reported to Committee through appendix 1 of the report (report pack pages 52 to 65).
- 10.3 Concerning the finding that the Council's e-tendering system, ProContract, was not being used for quotations in the majority of Low and Intermediate Value Transactions (Appendix 2 p.24), Councillor Wilson sought confirmation that remedial actions by corporate management would be reported to Members. The Group Manager reassured Members that updates would be provided through internal audit follow up of the raised recommendations within quarter 4 2019/20.
- 10.4 Councillor Taylor commented that he was surprised at the finding that alternative quotes were not being obtained for the majority of Low and Intermediate Transactions (Appendix 2 p.24). He asked what steps had been taken to ensure this did not happen in future. The Head of Policy and Resources replied that training had been put in place for managers and team leaders together with a monthly monitoring reporting regime. He advised Members that the purchases in question were the cumulation of many small transactions to the same supplier rather than higher value purchases.

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Councillor Taylor requested that Members receive an update at the end of Quarter 4.

10.5 Councillor D Norman referred to the conclusion of the Health and Safety review (Appendix 2 p.23) that stated that the practical day to day application of arrangements were not fully understood. He expressed concern and asked by whom were these not fully understood. The Group Manager referred Members to the report statement that 'the majority of managers had not received relevant corporate health and safety training or...recent guidance' and that this area has been agreed by management for action. The Corporate Director reminded Members that the review had taken place during a period of great organisational change when many new people had joined the authority. He reassured them that the Audit Plan addressed the matter and a timetable had been established so that a report could be received at the next meeting and the relevant managers requested to attend if required.

10.6 **RESOLVED** that:

(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)

11. ANNUAL GOVERNANCE STATEMENT, LOCAL CODE OF CORPORATE GOVERNANCE AND COUNCIL WIDE ASSURANCE MAP 2018/19

11.1 The Committee considered the Annual Governance Statement (AGS) report. The Group Manager Audit Risk Assurance Shared Service placed it in context and summarised the report on behalf of the Chief Internal Auditor.

11.2 Councillor Wilson pointed out that the hyperlink to the Whistleblowing Policy in the Corporate Governance Framework at Appendix 2 did not work. The Group Manager assured Members that this would be corrected.

11.3 **RESOLVED** that the AGS 2018/19 (including the actions planned by the Council to further enhance good governance arrangements), as set out in Appendix 1 of the report, be approved.

12. STRATEGIC RISK REGISTER UPDATE AND RISK MANAGEMENT ACTION PLAN 2019/20

12.1 The Committee considered the Strategic Risk Register Update and Risk Management Action Plan. The Group Manager Audit Risk Assurance Shared Service presented the report of the Chief Internal Auditor and

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reminded Members that the Register represented the situation on 2nd July 2019 (as at one point in time, due to the deadline for Committee papers) and that subsequent changes had already been actioned by senior managers via the Pentana system.

12.2 Councillor Wilson referred to the risk concerning the ability to respond to unexpected events (Appendix 1 SRR9.1) and asked if the current score of amber correctly reflected the urgency of the risk. The Corporate Director confirmed that this was the current assessment since certain actions had been taken to reduce the risk such as improving business continuity measures. He informed Members that the risk would be kept under regular review.

12.3 **RESOLVED** that the Audit and Governance Committee recommend that both the Strategic Risk Register and the Risk Management Action Plan 2019/20 be noted and endorsed.

13. PROVISION OF AN INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT (EQA)

13.1 The Committee considered the Provision of an Internal Audit External Quality Assessment (EQA) report that recommended a way forward in relation to the provision of the independent quality assessment of Internal Audit. The Group Manager Audit Risk Assurance Shared Service gave an overview of the contents.

13.2 The Group Manager Audit Risk Shared Service advised that when the next EQA takes place in May 2020 Audit and Governance Committee Members will be selected for interview as part of the process. Councillor H Norman asked if the impact of Council elections in May 2020 had been considered. The Group Manager confirmed that this had been considered and that this would be communicated further with Members within the 2019/20 (e.g. as part of the EQA approach and timetable agreement with the Chief Internal Auditor).

13.3 The Chair reminded Members of the importance to good governance of seeking independent opinion to challenge the Council.

13.4 **RESOLVED** that it is noted that the Chartered Institute of Internal Auditors (CIIA) is engaged to carry out an independent assessment of the Internal Audit function.

14. THE REVIEW OF THE EFFECTIVENESS OF THE AUDIT AND GOVERNANCE COMMITTEE - ACTION PLAN

14.1 The Committee considered the report of the Chief Internal Auditor. The Group Manager Audit Risk Assurance Shared Service summarised the report. It was confirmed that the survey would be re-opened within 2019/20 to obtain further Member feedback and re-affirm the Audit & Governance Committee effectiveness position and action plan.

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14.2 **RESOLVED** that the action plan emanating from the effectiveness review is approved and any further training / developmental requirements to support Members in their role be considered.

15. MEMBERS APPOINTED TO OUTSIDE BODIES BY THE COUNCIL

15.1 The Committee considered the report of the Corporate Director that proposed the scope, content and timescales for an audit study of the contribution of Councillors appointed to outside bodies by the City Council.

15.2 The Chair reminded Members of the importance of establishing value of Council representatives on outside bodies both to the Council and the outside bodies themselves. Councillor Lugg commented on the difficulty of making an objective assessment of value.

15.3 Councillor D Norman noted the broad range of organisations and variation to be expected between those for whom a representative was essential and those for whom a representative was superfluous. He further emphasised the importance of making best use of Councillors' time.

15.4 Members were informed by Councillor D Norman that he considered the time frame proposed in the work plan (3.5) to be too tight for the quality of study required. The Corporate Director proposed that the reporting dates be advanced two months to November 2019 and January 2020.

15.5 Councillor Lugg sought clarification on what the study would achieve given that the representatives often volunteered their time and expenses with little or no cost to the Council. The Chair stated that as the Council was formally associated with these bodies it was prudent and represented good housekeeping to ensure that their operation was acceptable.

15.6 Councillor Taylor commented on the need to conduct the study correctly and proposed that it be revisited every 5 years.

15.7 Councillor Hampson highlighted the advantages of broadening the membership so that the study group encompassed a wider range of skills. The Corporate Director advised against this as broadening the scope would dilute the focus for the Audit and Governance Committee.

15.8 The question of how to capture the differing personal commitments by individual representatives to the same outside body was raised by Councillor Hampson. The Corporate Director highlighted the need to recognise that representatives' contribution to an outside body may be most valuable in personal capacity rather than as a councillor. Councillor Lugg commented on the need to write to every representative as a first step. The Chair reassured Members that this would be an integral part of the survey.

15.9 Councillor D Norman asked whether the study might ultimately require a report to the General Purposes Committee for the Council Constitution to be amended. The Corporate Director replied that he thought it unlikely the

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Council Constitution would need alteration, but that those of some outside bodies might.

15.10 **RESOLVED** that:

- (1) the content and scope contained in the report of an audit study into the contribution of Councillors appointed to outside bodies is agreed;
- (2) the audit study is conducted by an informal group consisting of Councillors D Norman, Wilson and Hampson with Councillor H Norman in an ex officio capacity.

16. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

16.1 The Committee considered the Work Programme. The Chair drew members' attention to forthcoming items.

16.2 **RESOLVED** that the Audit and Governance Committee note the Work Programme.

17. EXCLUSION OF PRESS AND PUBLIC

17.1 **RESOLVED** that the press and public be excluded from the meeting during the following item of business (Agenda item 19) on the grounds that it is likely, in view of the nature of business to be transacted or the nature of the proceedings, that if members of the press and public are present during consideration of this item there will be disclosure to them of exempt information as defined in Schedule 12A of the Local Government Act 1972 as amended.

18. AMENDMENT TO ANNUAL TREASURY MANAGEMENT STRATEGY

18.1 The Committee considered the report of the Head of Policy and Resources that sought approval to amend Treasury Management Practice 1 (TMP1).

18.2 **RESOLVED** as per the recommendations in the confidential report.

