Audit and Governance Committee

Meeting: Monday, 20th July 2020 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

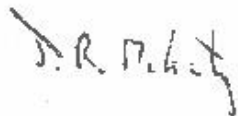|	
Membership:	Cllrs. Wilson (Chair), Brooker (Vice-Chair), Bowkett, Hampson, Lugg, D. Norman and Patel
Contact:	Democratic and Electoral Services 01452 396126 democratic.services@gloucester.gov.uk

AGENDA

	VIEWING ARRANGEMENTS FOR REMOTE MEETINGS View the meeting here: https://bit.ly/3gIyXFc The meeting is being broadcast live using Microsoft Teams. We recommend that you install the Microsoft Teams app on your device for the best viewing experience. If viewing via a web browser, please note that this is not possible if using Safari; instead please download the Microsoft Teams app or the Microsoft Edge browser. Further advice on accessing meetings through Teams, is available here: https://support.office.com/en-us/article/Attend-a-live-event-in-Teamsa1c7b989-ebb1-4479-b750-c86c9bc98d84
1.	**APOLOGIES** To receive any apologies for absence.
2.	**APPOINTMENT OF CHAIR AND VICE-CHAIR** To confirm the appointments made at the Annual Meeting of Council of Councillor Wilson as Chair and Councillor Brooker as Vice-Chair of the Committee.
3.	**DECLARATIONS OF INTEREST** To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.
4.	**MINUTES** (Pages 7 - 12) To approve as a correct record the minutes of the meeting held on.9 March 2020.
5.	**PUBLIC QUESTION TIME (15 MINUTES)** To receive any questions from members of the public provided that a question does not relate to:

	• Matters which are the subject of current or pending legal proceedings, or • Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers
6.	**PETITIONS AND DEPUTATIONS (15 MINUTES)** To receive any petitions and deputations provided that no such petition or deputation is in relation to: • Matters relating to individual Council Officers, or • Matters relating to current or pending legal proceedings
7.	**INTERNAL AUDIT - EXTERNAL QUALITY ASSESSMENT** (Pages 13 - 38) To receive the internal audit – external quality assessment.
8.	**DELOITTE EXTERNAL AUDIT REPORT 2019/20 (ISA 260 TO THOSE CHARGED WITH GOVERNANCE)** To receive the report of the Council's External Auditor (report to follow)
9.	**STATEMENT OF ACCOUNTS** To receive the report of the Head of Policy and Resources concerning the Council's Statement of Accounts. (report to follow)
10.	**TREASURY MANAGEMENT ANNUAL REPORT 2019/20** (Pages 39 - 48) To receive the report of the Head of Policy and Resources concerning the Annual Report on Treasury Management.
11.	**ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2019/20** (Pages 49 - 90) To receive the Head of Audit Risk and Assurance's Annual Report on Internal Audit Activity.
12.	**THE GUILDHALL AND BLACKFRIARS PRIORY - INCOME RECEIVED FROM EVENTS LIMITED ASSURANCE MANAGEMENT UPDATE** (Pages 91 - 98) To receive the limited assurance management update.
13.	**IT DISASTER RECOVERY AND BUSINESS CONTINUITY LIMITED ASSURANCE MANAGEMENT UPDATE** (Pages 99 - 102) To receive the limited assurance management update.
14.	**ANNUAL GOVERNANCE STATEMENT, LOCAL CODE OF CORPORATE GOVERNANCE AND COUNCIL WIDE ASSURANCE MAP 2019/20** (Pages 103 - 152) To receive the joint report of the Head of Policy and Resources and the Head of Audit Risk Assurance seeking approval of the Annual Governance Statement 2019/20.
15.	**COUNTER FRAUD AND CORRUPTION POLICY AND STRATEGY** (Pages 153 - 184) To receive the Counter Fraud and Corruption Policy and Strategy.
16.	**AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME** (Pages 185 - 186) To consider the Work Programme.

17.	**DATE OF NEXT MEETING**
	Monday 14th September 2020 at 6.30pm

<div style="text-align:center">3</div>

[signature]

Jon McGinty
Managing Director

Date of Publication: Friday, 10 July 2020

NOTES

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

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

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

Securities	Any beneficial interest in securities of a body where –
	
	(a) that body (to your knowledge) has a place of business or land in the Council's area and
	(b) either –
	  i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
	  ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with

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

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

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

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

For enquiries about Gloucester City Council's meetings please contact Democratic Services, 01452 396126, democratic.services@gloucester.gov.uk.

If you, or someone you know cannot understand English and need help with this information, or if you would like a large print, Braille, or audio version of this information please call 01452 396396.

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

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

FIRE / EMERGENCY EVACUATION PROCEDURE
If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions:
- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building; gather at the assembly point in the car park and await further instructions;
- Do not re-enter the building until told by a member of staff or the fire brigade that it is safe to do so.

This page is intentionally left blank

Gloucester City Council

AUDIT AND GOVERNANCE COMMITTEE

MEETING : Monday, 9th March 2020

PRESENT : Cllrs. Melvin (Chair), Brooker (Vice-Chair), Hampson, Lugg, Taylor, Wilson and Lewis (substitute for D Norman)

Others in Attendance
Corporate Director
Head of Policy and Resources
Head of Place
Group Manager (Audit, Risk and Assurance)
Accountancy Manager
Democratic and Electoral Services Officer

APOLOGIES : Cllrs. Bowkett

29. DECLARATIONS OF INTEREST

29.1 There were no declarations of interest.

30. MINUTES

30.1 The Chair signed the minutes of the meeting which took place on Monday 20th, January 2020 as a correct record.

31. PUBLIC QUESTION TIME (15 MINUTES)

31.1 There were no public questions.

32. PETITIONS AND DEPUTATIONS (15 MINUTES)

32.1 There were no petitions or deputations.

33. GLOUCESTERSHIRE BUILDING CONTROL PARTNERSHIP INTERNAL AUDIT LIMITED ASSURANCE FOLLOW UP REPORT

33.1 The Head of Place outlined the actions taken in relation to key recommendations made in the Gloucestershire Building Control Partnership Internal Audit report and responded to questions.

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

34.   TREASURY MANAGEMENT STRATEGY

34.1 The Head of Policy & Resources outlined the report formally recommending that Council approves the Treasury Management Strategy, the prudential indicators and note the Treasury activities.

34.2 Councillor Declan Wilson stated that he believed that the 'strategy was correct'.

34.3 **RESOLVED that:-** The Audit and Governance Committee **RECOMMEND** to Council that the Treasury Management Strategy be approved.

35.   CAPITAL STRATEGY

35.1 The Head of Policy and Resources outlined a report formally recommending that the Council approves the Capital Strategy.

35.2 Councillor Declan Wilson pointed to page 62/63 of the agenda, that outlined the Council's planned capital expenditure for 2020/2021. He stated that it was a useful 'crib sheet' outlining the main capital projects planned for the upcoming year.

35.3 Councillor Wilson asked for clarity on which projects would be considered by the Capital Projects Steering Group and which would be considered by the Property Investment Board.

35.4 The Head of Policy and Resources replied that it depended on whether it was a general capital project or a strategic property investment proposal.

35.5 The Chair congratulated the Asset Management team and other officers for recent acquisitions.

35.6 **RESOLVED that:-** The Audit and Governance Committee **RECOMMEND** to Council that the Capital Strategy be approved.

36.   ANNUAL RISK MANAGEMENT REPORT 2019/20

36.1 The ARA Group Manager outlined the report providing members with an update on the Council's risk management activities from 2019/20. The ARA Group Manager noted that the report confirmed risk management actions completed in 19/20 and the risk management action plan for 20/21.

36.2 **RESOLVED that: -** The risk management arrangements in place for the past year (2019/20); and the planned risk management arrangements for 2020/21 be noted and endorsed.

37.   INTERNAL AUDIT ACTIVITY 2019/20 - PROGRESS REPORT.

37.1 The ARA Group Manager outlined the report informing Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2019/20.

37.2 The ARA Group Manager noted that of the 4 cases of fraud/irregularity received for investigation, 3 are now closed and 1 is ongoing. Once concluded, an update on the ongoing case would be reported to the Audit and Governance Committee.