19. DATE OF NEXT MEETING

19.1 Monday 16th September 2019 at 6.30pm in the Civic Suite, North Warehouse.

Time of commencement: 6.30 pm hours
Time of conclusion: 7.45 pm hours

Chair

AUDIT AND GOVERNANCE COMMITTEE – 22 JULY 2019

OUTSTANDING MATTERS

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
<u>Matters arising from meeting held on 22 July 2019:</u>					
10	Provide report on actions by Corporate Management responding to findings of the Internal Audit Report regarding Low and Intermediate Value Transactions	Added to Work Programme	G	16 September Committee Meeting	SP
Page 13 10	Provide update on acquisition of alternative quotes in Low and Intermediate Value Transactions up to the end of the Quarter 4 monitoring period	To be circulated at end of Quarter 4	A	Before March 2020 Committee Meeting	JT
10	Provide report on actions by Corporate Management responding to findings of the Internal Audit Report regarding Health and Safety	Added to Work Programme	G	16 September Committee Meeting	SP
15	Conduct Audit Study by Members of contribution of Councillors to outside bodies	Added to Work Programme	A	20 January Committee Meeting	JL

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Meeting:	Audit and Governance Committee	Date:	16th September 2019
Subject:	Internal Audit Activity Progress Report 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 326338	
	Theresa.Mortimer@gloucester.gov.uk		
Appendices:	A: Internal Audit Activity Progress Report 2019/20		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2019/20.

2.0 Recommendations

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

- (1) Accept the progress against the Internal Audit Plan 2019/20;
- (2) 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 Shopmobility Fees and Charges audit review; and
- (3) Accept the assurance opinions provided in relation to the effectiveness of the Council's control environment comprising risk management, control and governance arrangements as a result of the Internal Audit activity completed to date.

3.0 Background and Key Issues

3.1 Members approved the Internal Audit Plan 2019/20 at 11th March 2019 Audit and Governance Committee meeting. In accordance with the Public Sector Internal Audit Standards 2017 (PSIAS), this report (through **Appendix A**) details the outcomes of Internal Audit work carried out in accordance with the approved Plan.

3.2 The Internal Audit Activity Progress Report 2019/20 at **Appendix A** summarises:

- The progress against the 2019/20 Internal Audit Plan, including the assurance opinions on the effectiveness of risk management and control processes;

- The outcomes of the Internal Audit activity during the period July 2019 to August 2019; and
- Special investigations/counter fraud activity.

3.3 The report is the first progress report in relation to the Internal Audit Plan 2019/20.

4.0 Asset Based Community Development (ABCD) Considerations

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

5.0 Alternative Options Considered

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

6.0 Reasons for Recommendations

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

6.2 The PSIAS require 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 work programme, Internal Audit Activity Progress Reports against the approved Internal Audit Plan 2019/20 are scheduled to be presented to the Audit and Governance Committee at the 18th November 2019, 20th January 2020, 9th March 2020 and 20th July 2020 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 Monitoring the implementation of Internal Audit recommendations assists the council to minimise risk areas and thereby reduce the prospects of legal challenge.

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

10.0 Risk and Opportunity Management Implications

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

11.0 People Impact Assessment (PIA):

- 11.1 A requirement of the Accounts and Audit Regulations 2015 is for the Council to *'undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'*. The Internal Audit Service is delivered by Audit Risk Assurance which is an internal audit and risk management shared service between Gloucester City Council, Stroud District Council and Gloucestershire County Council. Equality in service delivery is demonstrated by the team being subject to, and complying with, the Council's equality policies.
- 11.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

12.0 Other Corporate Implications

Community Safety

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

Sustainability

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

Staffing & Trade Union

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

Background Documents: Internal Audit Plan 2019/20
PSIAS
CIPFA Local Government Application Note for the UK PSIAS

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Internal Audit Activity Progress Report 2019-2020



(1) Introduction

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that a relevant authority “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. The Internal Audit Service is provided by Audit Risk Assurance under a Shared Service agreement between Gloucester City Council, Stroud District Council and Gloucestershire County Council and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

The guidance accompanying the Regulations recognises the Public Sector Internal Audit Standards 2017 (PSIAS) as representing “proper internal audit practices”. The standards define the way in which the Internal Audit Service should be established and undertake its functions.

(2) Responsibilities

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

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

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

(3) Purpose of this Report

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

- The progress against the 2019/20 Internal Audit Plan, including the assurance opinions on the effectiveness of risk management and control processes;
- The outcomes of the Internal Audit activity during the period July 2019 to August 2019; and
- Special investigations/counter fraud activity.

(4) Progress against the 2019/20 Internal Audit Plan, including the assurance opinions on risk and control

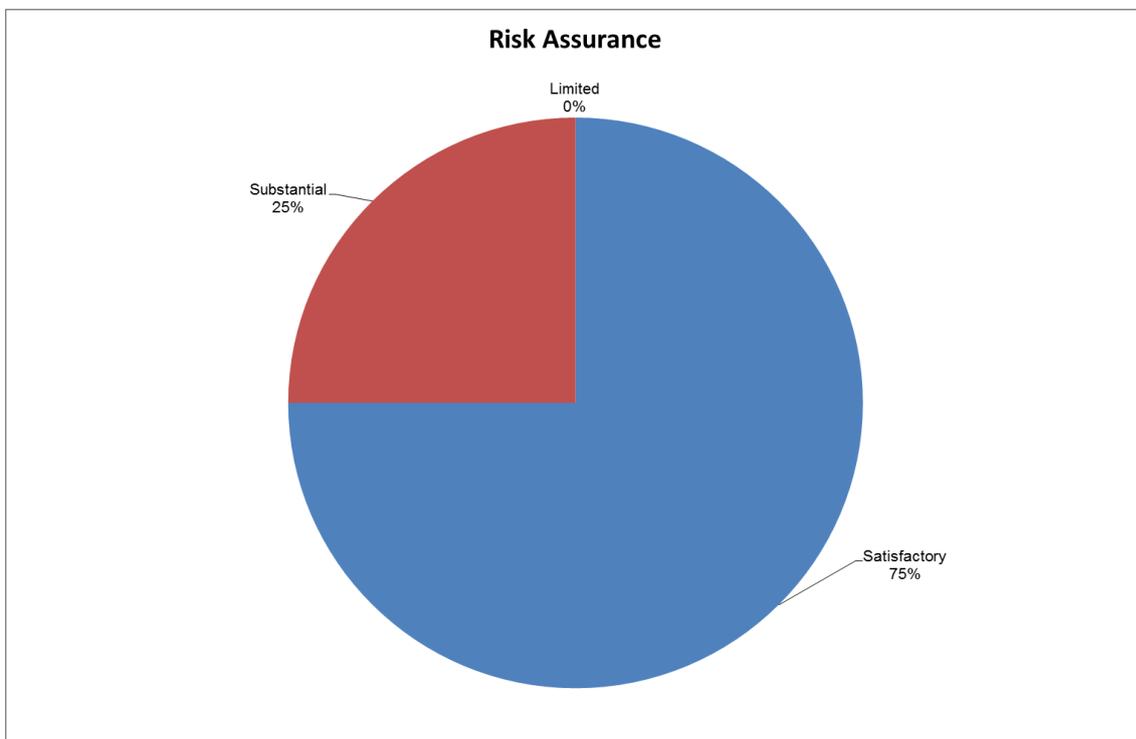
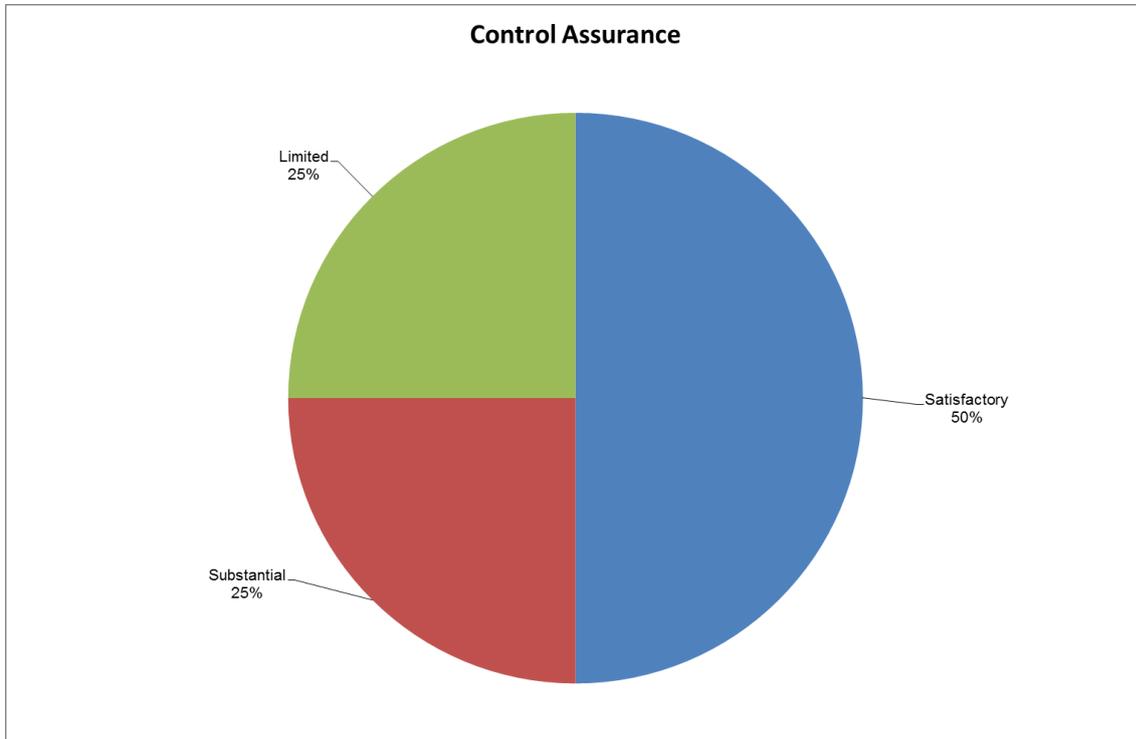
The schedule provided at **Attachment 1** provides the summary of 2019/20 audits which have not previously been reported to the Audit and Governance Committee.

The schedule provided at **Attachment 2** contains a list of all of the 2019/20 Internal Audit Plan activity undertaken during the financial year to date, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Audit and Governance Committee. Explanations of the meaning of these opinions are shown in the below table.

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 service areas, finance, reputation, legal, the environment, client/customer/partners, and staff. All key risks are accurately reported and monitored in line with the Council's Risk Management Strategy.</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 service areas, finance, reputation, legal, the environment, client/customer/partners, and staff, however some key risks are not being accurately reported and monitored in line with the Council's Risk Management Strategy.</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 Council's Risk Management Strategy, the service area has not demonstrated an satisfactory awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners and staff.</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

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

The pie charts provided below show the summary of the risk and control assurance opinions provided within each category of opinion i.e. substantial, satisfactory and limited in relation to the 2019/20 audit activity undertaken up to August 2019.



(4b) Limited Control Assurance Opinions

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

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

During the period July 2019 to August 2019, one audit review has been provided with a limited assurance opinion on control which relates to Shopmobility Fees and Charges.

It is important to note that whilst a limited assurance opinion has been provided in this instance, management have responded positively to the recommendations made and have provided assurance to Internal Audit (through management response to the recommendations raised within the report and verbal assurance) that all recommendations have now been implemented.

(4d) Satisfactory Control Assurance Opinions

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

(4e) Internal Audit Recommendations

During the period July 2019 to August 2019 Internal Audit made, in total, **13** recommendations to improve the control environment, **3** of these being high priority recommendations i.e. **10** being medium priority recommendations (**100%** accepted by management).

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

(4f) Risk Assurance Opinions

During the period July 2019 to August 2019, it is pleasing to report that no limited assurance opinions on risk have been provided on completed audits from the 2019/20 Internal Audit Plan.

Where a limited assurance opinion is given, the Shared Service Senior Risk Management Advisor will be informed to enable the prioritisation of risk management support.

Completed Internal Audit Activity during the period July 2019 to August 2019

Summary of Limited Assurance Opinions on Control

Service Area: Cultural and Trading

Audit Activity: Shopmobility Fees and Charges

Background

Shopmobility provide battery powered scooters, wheelchairs, battery chairs, power chairs and rollators to help people who have limited mobility. Charges were introduced in 2012 and remained unchanged until February 2018, when Cabinet agreed to adopt a new 'fees and charges' structure for the service effective from April 2018 in order to make the arrangements in place to be more commercially focussed. Shopmobility collected approximately £24k of income in the 2018/19 financial year.

Scope

The overarching objective of the audit was to ascertain details of the registration process, hire fees charged, equipment maintenance and the processing of personal information relating to the services provided by Shopmobility. In particular that:

- Service user data and records are appropriately held and used in accordance with the requisite guidelines;
- Any equipment hired is in good working order, and training is provided to the user where applicable; and
- Arrangements are in place to assess, apply, collect and account for the correct fees charged to service users.

Risk Assurance – Satisfactory

Control Assurance – Limited

Key findings

Service User Data:

- Users complete a registration form depending on their choice of membership i.e annual or occasional. Both forms are designed to collect personal identifiable information required for the user to complete a hire agreement;
- Service users who wish to claim relief from value added tax for the hire of a powered scooter/power chair/wheel chair are required to complete an eligibility declaration for goods and services for disabled people and charities serving their needs. In line with HMRC guidelines this declaration is accepted on face value and no evidence is requested;
- Data collected is held in both electronic and hard copy formats, is held securely in a locked filing cabinet, and/or on a secure server which is access controlled. However, from review of the records it was highlighted that:
 - They are inconsistently updated which may lead to incorrect charges being applied;
 - The service currently collects data that is surplus to that required for a hire agreement;
 - The service statement concerning data deletion after two years of non-participation contradicts the Council Retention Schedule for occasional users which states that service user details must be destroyed after one year of non-participation;
 - The service does not provide a link to the Council's Privacy Notice on the user registration forms; and
 - The service does not routinely review the data held and delete data that is no longer required after two years of non-participation in the Shopmobility Membership Service.

Equipment Hired

- The equipment available for hire from Shopmobility is donated by members of the public or from the Friends of Shopmobility;
- Apart from an initial inspection/service, any repairs are made on a reactive basis, instead of a planned maintenance/servicing schedule; and

- Because a maintenance log book is not maintained for each piece of equipment a comprehensive service history is not readily available in the event of an incident and subsequent claim being received.

Service User Training

- Internal Audit was informed that prior to any equipment being used, the Shopmobility assistants provide appropriate training if the user is new to the service and/or the equipment hired (and this should be recorded on the corresponding user registration form); and
- Whilst it was confirmed that training/familiarisation is provided to the service user as required, the subsequent requirement to document this process is inconsistently completed.

Income Collection

- Income generated by donations and bric a brac sales are collected as and when a purchase or donation is made at varying amounts, with long term hire, annual membership and day rate charges being applied as per the Council pricing in effect from 1st April 2018;
- Annual membership is subject to a yearly fee and a reduced day rate is then applied, while occasional users are charged a flat daily rate; both service user types can apply for relief from value added tax;
- Income is collected via both cash and wireless card terminal methods; cash is banked daily when possible and held securely when this isn't possible. Any card payments are transposed to a journal weekly for allocation to the correct cost centre code from the Council's fund account;
- Income is banked as expected and reconciles to the Council's General Ledger, and is held securely prior to banking; and
- Income documents in the form of till receipts are not retained and stored for a defined period in line with the Council Retention Schedule and HMRC guidelines.

Conclusion

It is evident that the staff delivering the Shopmobility Service are dedicated and passionate about providing a quality service for the users. However, the review has highlighted an inconsistent approach by team members to some daily practices and the correct completion and retention of service user data indicating that the management oversight of the service needs to be enhanced.

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 Satisfactory Assurance Opinions on Control

Service Area: Council Wide

Audit Activity: Honorariums and Temporary Promotions

Background

The Council is committed to creating a fair and consistent process that recognises and rewards individuals appropriately for performance and contribution. Honorariums are designed to reward employees who have taken on significant additional work above their usual responsibilities, in exceptional circumstances; whilst temporary promotions are designed to reward an employee who has been asked to carry out the full duties of a more senior post.