37.3 Councillor Wilson asked whether IT disaster recovery capability should be a higher priority. The Head of Policy and Resources responded that some IT Hardware was still at HKP, which was why Disaster Recover Plans had not been tested. He added that once all hardware had moved, they would test Disaster Recovery Plans.

37.3 Councillor Wilson was given assurance by the Head of Policy and Resources that the 73 invoices unpaid for over 24 months (income from events) was not historically high when compared with previous years.

37.4 Councillor Wilson asked whether the City Council employed a credit control officer. The Head and Policy and Resources responded that there are 2 officers within Civica.

37.5 Councillor Lugg asked whether the £100,000 income estimated for room hire was based on previous years earnings. The Head of Policy and Resources replied that it was the budget expectation.

37.6 The Chair was informed that the evolving situation with Marketing Gloucester was unlikely to add to the Council's debt, but that the matter was not yet closed.

37.7 **RESOLVED that: -** The Audit and Governance Committee (1) accept the progress against the Internal Audit Plan 2019/20. (2) Accept the assurance opinions provided in relation to the effectiveness of the Council's control environment comprising risk management, control and governance arrangements.(3) Recommend that the Committee requests senior management attendance at the next meeting to provide an update on the actions taken in relation to the recommendations made in the IT Disaster Recovery and Business Continuity and the Guildhall and Blackfriars Priory – Income received from events limited assurance reports.

38.   **INTERNAL AUDIT PLAN 2020-21**

38.1 The ARA Group Manager outlined the report summarising the proposed Risk Based Internal Audit Plan 2020/2021.

38.2 The ARA Group Manager noted that the plan covered a breadth of areas. She concluded by stating that the report was a draft plan based on 550 audit days, which was in line with the 19/20 Plan.

38.3 **RESOLVED that: -** The Internal Audit Plan for 2020/2021 reflects the risk profile of the Council; and that the Internal Audit Plan for 2020/2021 be approved.

39. STRATEGIC RISK REGISTER

39.1 The ARA Group Manager presented the Strategic Risk Register as of 25th February 2020 to Members for their awareness and consideration. She noted that SMT own the Strategic Risk Register and manage it as a live document on the Pentana performance management and risk management system. The ARA Group Manager confirmed that SMT formally review the document as a group on a quarterly basis and that presentation to Members (Audit and Governance and Cabinet) occurs twice a year.

39.2 Councillor Lugg asked whether the 'Adverse public and media relations' risk had changed in relation to revelations surrounding Marketing Gloucester. The Corporate Director replied that the purpose of the report was to ensure that risk was managed in the best possible way.

39.3 The Chair asked whether the Corporate Director could outline the effects COVID-19 may have on the Council. The Corporate Director responded that it could not yet be fully quantified and that plans were being developed with AMEY and other partners and contractors.

39.4 Councillor Lugg asked whether the council had a list of employees who were at a higher risk in the case that COVID-19 spread. The Corporate Director replied that he would follow this query up and contact members.

39.5 **RESOLVED that:-** The Strategic Risk Register be noted and endorsed.

40. ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE

40.1 The ARA Group Manager outlined the report, which confirmed the activities of the Audit and Governance Committee for 2019/20 and the plans for 2020/2021.

40.2 The Chair thanked officers for their hard work.

40.3 **RESOLVED that: -** The Council is recommended to approve the Audit and Governance Committee Annual Report 2019/20

41. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

RESOLVED that: - 41.1 The work programme be noted.

42. DATE OF NEXT MEETING

Monday 20th July, 2020 at 6:30pm.

Time of commencement: 18:30pm
Time of conclusion: 19:01pm

Chair

This page is intentionally left blank

Gloucester City Council

Meeting:	**Audit and Governance Committee Date: 20th July 2020**
Subject:	**Internal Audit External Quality Assessment (EQA) - Outcome**
Report Of:	**John Chesshire and Liz Sandwith approved reviewers for the Chartered Institute of Internal Auditors (CIIA)**
Wards Affected:	**Not applicable**
Key Decision:	**No Budget/Policy Framework: No**
Contact Officer:	**Theresa Mortimer - Head of Audit Risk Assurance (Chief Internal Auditor)**
	Email: Theresa.Mortimer@gloucester.gov.uk Tel: 01452 396430
Appendices:	**A: EQA – Outcome Report (May 2020)**

FOR GENERAL RELEASE

1.0   Purpose of Report

1.1   To provide the Committee with details of the outcome of the independent assessment (completed by the Chartered Institute of Internal Auditors) of the Internal Audit function.

2.0   Recommendations

2.1   Audit and Governance Committee is asked to **RESOLVE** to note that the EQA concluded that the ARA team:

   (1)   Meet each of the 64 Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing;

   (2)   Are excellent in their reflection of the Standards; Focus on performance, risk and adding value; and Quality Assurance and Improvement Programme;

   (3)   Are good in their: Operating with efficiency and

   (4)   Like many internal audit functions at the present time, the ARA team is satisfactory in coordinating and maximising assurance.

In conclusion, this is an excellent result and the Chief Internal Auditor and the ARA team as a whole should be justifiably proud of their service, its approach, working practices and how key stakeholders' value it.

3.0 Background and Key Issues

3.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit (England) Regulations 2015. The latter states that authorities must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control, comprising risk management, control and governance, in accordance with the proper practices in relation to internal control".

3.2 The guidance accompanying the Regulations recognises that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) as representing "proper internal audit practices". The standards define the way in which the Internal Audit service should be established and undertakes its functions.

3.3 Audit Risk Assurance (ARA) under a s101 shared service agreement, fulfils the internal audit function for Gloucester City Council, Stroud District Council and Gloucestershire County Council (host authority) and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to the partner organisations' Audit Committees and Board of Directors for Ubico Ltd, a Local Authority owned Environmental Services Company (external client).

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

The Chief Internal Auditor must develop and maintain a QAIP that covers all aspects of the internal audit activity. A QAIP is designed to enable an evaluation of internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The Chief Internal Auditor should encourage Audit and Governance Committee oversight in the QAIP. Therefore the QAIP 2019-2022 was presented to the Committee on 20th January 2020.

External Assessments

In addition to annual internal self-assessments, to conform to the standards, external assessments must be conducted at least once every five years, by a qualified, independent assessor or assessment team from outside the organisation. The Chief Internal Auditor must discuss the following with the Audit Committee(s):
- The form of external assessment; and
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

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

One of the roles of the Audit and Governance Committee is to agree the scope and form of the external assessment as part of the QAIP, therefore at its meeting on the 22nd July 2019, the Committee was presented with a paper to agree that the Chartered Institute of Internal Auditors would be engaged during May 2020 to carry out this assessment.

4.0   Social Value Considerations

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

5.0   Environmental Implications

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

6.0   Alternative Options Considered

6.1   In July 2019, the Audit and Governance Committee resolved that the Chartered Institute of Internal Auditors would be engaged to undertake the next EQA in May 2020.

7.0   Reasons for Recommendations

7.1   The Public Sector Internal Audit Standards (as per paragraph 3.2 above) require an External Quality Assessment of the internal audit service at least every 5 years.

7.2   The Audit and Governance Committee is required to receive the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance with professional standards.

8.0   Future Work and Conclusions

8.1   None relating as a result of this report.

9.0   Financial Implications

9.1   No financial implications as a result of this report.

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

10.0   Legal Implications

10.1   This report clarifies that Internal Audit is conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

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

11.0 Risk & Opportunity Management Implications

11.1 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.

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 A requirement of the Accounts and Audit Regulations 2015 is for the Council to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.
The Internal Audit Service is delivered by Audit Risk Assurance which is an internal audit and risk management shared service between Gloucester City Council, Stroud District Council and Gloucestershire County Council. Equality in service delivery is demonstrated by the team being subject to, and complying with, the Council's equality policies.

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

13.0 Community Safety Implications

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

14.0 Staffing and Trade Union Implications

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

Background Documents:

➢ Accounts and Audit Regulations 2015;
➢ CIPFA Local Government Application Note for the UK PSIAS;

Local Government
Application Note for t

➢ Public Sector Internal Audit Standards (PSIAS) 2017; and
➢ Audit and Governance Committee's Terms of Reference.