Scope

Failure by employees to follow agreed Council policies and procedures can expose the Council to unnecessary financial risk and cause damage to its reputation. The overarching objective of the review is to evaluate compliance with the Council's honorarium and temporary promotion policies. In particular:

- The defined approval process has been adhered to and appropriately documented; and
- To verify that payments made to individuals are correct.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key findings

- Clear policies are available for the award of honorarium payments and temporary promotions which document the criteria for the award and the management of the process required;

- Honorariums and temporary promotions are initially assessed by the service manager and approved by the Head of Service;
- Under normal circumstances honorariums and temporary promotions are designed to be short term in nature and set up for a maximum of three months at any one time. Extensions to payments must be supported by a business case and approved by the service manager and Head of Service;
- During the period 01 April 2018 to 01 April 2019 six members of staff received honorarium payments to the value of £9,224.08. No payments were identified relating to temporary promotions; and
- The award of an honorarium or temporary promotion is recorded on a contract change form, which is sent via email to the County Council's Business Service Centre (payroll provider) for processing.

Conclusion

Three of the six honorariums were awarded during the period 01 April 2018 to 01 April 2019, and all have been authorised by the service managers/Heads of Service and the correct amount was paid to the employees named.

The policy states that awards should be short term in nature and set up for a maximum of three months at a time. Internal Audit identified three honorariums were ongoing having been awarded in previous years but rolled through to the 2018/2019 period reviewed. In one case the original requirement for an honorarium to be awarded on a short-term basis is understandable; however, the payment has continued since October 2014 without review. This indicates that the duties should now form part of the base salary/job description, or alternatively, a review should take place to ascertain whether an honorarium payment is still appropriate.

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: Cultural and Trading

Audit Activity: Markets (Limited Assurance follow-up)

Background

Gloucester's Eastgate Indoor Market is situated in the centre of the City and stalls are available for rent on a weekly basis for a maximum of a three month period. The cost of a weekly let is £150 per week payable in advance, inclusive of electricity, rent, service charge and business rates. During the three month period a weeks notice can be given by the stall holder at any time or by the Market Management.

Scope

In 2018/19 Internal Audit reviewed the cash handling and collection procedures from stall holders in respect of rent for pitches at Eastgate Market and a number of associated operational procedures. As a consequence ten recommendations were made by Internal Audit to strengthen the internal controls surrounding the receipt of income and administration procedures. This follow-up review was to provide assurance that the subsequent remedial actions agreed with management have been implemented and these are effective.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

Internal Audit evaluated the position in implementing the agreed actions of the 2017/18 review based upon discussions held with officers and reference to supporting information / documents received. This review found:

- Payments for stall rent are now made via a wireless card machine directly into the City Council bank account and no cash is accepted within the market office. Therefore, a banking run is no longer required to deposit cash. Procedure notes are now available to the Market Officers to direct them on the required processes and use of the wireless card machines. Audit testing confirmed that as at 10th May 2019 no cash payments had been accepted in 2019/20.

- Official Gloucester City Council receipts are now issued to indicate the receipt of a card payment for stall holder rent. A standard excel spreadsheet is used to record payments received by the Markets. The spreadsheet is available to Malvern Hills who are responsible for coding the income within the Financial Management System.
- The maximum term for a temporary trader has not been updated.
- Market trader contracts are now filed for each trader within the market office and retained in line with the corporate retention policy.
- Training has been conducted with the Market Officers to ensure that the updated procedures for receiving payments from market traders are understood and can be completed effectively and efficiently. Support to the Market Officers is ongoing including the opportunity for specific training sessions should it be needed.
- Management have completed a review of the current CCTV system in place within Eastgate Market, including the placement of the cameras and the retention period that footage is stored for. Whilst the positioning of the cameras was found to be appropriate to cover Eastgate market, the current CCTV system does not retain the footage for a suitable period of time.
- The Business Support Team are used to provide cover when a Market Officer is not available or on a break. However, if this is not possible, arrangements with a market trader has been put in place.
- There is no longer a petty cash float in operation at the market office.

Conclusion

Overall eight of ten recommendations have been fully implemented, strengthening the control environment regarding the receipt and monitoring of income within the market. The completion of the remaining actions still needs to be progressed in order to further strengthen working arrangements and security measures, in particular:

- The period of time that stall holders can occupy a stall on a temporary license should be reviewed.
- The CCTV equipment currently in operation to be reviewed and replaced to ensure they are fit for purpose and compliant with GDPR regulations.

The Visitor Experience Manager advised Internal Audit that there is an informal arrangement in which a market trader is (in the absence of Council employees being on-site) performing duties within Eastgate Market on behalf of the Council.

If this informal arrangement continues it represents potential risk, including conflicts of interest and potential tax implications due to the way in which the market trader is being paid. It is recommended that management consult One Legal to evaluate the legal implications of such arrangements and if they are expected to continue, to formalise the agreement.

Management Actions

Management have acknowledged that two recommendations from the 2018/19 audit are still outstanding and have advised Internal Audit that their completion will be influenced by the future commercial operation of the market once this is agreed. Internal Audit have provided one additional recommendation as summarised above to which management have responded positively to.

Summary of Substantial Assurance Opinions on Control

Service Area: Council Wide

Audit Activity: General Data Protection Regulations

Background

The General Data Protection Regulation (GDPR) is a legal framework that sets guidelines for the collection and processing of personal information of individuals within the European Union (EU). GDPR sets out the principles for data management and the rights of the individual, while also imposing fines that can be revenue based. GDPR regulation covers all organisations that deal with data of EU citizens, so it is a critical regulation for corporate compliance. The regulation became enforceable from 25 May 2018.

Scope

To ascertain if there is an effective framework in place for ensuring that personal information gathered is only used for the purpose for which it was originally intended. In particular to assess compliance with the key GDPR elements including:

- Data Protection Policy;
- User Awareness;
- Documenting data type, source and with whom it's shared;
- Individual's Rights;

- Subject Access Requests;
- Protection of Children's data; Data Breaches; and
- Appointment of a Data Protection Officer.

Risk Assurance – Substantial

Control Assurance – Substantial

Key Findings

- An action plan based on the Information Commissioners Office guidance including the '12 Step Plan for GDPR' was found to be in place to manage and monitor the progress of required GDPR actions;
- Council staff have been made aware of GDPR requirements via a variety of methods. These include staff training sessions, the use of a range of posters based on ICO GDPR guidance, communications issued by email and the intranet and the use of the NETconsent policy management tool to deliver GDPR related updates. Staff are also required to complete an online GDPR and Cyber Security e-learning training package that has been updated with GDPR/Data Protection Act 2018 requirements;
- A 'Retention Schedule' document is maintained that records all information assets processed by Council departments and detailed information including the asset owner, data format, the purpose of retaining the data and retention requirements;
- The GDPR defines eight fundamental rights held by individuals/data subjects. The Council's approach to dealing/complying with each of these eight rights is documented as part of the updated 'Data Protection Policy' and its obligations to data subjects are published online on the data protection section of the Council website;
- A defined process was found to be in place for the handling of subject access requests and a log of access requests is maintained. Leaflets and internet guidance detailing the Council's responsibilities to data subjects are in place and include a form to be used in the process of making subject access requests;
- A documented procedure is in place for the handling and reporting of personal data breaches. By review, the Council's 'Information Security and Breach Reporting Procedure' was found to be up to date and covered the key GDPR requirements; and

- A designated Data Protection Officer is in place with the defined responsibility for monitoring data protection compliance and providing relevant training, advice and assistance to Council staff and the Senior Information Risk Owner (SIRO).

Conclusion

A significant amount of work has been undertaken by Gloucester City Council to achieve compliance with GDPR requirements and management were able to demonstrate a good level of knowledge and awareness of their obligations under GDPR. Based on this, substantial assurance has been applied to the audit activity.

Internal Audit identified the following areas for consideration by management:

- Ensuring regular reporting around the completion of GDPR training is produced and distributed;
- Introducing a process to ensure Information Asset Owners review information asset data (at least annually) and ensure this is accurate and up-to-date; and
- Reallocating the ownership of the GDPR action plan to a new owner and that the plan is updated on a regular basis.

Management Actions

The findings were considered by the Council's Information Governance Board and it was agreed to implement the three recommendations made within the report.

Summary of Consulting Activity and/or Support where no opinions are Provided

Service Area: Cultural and Traded Services

Audit Activity: Turnover Certificate for Blackfriars Priory

Background

In March 2012 the Council entered into a lease with English Heritage to use the Blackfriars Priory site and open it as a visitor attraction, provide educational visits, develop an events programme, run and facilitate workshops and develop a meetings and conference trade. It is also now an established wedding venue.