External Quality Assessment (EQA)

Report for:

Audit Risk Assurance

Prepared by John Chesshire and Liz Sandwith

approved reviewers for

The Chartered Institute of Internal Auditors

21 May 2020

www.iia.org.uk/eqa

Table of Contents

Chartered Institute of
Internal Auditors

Executive Summary

1.1 Background and Scope

The internal audit service provided by Audit Risk Assurance (ARA) operates under a Shared Service agreement between Gloucestershire County Council, Gloucester City Council and Stroud District Council. It also delivers internal audit services to Ubico Ltd.

The Chief Internal Auditor (CIA) reports functionally to the three Audit and Governance, or Audit and Standards, Committees, who are responsible for ensuring that there is a satisfactory standard of risk management, governance and internal control within each Council.

In addition, the CIA reports strategically to the Shared Services Board, comprising of the three partner organisations' Chief Financial Officers (Section 151 Officers) and/or their nominated Deputies.

ARA's Mission is to be 'a collaborative partnership delivering a modern, innovative, customer focused service aligned to business needs to enhance and protect organisational value by providing risk based, independent and objective assurance, consulting activity, advice and insight.'

The Chartered Institute of Internal Auditors previously undertook an external quality assessment (EQA) of ARA in 2015. We are delighted to have been asked to undertake this current EQA.

Our review included a thorough validation of the ARA's self-assessment, a significant number of interviews with key stakeholders across the three partner organisations, Ubico Ltd, and the ARA team, as well as an extensive customer and staff survey. Given the pandemic, we conducted this EQA remotely.

1.2 Key Achievements

ARA is an established and effective internal audit service, valued by key stakeholders in each of its partner organisations.

The governance framework over ARA is mature, with well-established Shared Services Board and Audit Committee oversight, regular meetings, reporting and performance monitoring.

A very experienced CIA leads the ARA team. Engagement with key stakeholders is regular and effective, with the CIA being viewed as a trusted, respected leader, colleague and adviser.

ARA team members have diverse professional backgrounds, qualifications, experience and skills, making them a flexible and effective service. They are capable of tackling a wide range of assurance, consulting and investigatory challenges. More specialist, technical IT audit is supplied by an external party under a co-sourced arrangement.

Our customer survey results were very good. Individual comments were supportive, with very few areas for improvement identified. We also received positive responses to our questions from the key stakeholders we interviewed. Individuals particularly welcomed the ARA team's professionalism, engagement, partnering, flexibility and support. Suggested areas for improvement were minimal.

Audit Charters are comprehensive, up to date and supported by an appropriate Audit Strategy for each partner organisation. The team develop and deliver annual risk-based audit plans for each of their clients. Key stakeholders are actively engaged in the design of these plans. The ARA team document progress and the CIA reports on this at regular Board, Audit and Governance, or Audit and Standards, Committee meetings.

Chartered Institute of
Internal Auditors

Performance is actively monitored, KPIs are measured and reported, and a thorough, documented Quality Assurance and Improvement Programme is in place. The team are also making initial progress on implementing their vital Data Analytics Strategy.

We believe that the supporting operational ARA team processes, documentation and associated templates are fit for purpose. These are detailed in a variety of key documents.

Our file reviews showed appropriate compliance with the team's methodology and evidence of appropriate scope, objectives, testing, evidence, supervision and review.

1.3   EQA Assessment Conclusion

We are pleased to report that the ARA team meet each of the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing.

To summarise, we are delighted to report that the ARA team are excellent in their:

• Reflection of the Standards

• Focus on performance, risk and adding value

• Quality Assurance and Improvement Programme

We believe that the ARA team are good in their:

• Operating with efficiency

Finally, like many internal audit functions at the present time, we consider that the ARA team is satisfactory in:

• Coordinating and maximising assurance

The need to consider how best to rely on and coordinate with other assurance providers remains an emerging area of internal audit, and assurance practice. It depends as much on the other assurance providers as it does on internal audit.

In conclusion, this is an excellent result and the CIA and the ARA team as a whole should be justifiably proud of their service, its approach, working practices and how key stakeholders' value it.

It is therefore appropriate for the function to say in reports and other literature 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'.

Chartered Institute of Internal Auditors

1.4   Conformance Opinion

The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards.

There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that the Audit Risk Assurance Shared Service internal audit function conforms to 64 of these principles.

This is summarised in the table below.

Summary of Conformance	Standards	Generally Conforms	Partially Conforms	Does not conform	Not relevant	Total
Definition of IA and Code of Ethics	Rules of conduct	12				12
Purpose	1000 - 1130	8				8
Proficiency and Due Professional Care (People)	1200 - 1230	4				4
Quality Assurance and Improvement Programme	1300 - 1322	7				7
Managing the Internal Audit Activity	2000 - 2130	12				12
Performance and Delivery	2200 - 2600	21				21
Total		**64**				**64**

As a result, we make no formal recommendations for improvement.

Chartered Institute of Internal Auditors

Supporting Continuous Improvement

The Chartered Institute regards conformance to the IPPF as the foundation for effective internal audit practice. However, our EQA reviews also seek feedback from key stakeholders and we benchmark each function against the diversity of professional practice seen on our EQA reviews and other interviews with heads of internal audit, summarised in an internal audit maturity matrix.

We then interpret our findings into suggestions for further development based upon the wide range of guidance published by the Chartered Institute.

It is our aim to offer advice and a degree of challenge to help internal audit activities continue their journey towards best practice and excellence.

In the following pages we present this advice in three formats:

• A SWOT analysis to recognise the accomplishments of the team and to highlight potential threats and opportunities for development. *(See 2.1)*

• A matrix describing the key criteria of effective internal audit, highlighting the level ARA has achieved and the potential for further development, recognising that effective internal audit goes further than purely conformance with internal auditing standards. *(See 2.2)*

• A series of improvement opportunities and suggestions which the internal audit team could use as a basis for an action plan. *(See 2.3)*

Chartered Institute of
Internal Auditors

2.1 SWOT Analysis

What works well (Strengths)	What could be done better (Weaknesses)
• Effective relationships with key stakeholders, both councillors and officers • An experienced, diverse and professional team, with a broad mix of qualifications, backgrounds and specialisms • The CIA is well-respected, confident and knowledgeable • ARA respond flexibly to new challenges and priorities, e.g. the need for further engagements recently with Gloucestershire Fire and Rescue Service • Management are well-engaged in annual plan development • ARA governance is clearly documented (Charters, Strategies, Audit Manual, QAIP, KPIs and Data Analytics Strategy etc.) • Engagements provide an assurance opinion on both risk identification maturity and the control environment • Sufficient work is currently undertaken in each partner organisation to fully justify an annual opinion by the CIA. • Self-evaluation after each engagement encourages learning • The Trainee Auditor programme has helped the CIA and team manage key ARA recruitment and retention risks • The team includes a professional, experienced and respected counter fraud service	• Lengthy elapsed time for some internal audit engagements

Chartered Institute of Internal Auditors

What could deliver further value (Opportunities)	What could stand in your way (Threats)
• Expanding the shared service further, while ensuring that there is no detrimental effect on current partners and clients • Developing an in-house technical IT audit capability would reduce reliance on external contractors and ensure ARA can provide assurance and advisory services on key areas of risk for every partner and client • Progressing the implementation of the Data Analytics Strategy would enable more comprehensive testing and reliable, insightful conclusions and reporting • Increased sharing of lessons, benchmarking and good practice from similar audit engagements across partners and clients would demonstrate further added value and be warmly welcomed by stakeholders • Now that ARA is fully resourced - particularly in respect of filling Principal Auditor (portfolio lead), Senior Auditor and Trainee Auditor posts - each tier within the team will continue to be empowered to deliver, be accountable for and own their respective areas of responsibility. This should enable greater capacity/time within the structure, especially for the CIA and Group Manager to better focus on ARA Strategy and strategic management.	• Further partner and client funding cuts would threaten internal audit delivery, resourcing, resilience and the ability of the CIA to provide an evidence-based annual opinion • Second line of defence functions need to mature more fully. Unless this happens, ARA will not be able to place further reliance on them or coordinate their work more effectively with them • Staff turnover, with a number of key ARA staff likely to depart over the next two years. A failure to proactively manage these likely departures, and promote or recruit replacements in a timely manner, could impact ARA service delivery and stakeholder relations • Excessive staff vacancies, coupled with competition from external local and national external internal audit service providers, could threaten the future viability of ARA

Chartered Institute of
Internal Auditors

2.2   Internal Audit Maturity Matrix (Highlight the area to confirm assessment)

Assessment	IIA standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement Programme
Excellent	Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally Conforms in all areas.	IA alignment to the organisation's objectives, risks and change. IA has a high profile, is listened to and is respected for its assessment, advice and insight.	IA is fully independent and is recognised by all as a 3rd line of defence. The work of assurance providers is coordinated with IA reviewing reliability of.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise and produced promptly.	Ongoing efforts by IA team to enhance quality through continuous improvement. QA&IP plan is shared with, and approved by, AC.
Good	The IIA Standards are fully integrated into the methodology – mainly Generally Conforms.	Clear links between IA engagement objectives to risks and critical success factors, with some acknowledgement of the value-added dimension.	Coordination is planned at a high-level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagements are controlled and reviewed while in progress. Reporting is refined regularly, linking opinions to key risks.	Quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with A.C
Satisfactory	Most of the IIA Standards are found in the methodology, with scope to increase conformance from Partially to Generally Conform in some areas.	Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change, but criteria and role require clarity.	The 3 lines of defence model is regarded as important. Planning of coordination is active and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness, but further consistency is needed. Reports are informative and valued.	Clear evidence of timely QA in assignments with learning points and coaching. Customer feedback is evident. Wider QA&IP may need formalising.
Needs improvement	Gaps in the methodology with a combination of Non-conformances and Partial Conformances to the IIA Standards.	Some connections to the organisation's objectives and risks, but IA engagements are mainly cyclical and prone to change at management request.	The need to coordinate assurance is recognised but progress is slow. Some informal coordination occurs but reviewing reliability may be resisted.	Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagements go beyond deadline and a number are deferred.	QC not consistently embedded across the function. QA is limited / late or does not address root causes.
Poor	No reference to the IIA Standards, with significant levels of non-conformance.	No relationship between IA engagements and the organisation's objectives, risks and performance. Many audits are ad hoc.	IA performs its role in an isolated way. There is a feeling of audit overload, with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.

Chartered Institute of Internal Auditors

2.3 Improvement Opportunities

This section of the report details additional feedback and observations which, if addressed, could strengthen the impact of Internal Audit. These observations are not conformance points but support Internal Audit's ongoing development.

These suggestions do not require a response; they will not form part of any subsequent follow up if undertaken.

Opportunity A

Recruitment - recruiting and retaining good, experienced internal auditors is a challenge for every organisation at the present time. As a result, ARA have developed a Trainee Auditor Programme to support recruitment, retention and succession planning. This is an excellent response to recruitment risk and is working successfully. Any internal audit service is only as good as its people.

Suggestion: Further publicise the success and value of the Trainee Auditor Programme, perhaps through an article for the Audit and Risk magazine. We can put you in contact with the editor. This may help with future recruitment exercises; and it is certainly a great initiative that helps manage a key risk - I think what you've done is worth sharing more widely.

Opportunity B

Elapsed time on internal audit engagements - there is a long, elapsed time from start to finish for some of the internal audit engagements carried across the partner organisations. There will be no single reason for this, but ARA economy, efficiency and effectiveness would be improved if elapsed time was reduced. The CIA has recognised this as an area for improvement and has included this within the QAIP for review by the PAG.

Suggestion: The CIA and the Principal Auditors' Group (PAG) could usefully revisit ARA engagement delivery to better assess the root causes of delays, and pilot solutions. Potential solutions may include employing a more agile approach on some audits, deploying task-based teams on specific engagements, or undertaking further, similar audits using the same team members across each partner organisation, to increase pace and efficiency. We support the CIA's intention to focus on improving this area.

Opportunity C

Data Analytics - the ARA Data Analytics Strategy is an excellent road map to embed this activity, and the associated mindset, in team working practices over the next few years, and to enhance maturity in this critically important area.

Suggestion: Some leading internal audit teams have moved to a methodology position of having to justify why data analytics should not be employed on a particular engagement. The expectation is that use of data analytics is the default position for every engagement. The CIA could consider how best to increase and embed the use of data analytics more rapidly across ARA to enhance the depth and breadth of assurances provided.

should review the current structure, from time to time, to ensure it remains fit for purpose and maximises value-add.

Opportunity D

Technical ICT Audit - this has been delivered by an external provider under contract to date.

Suggestion: Given the prevalence and criticality of ICT to every organisation, as demonstrated at the time of our review by the partners' pandemic response, the CIA could consider whether it would be beneficial to develop greater inhouse technical ICT audit capability and (gradually) reduce reliance on external providers. A recent Chartered IIA SW Region event was entitled "why we all need to be IT auditors now". The CIA could also develop a wider IT Audit Strategy to complement the Data Analytics Strategy.

Opportunity E

ARA Structure - this has evolved over time, with a hybrid model of some team members working exclusively, or almost exclusively for one partner, and others who work across the range of partners.

Suggestion: There is no perfect, or single most suitable delivery model for a shared internal audit service. Different models and different approaches could, and would, work in this environment. However, the current approach seems fit for purpose, with, potentially the best of both worlds - in-depth local knowledge, which will be vital on some internal audit engagements, coupled with flexible, deployable team members who could conduct similar engagements efficiently across each partner, identifying common themes and sharing good practice(s). Care should be taken to select the most appropriate approach and team make-up on each engagement to maximise the opportunity for added value. The CIA

Opportunity F

Emerging areas of internal audit interest - organisational culture, ethics and values, as well as IT Governance, are hot topics for many internal audit teams given recent UK governance failures.

Suggestion: Many internal audit teams are increasingly delivering explicit engagements looking at organisational culture, ethics and values, as well as IT Governance. These are mentioned in part in Performance Standard 2110. The ARA could consider how best to incorporate auditing culture, ethics and values in their methodology, as well as IT Governance, for future annual plans.

Opportunity G

Audit Opinions of Risk Management and Control - ARA employ a 'three box' model, covering substantial, satisfactory and limited assurance opinion options.

Suggestion: The CIA could consider revisiting the current approach and the benefits of employing a 'four box' model. Many internal audit teams employ a 'four box' model as it gives slightly more granularity for opinions and can help better illustrate progress made on follow up engagements. This could also be beneficial and motivational for clients.

Chartered Institute of Internal Auditors

Opportunity H

Engagement Report template - this has evolved and been updated over time. Stakeholders generally gave positive feedback about team reporting and the report format is clean, fresh and professional. However, the overall audit opinions are quite far into the main body, and few reports made particular use of colour, graphics or root cause analysis. The latter is being introduced to the ARA team's working practices, following a training session earlier this year.

Suggestion: Consider revisiting the current report template to establish whether it remains fit for purpose for the post-pandemic environment. Many internal audit teams are making greater use than ARA of colour, graphics, charts and root cause analysis to add greater insight and impact, while reducing narrative. Some internal audit teams are including a summary of the overall opinion, the number of recommendations and their criticality on the coversheet to aid the busy reader. Finally, many internal audit teams make greater use of active rather than passive tense, which leads to clearer reporting and aids the reader's understanding.

Chartered Institute of
Internal Auditors

Global IIA Grading Definitions

We have used the following rating scale in this report:

Generally Conforms (GC)	The reviewer has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.
Partially Conforms (PC)	The reviewer has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.
Does Not Conform (DNC)	The reviewer has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. They may also represent significant opportunities for improvement, including actions by senior management or the board.

Often, the most difficult evaluation is the distinction between general and partial. It is a judgement call keeping in mind the definition of general conformance above. The reviewer must determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a "generally conforms" rating.

Chartered Institute of Internal Auditors

Stakeholder Interviews

The following individuals were interviewed as part of the review. Stakeholder surveys were also sent to a range of senior managers and Audit Committee members across the partner organisations. Unfortunately, we received just eight completed survey responses from the 37 requests we sent out – presumably because of the unprecedented pandemic situation at the time of our review. We received 25 responses from ARA staff, an excellent result. The anonymised survey results have been shared with the ARA Shared Service CIA.