The lease allowed a peppercorn rent for the first two years of operation, with the following years' rental to be a percentage of Gross Turnover, as defined in the lease agreement. On an annual basis, the Council is required to provide English Heritage with a Turnover Certificate (signed by a professionally competent auditor), certifying the amount of Gross Turnover for the relevant year.

Scope

To provide assurance that:

- In all significant respects, the Gross Turnover values for 2018/19 provided to English Heritage are accurate and in accordance with the requirements of the lease agreement; and
- A certificate confirming the Gross Turnover for the Turnover Period may be signed.

Risk Assurance – N/A (Certification)

Control Assurance – N/A (Certification)

Key findings

- The Provisional Gross Turnover figure, prepared by Accountancy, for the financial year 2018/19 is £118,906.12.
- The Gross Turnover figure to be provided to English Heritage is based on the net balances for income account codes in use for Blackfriars.
- The Council completes journals at year end to transfer deposits or other items to the financial year to which they relate, in accordance with standard accounting practice. However, the lease agreement (clause 6.2) requires that deposits are included in Gross Turnover at the time of receipt. Therefore an adjustment of £11,705.66 was made; the revised gross turnover figure is now calculated as £107,200.46.

Conclusion

The requirements of the lease agreement have been met with appropriate adjustments made for the accruals accounting in relation to deposits received. Internal Audit has therefore gained assurance that the requirements of the lease have been met with regard to the revised Gross Turnover Value of £107,200.46.

Management Actions - Not applicable.

Summary of Special Investigations/Counter Fraud Activities

Current Status

As at 19th August 2019 there have been no fraud/irregularity referrals received by Audit Risk Assurance (ARA) for investigation.

The ARA Counter Fraud team currently comprises of 2.6 equivalent FTE's. The recruitment of a second FTE has increased the resilience and expertise in this area. The team is continuing to raise the profile of the service by actively engaging with Gloucester City staff and plans to attend staff meetings, run fraud awareness training sessions and other fraud initiatives such as the promotion of International Fraud Awareness week (IFAW) in November 2019. By raising the profile of the service it is expected that this may generate referrals from across the City Council.

The 2017-19 Counter Fraud Policy and Strategy together with the Fraud Risk Registers are under review and will be provided to the Audit and Governance Committee once completed. The 2016-19 CIPFA Fighting Fraud and Corruption Locally Strategy (the counter fraud and corruption strategy for local government) which is referred to in the policy and strategy has not yet been updated and ARA have been advised that this document will not be available before October 2019.

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

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The 2018/19 data collections have been successfully uploaded to the Cabinet Office during October 2018 and the data matching reports were released on 31st January 2019 and the relevant staff at Gloucester City have been informed and any significant outcomes will be reported to the Committee. 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.

ARA has been advised by the Policy and Resources Intelligent Client Officer that the Gloucestershire Counter Fraud Unit (CFU) (procured via ARA) have been tasked with reviewing the NFI single person discount (SPD) matches. The majority of these matches are those between electoral register and those who receive a 25% discount from their Council Tax (CTAX) for being the single occupant of a property.

The number of matches was quite significant, speculatively this could be attributable to the fact that more people registered on the electoral in the lead up to the Brexit vote in 2017. The CFU conducted an initial overview of the matches and were quite quickly able to discount any 'incorrect' matches – e.g. those who are 'legitimately' exempted from being included on a CTAX charge but can still register to vote.

Letters were then issued to all of the remaining people seeking clarification of their entitlement to the reduction in council tax by way of single person discount. A dedicated email address was created for this so people could respond by email if they chose to do so. The CFU maintained a "real time" spreadsheet of the letter and telephone responses. This work has now been transferred to the Revenues team to continue with the project and any bills will be amended as required. The NFI records will be updated in due course.

Gloucester City Council has introduced an Empty Homes premium on all unoccupied properties which have been unoccupied for in excess of 2 years. This came into force with effect from 01.04.2019 – for further information about the Empty Homes Premium – please follow this link - <https://www.gloucester.gov.uk/council-tax-benefits/council-tax/council-tax-premium-on-long-term-empty-properties/>

Prior to the premium being introduced the CFU undertook a special exercise to visit all of those properties said to have been unoccupied for >2 years. The Revenues team are currently undertaking a project to visit all homes in the city listed as unoccupied in order to ensure that the Council Tax records are updated as soon as possible. This project will also include those homes which are said to have been unoccupied for less than two years.

Outcomes of the above two projects will be reported to the Committee when finalised.

Progress Report including Assurance Opinions

Department	Activity Name	Priority	Activity Status	Risk Opinion	Control Opinion	Reported to Audit and Governance Committee	Comments
Council Wide	General Data Protection Regulations (GDPR)	1	Final Report Issued	Substantial	Substantial	16/09/2019	Brought Forward from 2018/19 plan
Council Wide	Health and Safety Limited Assurance Follow Up	1	Planned				
Council Wide	Purchasing: Low and Intermediate Value Transactions Limited Assurance Follow Up	1	Planned				
Council Wide	IT Disaster Recovery and Business Continuity	1	Planned				New Activity
Council Wide	Ongoing Cyber Resilience	1	Planned				New Activity
Council Wide	Key ICT Project Governance	1	Audit in Progress				Brought Forward from 2018/19 plan
Council Wide	Complaints Procedures	2	Planned				
Council Wide	Travel and Other Expenses	1	Draft Report Issued				
Council Wide	Use of Internet	1	Planned				
Council Wide	Honorariums and Temporary Promotions	1	Final Report Issued	Satisfactory	Satisfactory	16/09/2019	
Council Wide	Governance Review of Assurance Statements	1	Planned				
Council Wide	Safeguarding	2	Planned				
Council Wide	Sickness Absence Procedure	2	Audit in Progress				
Council Wide	Network Access Controls Limited Assurance Follow Up	1	Planned				
Communities	Civil Penalties to tackle Unsatisfactory Housing Conditions within the Private Rented Housing Sector	2	Planned				
Communities	Licensing	2	Audit in Progress				
Communities	Temporary Accommodation	2	Planned				
Cultural and Trading	Markets Limited Assurance Follow Up	1	Final Report Issued	Satisfactory	Satisfactory	16/09/2019	
Cultural and Trading	Guildhall and Blackfriars Priory - Income received from events	2	Planned				
Cultural and Trading	Shopmobility Fees and Charges	2	Final Report Issued	Satisfactory	Limited	16/09/2019	
Place	Planning - Processing and Performance	2	Planned				
Place	Building Control Shared Service	2	Audit in Progress				
Policy and Resources	Civil Parking Enforcement	2	Draft Report Issued				Brought Forward from 2018/19 plan
Policy and Resources	Blackfriars Turnover Certificate	1	Final Report Issued	Not Applicable	Not Applicable	16/09/2019	
Policy and Resources	Budget Setting Monitoring and Reporting	2	Planned				
Policy and Resources	Freedom of Information (FoI) requests	2	Planned				
Policy and Resources	Housing Benefits	2	Planned				
Policy and Resources	IR35 Off-payroll working through an intermediary	2	Planned				
Policy and Resources	Property Investment Strategy	2	Planned				
Policy and Resources	Local Government Transparency Code - 2015	2	Draft Report Issued				
Policy and Resources	VAT	2	Planned				
Policy and Resources	Service Planning and Performance Reporting	2	Planned				
Policy and Resources	European Elections	1	Planned				New Activity
Policy and Resources	Free Hospital Fund	1	Audit in Progress				New Activity - to be reported in 19/20 annual report

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Gloucester City Council update paper

Report to the Audit and Governance Committee on the
audit for the year ended 31 March 2019

Issued on 10 September 2019

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit and Governance Committee of Gloucester City Council (the Council) for the 2019 audit of Gloucester City Council. The scope of our audit was set out within our planning report presented to the Audit and Governance Committee in February 2019.

Status of the audit Our audit is complete.

Conclusions from our testing We did not identify any significant audit adjustments or disclosure deficiencies.
We issued an unmodified audit opinion with no matters identified in respect of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement on 31 July 2019.

Introduction

The key messages in this report (continued)

Narrative Report & Annual Governance Statement

- We reviewed the Council's Annual Report & Annual Governance Statement and did not consider it to be misleading or inconsistent with other information known to us from our audit work.
- The Annual Governance Statement was checked for compliance with the Delivering Good Governance guidance issued by CIPFA/SOLACE with no issues identified.