Stakeholders	Title / position	Internal Audit team	Title / position
Margaret Willcox	Executive Director Adult Social Care, Gloucestershire County Council	Theresa Mortimer	Chief Internal Auditor
Paul Blacker	Director of Finance, Gloucestershire County Council	Josie Church	Principal Auditor Adults (GCC)
Jane Burns	Former Monitoring Officer, Gloucestershire County Council	Stephanie Payne	Group Manager
Jay Penfold	Detective Constable – Gloucestershire Constabulary	Ben Green	Trainee Internal Auditor
Patrick Arran	Monitoring Officer, Stroud District Council	Sara Causon	Principal Auditor / Client lead for Stroud District Council
Dawn Melvin	Chair of the Audit and Governance Committee, Gloucester City Council	Steve Jacques	Principal Auditor / Client lead for Gloucester City Council
Gareth Edmundson	Ubico Ltd - Managing Director (at the time of our review Gareth had recently moved to become Chief Executive at Cheltenham Borough Council)	Carolyne Wignall	Principal Auditor Counter Fraud
Rob Ayliffe	Director of Strategic Planning, Performance and Change and Monitoring Officer, Gloucestershire County Council	Anne Robinson	Audit/Risk Technical Officer

Kev Topping	Head of Housing Services, Stroud District Council
Jon McGinty	Managing Director, Gloucester City Council
Andrew Cummings	Strategic Director of Resources (CIA line manager Stroud), Stroud District Council
Nigel Studdert-Kennedy	Chair of Audit and Standards Committee, Stroud District Council
Pete Bungard	Chief Executive, Gloucestershire County Council
Wayne Bowcock	Chief Fire Officer
Nigel Robbins	Chair of the Audit and Governance Committee, Gloucestershire County Council
Jonathan Lund	Corporate Director and Monitoring Officer, Gloucester City Council
Anne Brinkhoff	Corporate Director, Gloucester City Council
Shirin Wotherspoon	Head of Law (Commercial), Gloucester City Council
Jon Topping	Head of Policy and Resources (S151 Officer / CIA line manager City), Gloucester City Council
Ruth Saunders	Head of Communities, Gloucester City Council

Chartered Institute of Internal Auditors

Acknowledgement

We would like to thank the Internal Audit team for their time, assistance and support during this review and all those who took part in the review for their co-operation together with their open and honest views.

Page 33

Feedback from stakeholder interviews and surveys

Working with the business

"It feels like we are properly working in partnership". Stakeholder interview.

"I am most impressed by their willingness to understand the business". Stakeholder interview.

"Auditors demonstrate a balanced and professional approach to following up lines of enquiry, researching the varied subject areas to understand the topic and providing recommendations that will help the business achieve its objectives. It is not just what you say but how you say it". Stakeholder Survey feedback.

"Internal audit's relations with us are robust, appropriately distanced and objective". Stakeholder interview.

The Chief Internal Auditor is "exceptionally professional". Stakeholder interview.

"The team have done some good work with senior management on risk management - they have particularly provided assistance with the strategic risk register". Stakeholder interview.

"We are in a better place as a result of working with them". Stakeholder interview.

"Theresa is very capable and very professional. We have had the odd disagreement! Theresa will pursue a point until she has clarity". Stakeholder interview.

"It's always felt like a partnership". Stakeholder interview.

"I have been continuously impressed with Theresa and her team and particularly by her enthusiasm". Stakeholder interview.

"If I had any criticism at all, it's just that some of the internal audits have taken longer than we'd both hoped". Stakeholder interview.

"Theresa has developed the networks and knowledge of how the organisation ticks". Stakeholder interview.

"It's proper partnership working because of the level of interactivity". Stakeholder interview.

"The approach Theresa and her team take is very pragmatic and firm. They do listen". Stakeholder interview.

"The approach has been the best I have seen in all my years at the Council. It is interactive and positive, with an opportunity to challenge". Stakeholder interview.

"We have a great working relationship with Theresa and the audit team. I have a lot of respect for them". Stakeholder interview.

"They have always worked closely with external audit". Stakeholder interview.

"We now have a much more open, transparent, partnership approach". Stakeholder interview.

"Theresa is very approachable, pragmatic and leads a good team of officers". Stakeholder interview.

"I've worked with four different members of the internal audit team and it's always been a positive experience". Stakeholder interview.

Chartered Institute of Internal Auditors

Communication

"Reporting is excellent, clearly laid out, contextualised and justified". Stakeholder interview.

"One thing I especially like is their warmth when speaking to us and their complete understanding when dealing with any activity". Stakeholder Survey feedback.

"Good reports and presentations". Stakeholder Survey feedback.

"Audit reports are clear, well organised and thorough". Stakeholder interview.

"I'm really impressed with how relations are managed with the Audit & Governance Committee". Stakeholder interview.

"Written reports could be more impactful". Stakeholder interview.

"Credible, clear, concise and professional communications". Stakeholder interview.

"Sometimes their communications feel a bit lengthy – could this briefing have been 30% quicker and this document 50% shorter. Everyone is busy". Stakeholder interview.

"The reports are about right, with the right level of detail". Stakeholder interview.

"Formally they have quite a limited way to express their opinion and there is quite a gap between the limited and satisfactory options". Stakeholder interview.

"Reports are clear, concise and follow a consistent format". Stakeholder interview.

"They have a good reputation with Councillors and this helps with Audit and Governance Committees. They are listened to". Stakeholder interview.

"Reports are fair and very clear as to why they are giving their recommendations". Stakeholder interview.

"It feels like a really positive relationship with audit and we're always able to have constructive conversations with them". Stakeholder interview.

"Reports are succinct and recommendations clear". Stakeholder interview.

Internal audit plans and coverage

"I was well engaged in developing the internal audit plan – I felt part of it, rather than it being done to us". Stakeholder interview.

"I am concerned that there is insufficient capacity to carry out as much internal audit as is probably required, and that there is very little external auditing of contracted or commissioned services provided by third parties. As much of the council's expenditure is delivered through third parties' limitations in our capacity to audit them has become an Achilles Heel for the organisation. This has not always been the case, but reductions in audit capacity and officers at board meetings etc. was pointed out by officers when we worked together to learn lessons from the sudden failure of organisations in the county. I appreciate that this is not a matter that IA can address without broader CLT support". Stakeholder Survey feedback.

"Internal audit annual planning is seen as a really important task and fully involves senior managers". Stakeholder interview.

Chartered Institute of Internal Auditors

"More bodies would be useful - to give enough capacity to do everything that is needed". Stakeholder interview.

"The audit annual planning process is really effective and I'm really impressed with their risk-based approach that means they are looking at the things that really matter. We're also able to make adjustments to the plan as we go through the year". Stakeholder interview.

"The anti-fraud work has been excellent". Stakeholder interview.

"The team makes quite a lot of effort to engage over the Internal Audit plan. They do the right audits in the right areas". Stakeholder interview.

"In some instances, there was a lack of understanding of the nuances of the area being audited". Stakeholder interview.

"They have good processes in place for agreeing the audit plan each year". Stakeholder interview.

"I get lots of opportunity to input into the audit plan. They look at the right things". Stakeholder interview.

"In my experience they seem quite a process driven, traditional internal audit service and don't tend to scope many, more forward-looking, pieces of work. This may change with the current situation". Stakeholder interview.

"Internal audit planning is very detailed – it takes into account the business as a whole and not just finance as was the case in the past". Stakeholder interview.

"The team are very adaptable and will seek to assist if we want to request a change to the plan for sound business reasons". Stakeholder interview.

Value

"I'm impressed by the CIA's professionalism, integrity and competence in calling things out." Stakeholder interview.

"There is nothing I would change - I have a huge amount of respect for the team. They are hugely responsive". Stakeholder interview.

"It would be helpful for IA to offer an intro/guide to Audit for new managers; many don't realise how useful audit can be in providing a fresh set of eyes and perspectives from other service areas that can help us to improve". Stakeholder Survey feedback.

"I also like the work of the risk and counter fraud services too and am able to call upon them when I need to". Stakeholder interview.

"From the start they have helped me in every way they could". Stakeholder interview.

"I'm impressed by the depth and breadth of experience across the internal audit service". Stakeholder interview.

"One of the best internal audit organisations I've worked with". Stakeholder interview.

"I am very comfortable with what we are getting at the moment. I have experience of each of the big external providers, and what we get is better than what I have seen provided by them". Stakeholder interview.

"I don't think they get enough recognition for their contribution". Stakeholder interview.

"The Audit and Governance Committee have high confidence in the internal audit service". Stakeholder interview.

"The quality of the audits was mixed. What I found is that different auditors applied their own way of doing things". Stakeholder interview.