Duties as public auditor

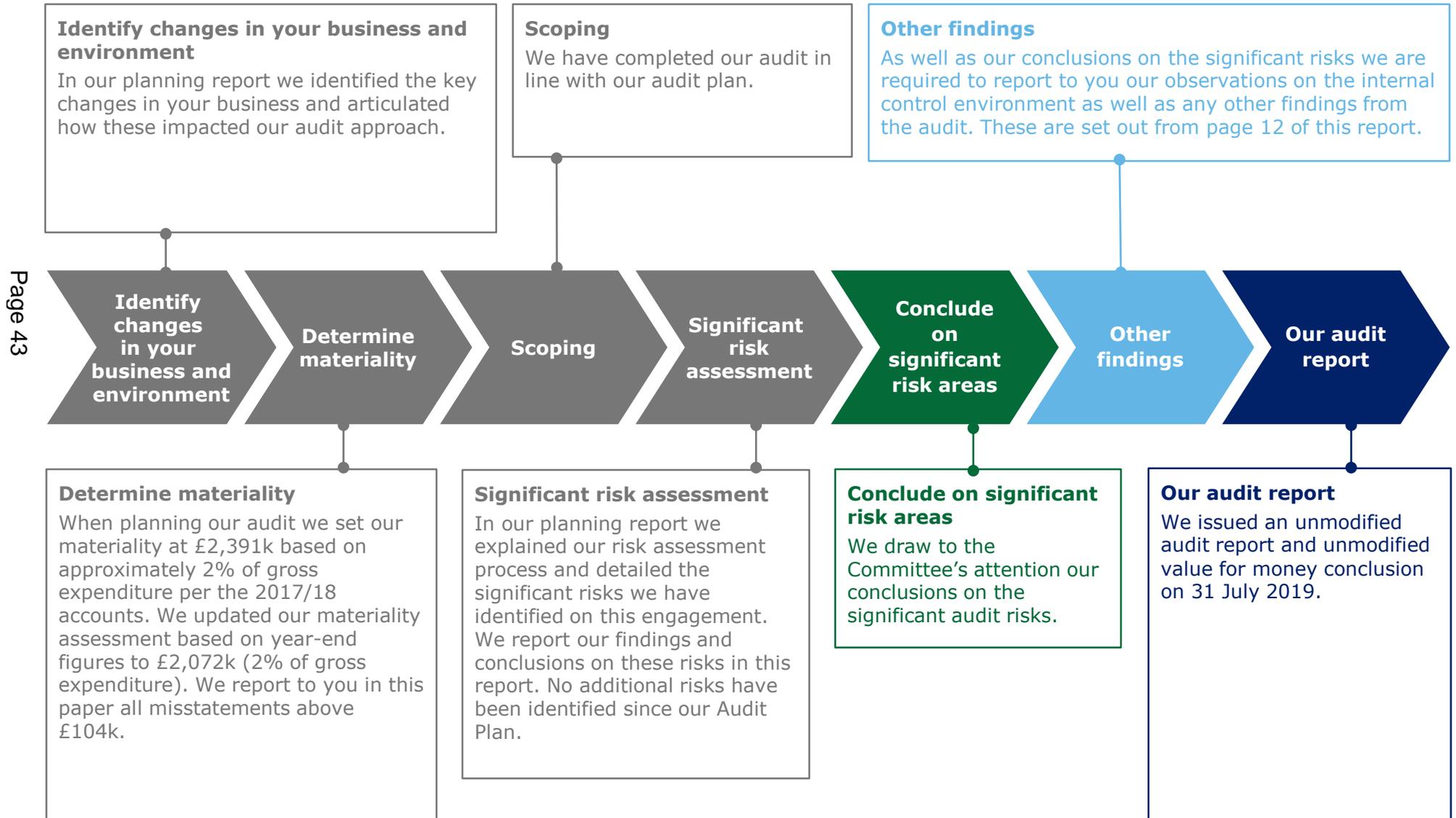
- We did not receive any queries or objections from local electors this year.
- We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.

Whole of Government Accounts

- The Council is not a sampled component for WGA reporting.

Our audit explained

We tailor our audit to your organisation



Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Completeness of Expenditure			D+I	Satisfactory		Satisfactory	7
Management override of controls			D+I	Satisfactory		Satisfactory	8

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Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

Completeness of Expenditure

Risk identified

Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure and completeness and valuation of accruals and provisions.

Given the financial pressures across the whole of the public sector, there is an inherent risk that the year-end position could be manipulated by omitting or misstating accruals and provisions.

Deloitte response

- We obtained an understanding of the design and implementation of the key controls in place in relation to recording completeness and valuation of accruals and provisions;
- We performed focused testing in relation to the completeness of expenditure including a detailed review of accruals and provisions; As part of this focused testing we challenged any assumptions made in relation to year-end accruals and provisions; We reviewed how accurate the Council has been in calculating its current year provisions and accruals; and We reviewed the year-on-year movement in accruals and provisions and investigated any significant downward movements.

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Deloitte conclusion

Based on the audit evidence obtained we conclude that expenditure is appropriately recognised. We consider management judgements to be within the reasonable range.

Significant risks (continued)

Management Override of Controls

Risk identified

In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgements in the financial statements are those which we have selected to be the significant audit risks and areas of audit interest: completeness of expenditure and valuation of the Council's estate and pension liability.

These are inherently the areas in which management has the potential to use their judgement to influence the financial statements.

Deloitte response

- We have tested the design and implementation of key controls in place around journal entries and management estimates;
 - We risk assessed journals and selected items for detailed testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest;
- We tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting;
- We reviewed accounting estimates for biases that could result in material misstatements due to fraud, specifically in relation to material provisions;
- We reviewed the accuracy of calculating its current year accruals and provisions; and
 - We have not become aware of any significant transactions that are outside the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

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Deloitte conclusion

We have not identified any significant bias in the key judgements made by management.

Other areas of audit interest

Pensions Valuation

Risk identified

The Council are part of the Local Government Pension Scheme operated by Gloucestershire County Council. The Council recognised a pensions obligation of £159m at 31 March 2018 which increased to £168m as at 31 March 2019 and a net liability of £68m. The Code requires that their year end carrying value should reflect the appropriate fair value at that date.

Hymans Robertson act as the Council's expert actuary, who produce a report outlining the liability and disclosures required for each council.

The pensions valuation is an area of audit interest due to the material values attached to the valuations and disclosures in the financial statements.

Deloitte response

- We obtained a copy of the actuarial report produced by Hymans Robertson, the scheme actuary, and agreed in the disclosures to notes in the accounts.
- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.
- We reviewed and challenged the assumptions made by Hymans Robertson, including benchmarking of the assumptions applied.
- We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements for the year, we are awaiting the IAS19 letter from the Pension Scheme auditors.
- We have reviewed and challenged the calculation of the impact of the McCloud case on pension liabilities and have received an updated impact assessment from the actuary. We reviewed the disclosures within the accounts against the Code.
- We have assessed the reasonableness of membership data included in the actuaries report.

Deloitte conclusion

The Council has not adjusted the net pension liability in the Balance Sheet for the estimated impact of the McCloud case and instead recorded it as a Contingent Liability. Deloitte's view is that Local Government Pension Scheme participating entities should increase their IAS19 net pension liability at 31 March 2019 for the estimated impact of the McCloud judgement. As the actuary has estimated the potential impact on the net pension liability as a £330k increase we have therefore recorded an unadjusted misstatement on page 24 for your consideration.

We have reviewed the actuarial assumptions and, on the whole, the set of assumptions is reasonable and lies towards the middle of the range of assumptions when compared with the Deloitte benchmarks. The assumptions have been set in accordance with generally accepted actuarial principles and are compliant with the accounting standard requirements of IAS19.

Our finalised testing did not identify any issues.

Other areas of audit interest

Property Valuations

Risk identified

The Council held £54m of property assets (land and buildings) at 31 March 2018 which increased to £58m as at 31 March 2019. The increase was mainly due to £9m of property assets being transferred out of Assets Under Construction offset by downwards revaluation as a result of the Council undertaking a valuation exercise during 2018/19.

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years. There is therefore a risk that that the carrying value of assets not included in the Council's revaluation process in the current year materially differ from the year end fair value.