"No improvements required!" Stakeholder interview.

"They are approachable, professional and have great attention to detail". Stakeholder interview.

"The team have been balanced and fair and gave us really good advice". Stakeholder interview.

"With the establishment of the Shared Service, internal audit provision has improved considerably". Stakeholder interview.

"It's all superb". Stakeholder Survey feedback.

"Theresa and the team have responded really well to the challenges that GFRS presented". Stakeholder interview.

"What I want is a real honest reflection of how a service area is operating, or not, and the internal audit team provide this. It really enhances the business by making it more open and transparent". Stakeholder interview.

"My overall perspective on the service we get from ARA is that it is superb. I can really rely on the work that they do". Stakeholder interview.

"I have found the internal audits fascinating as there are always little improvements we can make and things we didn't know". Stakeholder interview

"If I need advice on something, Theresa is one of the small handful of people I would turn to". Stakeholder interview.

"The audit team have been good at helping us respond quickly - to whistleblowing, for example". Stakeholder interview.

"The team are very competent and very responsive. They are engaged, motivated and reliable. The Shared Service arrangement seems to work very well". Stakeholder interview.

Chartered Institute of Internal Auditors

Disclaimer: This review was undertaken in May 2020 by John Chesshire and Liz Sandwith on behalf of the Chartered Institute of Internal Auditors. This report provides management and the Audit Committee of Gloucestershire County Council, Gloucester City Council, Stroud District Council and Ubico Ltd with information about Internal Audit as of that date. Future changes in environmental factors and actions taken to address recommendations may have an impact upon the operation of Internal Audit in a manner that this report cannot anticipate.

Considerable professional judgment is involved in evaluating. Accordingly, it should be recognised that others could draw different conclusions. We have not re-performed the work of Internal Audit or aimed to verify their conclusions. This report is provided on the basis that it is for your information only and that it will not be quoted or referred to, in whole or part, without the prior written consent of the Chartered Institute of Internal Auditors.

© Chartered Institute of Internal Auditors.

Chartered Institute of
Internal Auditors

This page is intentionally left blank

Gloucester City Council

Meeting:	Cabinet	15 July 2020
	Audit and Governance Committee	**20 July 2020**
Subject:	**Treasury Management Update – Annual Report 2019/20**	
Report Of:	**Cabinet Member for Performance and Resources**	
Wards Affected:	**All**	
Key Decision:	**No** **Budget/Policy Framework:** **No**	
Contact Officer:	**Greg Maw, Accountancy Manager**	
	Email: greg.maw@gloucester.gov.uk **Tel:** 396422	
Appendices:	**1. Prudential and Treasury Indicators**	
	2. Interest rate forecasts	

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (TMSS, annual and midyear reports). This report covers the six months 1st October 2019 to 31st March 2020 and therefore, ensures this Council is implementing best practice in accordance with the Code.

1.2 This report will highlight issues specific to the Council and also highlight interest rate forecasts as provided by the Council's treasury advisors Link Asset Services.

1.3 The body of the report provides an overview of the Councils performance for the financial year 2019/20;

- **Appendix 1** highlights the key performance indicators in line with the Councils Treasury Management Strategy.
- **Appendix 2** Interest Rate Forecast.

2.0 Recommendations

2.1 Cabinet is asked to **RESOLVE** that the contents of the report be noted.

2.2 Audit and Governance Committee is asked, subject to any recommendations it wishes to make to Cabinet, to note the contents of the report.

3.0 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2019/20, which includes the Annual Investment Strategy, was approved by the Council on 21st March 2019. It sets out the Council's investment priorities as being:
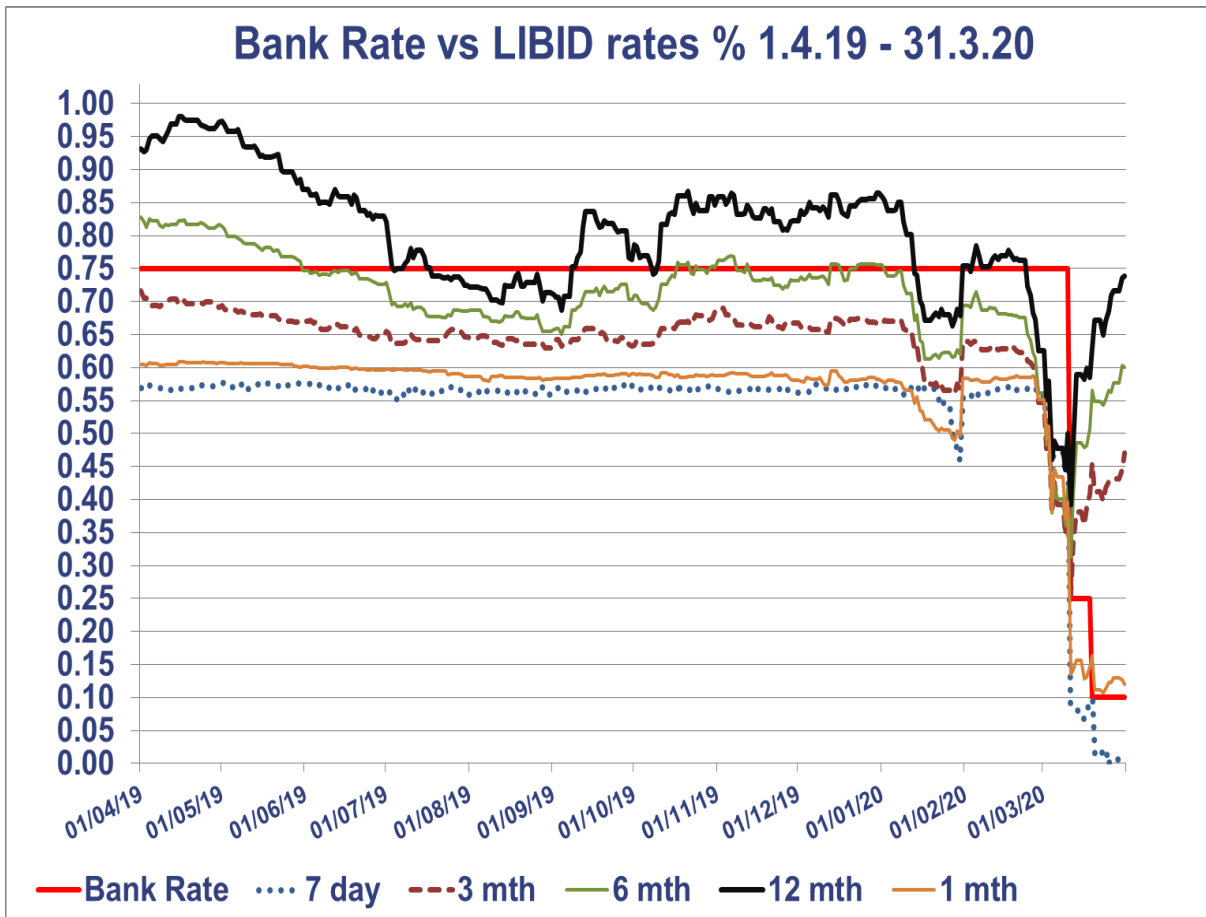
- Security of capital;
- Liquidity; and
- Yield

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

3.2 The average level of funds available for investment purposes during the year was £19.7m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The Council holds £11m core cash balances for investment purposes (i.e. funds available for more than one year).

Investment performance for the financial year to date as at 31 March 2020

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.53%	0.67%	£72,734
1 month	0.56%	0.87%	£14,242
3 month	0.63%	0.84%	£6,059
6 month	0.70%	1.10%	£10,247
12 month	0.80%	N/A	N/A

As illustrated, the Council outperformed the benchmark by 14 bps on 7 day investment returns, by 31 bps on 1 month, 21 bps on 3 month and 40 bps on 6 month investment returns.