The property valuation is an area of audit interest as even though the year-end valuations are material they are performed by an independent expert on assets of a unique nature, such as schools and leisure centres whereby the valuations should not materially change year-on-year.

Deloitte response

We understood how the Council assures itself that there are no material impairments (through the completion of an impairment review undertaken for assets not revalued within the year) or changes in value for the assets not covered by the annual valuation;

- We reviewed revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals;
- We had a discussion with the Council's valuer and our own internal valuation specialists to understand the movements in property valuations;
- Our internal specialists tested a sample of revalued assets and re-performed the calculation assessing whether the movement has been recorded through the correct line of the accounts; and
- We liaised with our technical experts with regards to the implicit discount rates applied to Kings Walk.

In addition, we evaluated the basis of management's judgements relating to the classification of the Kings Walk Shopping Centre, and the basis and reasonableness of the underlying assumptions associated with the Kings Walk finance lease.

Deloitte conclusion

No issues have been identified.

In addition, we asked management and the internal valuer to perform an impact assessment for those assets which have not been revalued in the current year and which are revalued using a depreciated replacement cost against the build cost indices movement which occurred during 2018/19. The impact was not assessed as material by management and our internal specialist and we were satisfied upon review with this assessment.

Other areas of audit interest

Value for Money

Background

Under the National Audit Office's Code of Audit Practice, we are required to report whether, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work.

Deloitte risk assessment

- We are considering the Councils medium and longer term plans in relation to Value for Money (VfM).
- We have reviewed the Council's draft Narrative Report, Annual Governance Statement and relevant Council papers and minutes.
- We have considered the Council's financial results for the year against the budget that was set for the financial year.
- We are considering matters identified by the National Audit Office as potential value for money risks for Councils for 2018/19, with no additional issues noted from those detailed above.

Based upon the work performed in our risk assessment, we have not identified any significant audit risks consistent with our Planning Report.

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Deloitte conclusion

We did not identify any matters in respect of the Council's arrangements securing economy, efficiency and effectiveness in the use of resources.

Other significant findings

Internal control and risk management

During the course of our audit we have identified a number of internal control and risk management findings, which we have included below for information.

	Observation	Deloitte recommendation	Management response
Preparation for IFRS 16 Page 50	<p>The implementation of IFRS 16, Leases, for 2020/21 is expected to have a greater and more complex impact upon most Councils than the adoption of IFRS 9 and 15. The scope and potential complexity of work required, which may require system or process changes to underpin correct accounting under the standard, will require work to be completed at a significantly earlier stage than has been the case for IFRS 9 and 15 to allow for financial reporting timetables to be met.</p> <p>We recommend the Council targets completion of its IFRS 16 impact analysis during 2019/20, and to calculate an adjusted opening balance sheet position for audit following the 31 March 2020 audit.</p>	<p>We recommend early consideration following the impact analysis of actions required to embed IFRS 16 accounting in the Council's underlying accounting systems.</p>	<p>Accepted</p>
Formalising/Evidencing Controls	<p>An annual meeting between the Financial Services Manager and the One Legal team takes place, to establish any year end liabilities, however, we have been unable to view any evidence to confirm this (such as meeting minutes/documented actions following the meeting).</p>	<p>We recommend that the annual meeting between the Financial Services Manager and the One Legal Team to discuss any items which would have an impact on the financial statements be documented.</p>	<p>Accepted</p>

Other significant findings

Internal control and risk management – IT findings

In support of our financial statement audit for 31 March 2019, we have performed procedures to assess the design and implementation of selected general IT controls as part of our audit risk assessment procedures. Set out below are our findings:

	Observation	Deloitte recommendation	Management response
Improvement opportunities to strengthen the Windows password security controls	<p>The following opportunity for control improvement was identified pertaining to password security controls:</p> <ul style="list-style-type: none">- The password security control for lockout duration is set to 30. This setting determines the period of time an account remains locked out after passing the threshold of invalid logon attempts. <p>By setting account lockout to 30 minutes, it allows the potential intruder to perform password compromising attacks every 30 minutes. The risk is particularly high with internal threats when the attacker is guessing passwords using social engineering skills and knowledge of the users.</p>	<p>We recommend management to set the account lockout threshold to 0, that will enable the account to remain locked out until an administrator manually unlocks it.</p> <p>Brute force password attacks can be automated to try thousands or even millions of password combinations for any or all user accounts. Limiting the number of failed sign-ins that can be performed will also help with elimination of the effectiveness of such attacks.</p>	TBC

Other significant findings

Internal control and risk management – IT findings (continued)

In support of our financial statement audit for 31 March 2019, we have performed procedures to assess the design and implementation of selected general IT controls as part of our audit risk assessment procedures. Set out below are our findings:

	Observation	Deloitte recommendation	Management response
Page 52 Improvement opportunities in user access management controls	<p>The following opportunities for control improvement were identified pertaining to user access right management controls:</p> <ul style="list-style-type: none">- There is no formalised process for IT to monitor the access rights of internal movers within the business. Instead the monthly staff turnover report produced by the Council is being used to alert the IT team of movers.- There are no formal, periodic reviews of user access performed for Windows AD accounts or groups, to ensure that access assigned to users is appropriate for their role.	<p>Without strong controls over ongoing appropriateness of access, there is a risk that people who change role within the organisation may accumulate excessive privileges or that accounts held by former employees may remain active.</p> <p>User access reviews are vital in making sure that access is provided only on a need to do or need to know basis. Without performing regular user access reviews, management cannot ensure that access rights to information systems continue to match the job responsibilities of individuals.</p> <p>We recommend that management implement the following activities to reduce the associated risk:</p> <ul style="list-style-type: none">- A formal process to alert IT of internal movers in a timely manner.- A formal review of user accounts and access rights at least annually to detect dormant accounts and accounts with excessive privileges.	<p>The ICT Strategy board has signed off for IT to investigate the implementation of https://www.solarwinds.com/access-rights-manager along with the use of Microsoft Flow to improve these controls.</p>

Other significant findings

Internal control and risk management – IT findings (continued)

In support of our financial statement audit for 31 March 2019, we have performed procedures to assess the design and implementation of selected general IT controls as part of our audit risk assessment procedures. Set out below are our findings:

	Observation	Deloitte recommendation	Management response
Improvement opportunities in change management control	<p>The following opportunities for control improvement were identified pertaining to change management controls:</p> <ul style="list-style-type: none">- There is no formalised change management policy in place to outline the processes and procedures to be followed when making changes to applications.- The current service desk tool used at the Council does have the capability for facilitating change management requests, but this functionality is not enabled. The current process involves logging requests in a manually maintained spreadsheet and having them peer reviewed.	<p>We recommend implementing the following activities in order to reduce the risk:</p> <ul style="list-style-type: none">- Create a change management policy to formalise the processes to be followed when requesting, approving, developing, testing and implementing changes to applications.- Enable the change management features in the service desk tool, so that change requests can be tracked and approved within the system, rather than recorded manually.	TBC

Other significant findings

Internal control and risk management – IT findings (continued)

In support of our financial statement audit for 31 March 2019, we have performed procedures to assess the design and implementation of selected general IT controls as part of our audit risk assessment procedures. Set out below are our findings:

	Observation	Deloitte recommendation	Management response
Improvement Opportunities in Disaster Recovery and Business Continuity Processes	<p>The following opportunities for control improvement were identified pertaining to disaster recovery and business continuity:</p> <ul style="list-style-type: none"> - The third party Civica have a Business Continuity Plan in place and can continue to provide services to the Council in the event of a disaster, however if the Council building is compromised and cannot be accessed there is no Recovery Plan in place for council employees with regards to relocating to a new location. <p>By not having a workplace recovery plan in place, there is an increased risk that business operations will be adversely impacted in the event that the building becomes inaccessible.</p>	<p>We recommend implementing the following activities in order to reduce the risk:</p> <ul style="list-style-type: none"> - Introduce a workplace recovery plan which outlines the procedures for employees and third party support to follow in the event the Council building is inaccessible. - Disaster recovery tests should be conducted on a regular basis to ensure the plan works and to meet the organisation’s recovery point objective (RPO) and recovery time objective (RTO) requirements. Testing procedures should integrate DRP testing results into planned maintenance and staff training programs. 	<p>This has been addressed as follows:</p> <ul style="list-style-type: none"> • All council staff have been provided with new laptops which enables them to work securely from home / remote location. • As of October 2019 all servers will have been migrated to Azure or co-located to the following purpose built data centre - https://www.indectron.com/

Other significant findings

Internal control and risk management – IT findings (continued)

In support of our financial statement audit for 31 March 2019, we have performed procedures to assess the design and implementation of selected general IT controls as part of our audit risk assessment procedures. Set out below are our findings:

	Observation	Deloitte recommendation	Management response
<p>Page 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100</p> <p>Inappropriate access to the server room</p>	<p>The following opportunities for control improvement were identified pertaining to physical access to the server room:</p> <ul style="list-style-type: none">- The employee in charge of maintenance and cleaning of the Council building has unrestricted access to the server room.- Whilst there are logs maintained documenting entry times, these are not periodically monitored by the IT team. <p>By providing access to the server room to an employee outside of the IT department, there is an increased risk that this individual may intentionally or unintentionally perform an action which could directly impact the servers and result in system downtime and a disruption to business operations.</p>	<p>We recommend implementing the following activities to reduce the risk:</p> <ul style="list-style-type: none">- Perform periodic reviews over the server room logs to identify any suspicious or unapproved access.	<p>As of October 2019, access control to the council's servers will be managed by https://www.indectron.com/</p>

Other significant findings

Internal control and risk management – IT findings (continued)

In support of our financial statement audit for 31 March 2019, we have performed procedures to assess the design and implementation of selected general IT controls as part of our audit risk assessment procedures. Set out below are our findings:

	Observation	Deloitte recommendation	Management response
Improvement opportunities in new user induction and awareness processes	<p>The following opportunities for control improvement were identified pertaining to induction, training and awareness of IT policies:</p> <ul style="list-style-type: none"> - Whilst new starters to the Council are given one on one training from their peers or supervisors, there is no formalised process which requires them to familiarise themselves with the necessary IT Policy documentation. - All training and policy documentation is available on the new intranet portal Glosnet, however there is no enforced requirement for users to read and complete these. 	<p>We recommend implementing the following activities to reduce the risk</p> <ul style="list-style-type: none"> - Introduce a formalised induction pack which provides access to IT policies. - Offer ongoing, periodic training and awareness courses which enforce employees to revisit IT policies and pass assessments. 	<p>This is not correct, policies are managed and reviewed by the Information Governance Board and whilst they are available on the Intranet, the council uses http://www.netconsent.com/ to enforce and record that policies are being read by all staff. This also includes GDPR and Cyber awareness training videos through the council's subscription to https://dojolearning.co.uk/cc2i/</p>

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

No issues have been identified.

Other matters relevant to financial reporting:

There are no other matters required to be raised.

Significant matters discussed with management:

There have been no significant matters arising from the audit.

Our audit report

Matters relating to the form and content of our report

Here we discuss how the results of the audit impacted on other significant sections of our audit report.



Our opinion on the financial statements

Our opinion on the financial statements was unmodified.



Material uncertainty related to going concern

We did not identify a material uncertainty related to going concern.



Emphasis of matter and other matter paragraphs

There were no matters we judged to be of fundamental importance in the financial statements that we considered it necessary to draw attention to in an emphasis of matter paragraph.

There were no matters relevant to users' understanding of the audit that we considered necessary to communicate in an other matter paragraph.



Our value for money conclusion

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).

Our conclusion on the Council's arrangements was unmodified.



Other reporting responsibilities

The Annual Report was reviewed in its entirety for material consistency with the financial statements and the audit work performed and to ensure that they are fair, balanced and reasonable.

Your annual report

We are required to report by exception on any issues identified in respect of the Annual Governance Statement..

	Requirement	Deloitte response
Narrative Report	<p>The Narrative Report is expected to address (as relevant to the Council):</p> <ul style="list-style-type: none"> - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation. 	<p>We were satisfied that the Narrative Report had been prepared in accordance with CIPFA guidance.</p> <p>We also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit, and found that it was not otherwise misleading. We were satisfied that the report was fair, balanced and understandable.</p>
Annual Governance Statement	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>We assessed whether the information given in the Annual Governance Statement met the disclosure requirements set out in CIPFA/SOLACE guidance, was misleading, or was inconsistent with other information from our audit.</p>

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Governance Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

Page 60 Results of our work on key audit judgements and our observations on the quality of your Annual Report.

- Our internal control observations.
- Other insights we have identified from our audit.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

This report has been prepared for the Audit and Governance Committee and the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

We welcome the opportunity to discuss our report with you and receive your feedback.

Ian Howse

for and on behalf of Deloitte LLP
Cardiff

10 September 2019

Appendices

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Audit adjustments

Unadjusted misstatements and disclosure deficiencies

The following uncorrected misstatement was identified which we are required to report as it is above our reporting threshold and we requested that you considered whether to ask management to correct as required by ISAs (UK). The uncorrected misstatement (decrease) the surplus on the CIES by £330k, (decrease) net assets by £330k, and (decrease) usable reserves by £330k. You decided not to change the accounts.

		Debit/ (credit) CIES £k	Debit/ (credit) in net assets £k	Debit/ (credit) prior year reserves £k	Memo: Debit/ (credit) usable reserves £k	If applicable, control deficiency identified
Misstatements identified in current year						
McCloud	(1)	330	(330)	-	(330)	N/a
Total		330	(330)	-	(330)	

1) In December 2018 the Court of Appeal ruled against the Government regarding pensions (McCloud) on the grounds of discrimination between scheme members based on their age. The Supreme Court has recently upheld that ruling. Deloitte are of the view that all Local Government Pension Scheme participating entities should increase their IAS19 pension liability at 31 March 2019 for the estimated impact of the McCloud judgement.

Disclosure Deficiencies

We did not identify any unadjusted disclosure deficiencies.

Fraud responsibilities and representations

Responsibilities explained



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

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Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the Council .

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified completeness of expenditure and management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance and have not identified any further risks relating to fraud.

Concerns:

No concerns were raised.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with FRC Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	<p>The audit fee for 2018/19, in line with the fee range provided by PSAA, was £48,857.</p> <p>No non-audit fees have been charged by Deloitte in the period.</p>
Non-audit services	In our opinion there are no inconsistencies between FRC Ethical Standards for Auditors and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	<p>We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>

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Gloucester City Council
Audit and Governance Work Programme 2019-2020
(Updated 29 August 2019)

Item	Format	Committees	Lead Officer	Comments
16th September 2019				
1. Audit and Governance Committee Outstanding Matters	Timetable	-----	-----	Standing agenda item requested by the Committee
2. Internal Audit Activity 2019/20 – Quarterly Progress Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee’s annual work programme
3. Deloitte External Audit Report 2018/19 (ISA 260 to those charged with Governance)	Written Report	Audit and Gov	Deloitte	Part of the Committee’s annual work programme
4. Business Rates Pooling Report	Written Report	Audit and Gov	Head of Policy and Resources	Part of the committee’s annual work programme
5. Local Government Ombudsman, annual standards and complaints monitoring report	Written Report	Audit and Gov	Monitoring Officer	Part of the committee’s annual work programme
6. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
18th November 2019				
1. Audit and Governance Committee Outstanding Matters	Timetable	-----	-----	Standing agenda item requested by the Committee
2. Benefit Audit Update on Accuracy Rate	Written Report			Part of the Committee’s annual work programme
3. Annual Audit Letter 2018/19	Written Report	Audit and Gov	Deloitte	Part of the Committee’s annual work programme
4. Treasury Management Performance 2019/20 Six Monthly Update	Written Report	Audit and Gov Cabinet	Head of Policy and Resources	Part of the Committee’s annual work programme
5. Results of Outside Bodies Survey	Written Report	Audit and Gov	Monitoring Officer	A&G Audit Study Group

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Agenda Item 10

6. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
20th January 2020				
1. Audit and Governance Committee Outstanding Matters	Timetable	-----	-----	Standing agenda item requested by the Committee
2. Deloitte – Grants Audit Report	Written Report	Audit and Gov	Deloitte	Part of the Committee’s annual work programme
3. Internal Audit Plan 2019/20 – Monitoring Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee’s annual work programme
4. Outside Bodies Draft Report	Written Report	Audit and Gov Council/Cabinet	Monitoring Officer	A&G Audit Study Group
5. Audit and Governance Committee Work Programme	Written Report	-----	-----	Standing Agenda Item

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

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