Interest Rate Profile – Year to date to 31 March 2020

Bank Rate vs LIBID rates % 1.4.19 - 31.3.20

	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.75	0.58	0.61	0.72	0.83	0.98
High Date	01/04/2019	09/05/2019	15/04/2019	01/04/2019	01/04/2019	15/04/2019
Low	0.10	0.00	0.11	0.26	0.31	0.39
Low Date	19/03/2020	25/03/2020	23/03/2020	11/03/2020	11/03/2020	11/03/2020
Average	0.72	0.53	0.56	0.63	0.70	0.80
Spread	0.65	0.58	0.50	0.46	0.52	0.59

4.0 New Borrowing

4.1 £62.2m was borrowed from the PWLB in the 2nd half of 2019/20, this borrowing was required to facilitate the purchases of St Oswald's Retail Park and Eastgate Shopping centre as part of the Council's long term property investment strategy. As a result of the 100bps increase imposed by the PWLB in October £60m was borrowed via 33 separate loans to reduce the interest liability to the Council. Included within the borrowing was £2m used in the loan agreements with CYMCA and GWT to forward projects with these partners.

4.2 During the first six months PWLB rates were on a falling trend and longer rates reached historic lows. On 9 October, the Treasury increased the margin on PWLB rates by 100 bps (1%). Over the third quarter rates were on a rising trend but then fell sharply in the fourth quarter once the coronavirus outbreak hit the UK during March. Over the last quarter, rates have fallen sharply once the coronavirus outbreak really hit the

UK. The 50 year PWLB target (certainty) rate for new long term borrowing started the quarter at 3.20% and ended at 2.30%.

PWLB maturity certainty rates (gilts plus 180bps) year to date to 31 March 2020
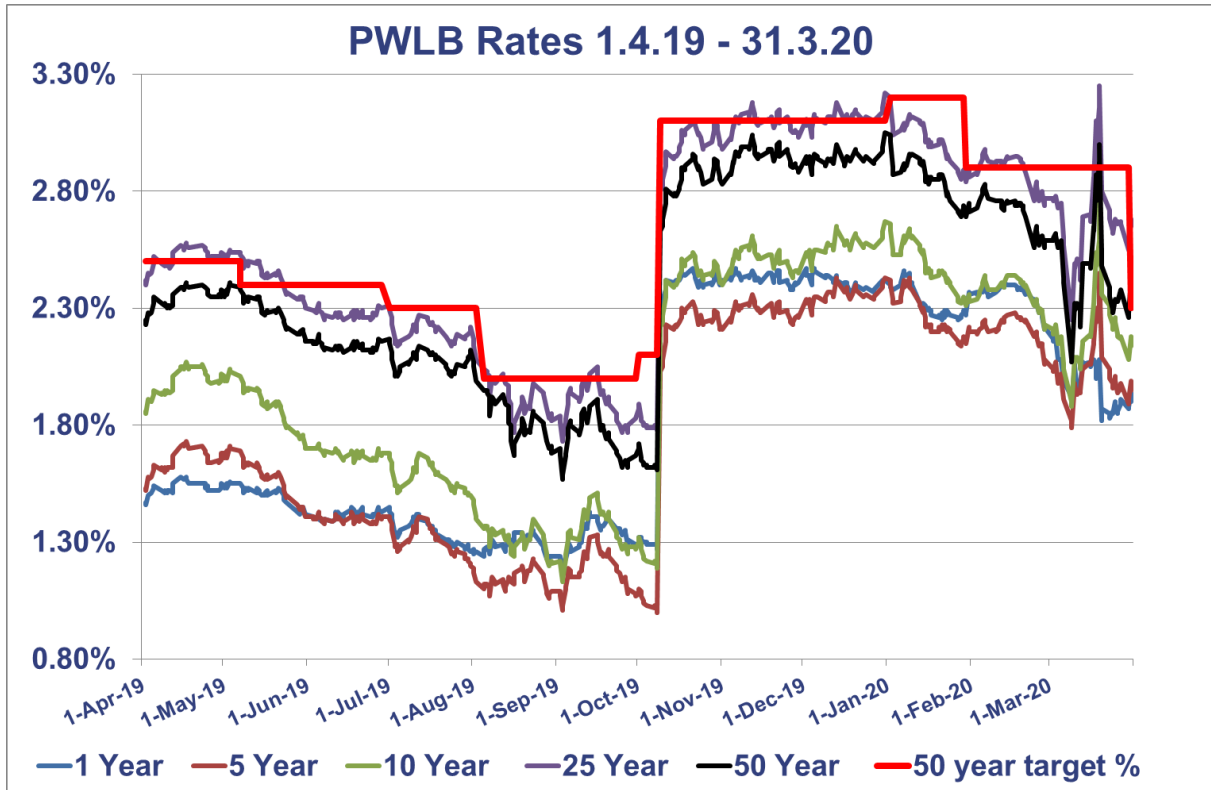
	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.17%	1.00%	1.13%	1.73%	1.57%
Date	03/09/2019	08/10/2019	03/09/2019	03/09/2019	03/09/2019
High	2.47%	2.45%	2.76%	3.25%	3.05%
Date	21/10/2019	19/03/2020	19/03/2020	19/03/2020	31/12/2019
Average	1.83%	1.77%	2.00%	2.56%	2.40%

5.0   Debt Rescheduling

5.1   Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. During the quarter ended 31 March 2020 the following debt rescheduling was undertaken. No debt rescheduling has been undertaken during the current financial year.

6.0   Compliance with Treasury and Prudential Limits

6.1   It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

6.2   During the financial year the Council has operated within the treasury limits set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

6.3   The Council has taken out a number of long term loans to facilitate its property investment strategy. Outside of this borrowing, the Councils debt profile remains structured on short term borrowing. The Council is able to benefit from reduced costs associated with short term borrowing compared to longer term rates while operating within the Councils borrowing requirements, this strategy will continue to be reviewed in line with market expectations. The prudential and treasury Indicators are shown within appendix 1.

7.0   Other

7.1   The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to members' attention in treasury management update reports.

7.2   The Council continued to maintain an under-borrowed position in 2019/20.

7.4   This under-borrowing reflects that the Council resources such as reserves and provisions will have reduced debt rather than be externally invested. This strategy is sensible, at this point in time, for two reasons. Firstly, there is no differential between the marginal borrowing rate and investment rate so there is nothing to be gained by investing Council resources externally. Secondly, by using the resources to reduce debt the Council will reduce exposure to investment counterparty risk.

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

8.0   Social Value Considerations

8.1   This report notes the treasury management performance of the Council. There are no anticipated Social Value considerations from this report.

9.0   Environmental Implications

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

10.0   Financial Implications

10.1   Contained in the report

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

11.0   Legal Implications

11.1   There are no legal implications from this report
        (Legal Services have been consulted in the preparation this report.)

12.0   Risk & Opportunity Management Implications

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

13.0   People Impact Assessment (PIA):

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

14.0   Other Corporate Implications
        <u>Community Safety</u>

14.1   None

        <u>Sustainability</u>

14.2   None

        <u>Staffing & Trade Union</u>

14.3   None

Prudential and Treasury Indicators as at 31 March 2020

Prudential Indicators 2019/20	2019/20 Budget £m	31.3.20 Actual £m
Authorised limit for external debt	£145	£145
Operational Boundary for external debt	£130	£130
Gross external debt	£130	£122
Investments	N/A	£31
Net borrowing	£130	£91

Maturity structure of fixed and variable rate borrowing – upper and lower limits		
Under 12 months	0% - 100%	46%
12 months to 2 years	0% - 100%	0%
2 years to 5 years	0% - 100%	0%
5 years to 10 years	0% - 100%	2%
10 years to 20 years	0% - 100%	13%
20 years to 30 years	0% - 100%	19%
30 years to 40 years	0% - 100%	18%
40 years to 50 years	0% - 100%	2%
Upper limit of fixed interest based on net debt	100%	80%
Upper limit of variable interest rates based on net debt	100%	20%

This page is intentionally left blank

INTEREST RATES FORECASTS

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

The world has changed considerably since we undertook our last interest rate forecasts. We are now in a completely different environment where interest rate forecasting is much more problematic and tentative than it is in normal circumstances. The scale of both Government and Central Bank intervention that we have recently seen is historic in its magnitude. What you find in this newsflash, therefore, is a set of forecasts that reflect the latest known situation with regard to coronavirus, and its likely impact on economies around the world given the unprecedented lock-downs now being put in place by many governments.

The new set of forecasts will be subject to change if materially new information/policies come to light. Pragmatically, we are also only going to give forecasts for two years ahead in view of the exceptional levels of uncertainty at the current time.

For now, we are making an assumption that the coronavirus will be "defeated" in the UK over a 6 to 12 months period, either through lock-downs and/or the invention and distribution to the general population of a vaccine. However, no one can be 100% confident that the virus will not return before a vaccine is available and widely used, and so there may be a requirement for further lock-downs despite all our best efforts. In addition,

- We can expect to see on-going market volatility, and therefore the potential for on-going Government and Central Bank intervention as required, for perhaps up to a year but also possibly longer;

- The MPC will aim for very loose monetary policy, primarily through the use of quantitative easing, in order to maintain low yields/funding costs to help support businesses and to also maintain appropriate levels of liquidity;

- We will, therefore, most likely have a very flat yield curve for at least a year before investors are sufficiently confident to push for higher yields in order to hold existing and additional debt incurred in putting measures in place to fight coronavirus.

- Bank Rate will stay at 0.1% for the next two years and any yield steepening will only arise after it is apparent that the end of the coronavirus epidemic is in sight;

- The measures recently introduced by Government to underpin the job security of both PAYE workers and the self-employed will be extended past 12 weeks if necessary;

- Inflation will stay below 2% and wage increases will be tepid in the face of economic uncertainty and a steady rise in unemployment;

- The economy is likely to take a considerable time to recover lost momentum;

- Brexit will still go ahead but the original timeframe may be impacted;

There will be a recession in world growth in 2020; growth is unlikely to recover quickly.

The general situation is for volatility in bond yields to endure as investor fears and confidence ebb and flow between favouring relatively more "risky" assets i.e. equities, or the "safe haven" of government bonds. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently.

Our forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU, (apart from the departure of the UK), within our forecasting time period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China, North Korea and Iran, which have a major impact on international trade and world GDP growth.

Our revised forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The table below is for PWLB Certainty Rates for non-HRA borrowing (currently gilts plus 180 basis points).

Link Asset Services Interest Rate View								
	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month LIBID	0.45	0.40	0.35	0.30	0.30	0.30	0.30	0.30
6 Month LIBID	0.60	0.55	0.50	0.45	0.40	0.40	0.40	0.40
12 Month LIBID	0.75	0.70	0.65	0.60	0.55	0.55	0.55	0.55
5yr PWLB Rate	1.90	1.90	1.90	2.00	2.00	2.00	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50

In addition, the following rates also apply:

- **PWLB Standard Rate** is gilts plus 200 basis points (G+200bps)
- **PWLB HRA Standard Rate** is gilts plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilts plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

Borrowing advice: As our long-term forecast for Bank Rate is now 2.00%, and all PWLB Certainty Rates (gilts plus 180bps), are close to or above 2.00%, there is reduced value in borrowing from the PWLB at present unless it is borrowing which would be eligible for the lower margins over gilts of 100, 80 or 60bps, or unless certainty against budgetary provision is required. (Please note the Government Consultation in respect of the future rates to be offered on General Fund PWLB borrowing closes on 4 June.).

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. Negative, (or positive), developments could significantly impact safe haven flows of investor money into UK, US and German bonds and produce shorter term movements away from our central forecasts.

Our interest rate forecast for Bank Rate is normally in steps of 25 bps whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps.

Gloucester City Council

Meeting:	**Audit and Governance Committee Date: 20th July 2020**
Subject:	**Annual Report on Internal Audit Activity 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: Theresa.Mortimer@gloucester.gov.uk Tel: 01452 396430
Appendices:	**A: Internal Audit Annual Report 2019/20**

FOR GENERAL RELEASE

1.0   Purpose of Report

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

2.0   Recommendations

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

(1) Assess, from the findings set out in this Internal Audit Annual Report, whether it can take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively;

(2) Note that the performance of Internal Audit meets the required standards;

(3) Note the Council wide counter fraud activity during 2019/20 which includes the fraud reporting requirements as mandated by the Local Government Transparency Code 2015 (paragraph ref 7b); and

(4) Requests senior management attendance at a future meeting of the Committee to provide an update on the actions taken in relation to the recommendations made in the Health and Safety follow up internal audit.

3.0   Background and Key Issues

3.1   The Accounts and Audit Regulations 2015 state that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance'.

During 2019/20, Internal Audit work was carried out in accordance with the Public Sector Internal Audit Standards (PSIAS) 2017 and the CIPFA Local Government Application Note for the UK PSIAS.

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

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

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

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

- Compare the actual work undertaken with the planned work, and present a summary of the audit activity undertaken from which the opinion was derived, drawing attention to any issues of particular relevance;

- Summarise the performance of the Internal Audit function against its performance measures and targets; and

- Comment on compliance with the PSIAS.

3.5 A separate report containing the Annual Governance Statement is included on the agenda for the Audit and Governance Committee on 20th July 2020.

3.6 The Audit Risk Assurance (ARA) position against the PSIAS has been confirmed through external independent assessment – a review that is required every five years, in addition to the requirement of an annual self assessment by the Chief Internal Auditor. The External Quality Assessment (EQA) of Internal Audit was completed by the Chartered Institute of Internal Auditors (CIIA) in May 2020 and was the first EQA of the Audit Risk Assurance Shared Service arrangement.

The EQA approach included validation of the Audit Risk Assurance self assessment against PSIAS, interviews with key stakeholders across the partner and client organisations, and a staff survey.

The EQA report (separately reported to 20th July 2020 Audit and Governance Committee) confirmed 'the Audit Risk Assurance team meet each of the 64 Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing.' and that 'this is an excellent result and the Chief Internal Auditor and the ARA team as a whole should be justifiably proud of their service, its approach, working practices and how key stakeholders' value it.'

4.0 Social Value Considerations

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

5.0 Environmental Implications

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

6.0 Alternative Options Considered

6.1 No other options have been considered as the purpose of this report is to inform the Committee of the Internal Audit work undertaken to date, and the assurances given on the adequacy and effectiveness of the Council's control environment operating in the areas audited. Non completion of the Annual Report on Internal Audit Activity would lead to non compliance with the PSIAS and the Council's Constitution (see report section 7.2 and 7.3).

7.0 Reasons for Recommendations

7.1 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.

7.2 The PSIAS state that the Chief Internal Auditor should report on the outcomes of Internal Audit work, in sufficient detail, to allow the Committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address.

7.3 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).

8.0   Future Work and Conclusions

8.1   In accordance with the PSIAS, and reflected within the Audit and Governance Committee's work programme, Internal Audit Activity Progress Reports against the 2020/21 audit plan are scheduled to be presented to the Audit and Governance Committee at the 2020/21 Committee meetings.

9.0   Financial Implications

9.1   No financial implications as a result of this report

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

10.0   Legal Implications

10.1   Nothing specific arising from the report recommendations.

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

11.0   Risk & Opportunity Management Implications

11.1   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.

12.0   People Impact Assessment (PIA) and Safeguarding:

12.1   A requirement of the Accounts and Audit Regulations 2015 is for the Council to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

       The Internal Audit Service is delivered by Audit Risk Assurance which is an internal audit and risk management shared service between Gloucester City Council, Stroud District Council and Gloucestershire County Council. Equality in service delivery is demonstrated by the team being subject to, and complying with, the Council's equality policies.

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

13.0   Community Safety Implications

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

14.0   Staffing and Trade Union Implications

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

Background Documents:

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

Local Government Application Note for t

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

This page is intentionally left blank

Annual report on
Internal Audit Activity
2019-2020

ARA
Audit Risk Assurance

Gloucester
City Council
Transforming Your City

Contents

(1) Introduction

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that *'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance'*.

The standards define the way in which the Internal Audit Service should be established and undertake its functions. The Council's Internal Audit Service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Gloucester City Council, Stroud District Council and Gloucestershire County Council and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

The standards also require that an independent and objective opinion is given on the overall adequacy and effectiveness of the control environment, comprising risk management, control and governance, from the work undertaken by the Internal Audit Service.

The Shared Service Internal Audit function is conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

(2) Responsibilities

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

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

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

(3) Purpose of this Report

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

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

- ➢ Compare the actual work undertaken with the planned work, and present a summary of the audit activity undertaken from which the opinion was derived, drawing attention to any issues of particular relevance;

- ➢ Summarise the performance of the Internal Audit function against its performance measures and targets; and

- ➢ Comment on compliance with the PSIAS.

When considering this report, the Committee may also wish to have regard to the quarterly interim Internal Audit Progress Reports presented to the Committee during 2019/20 and the Annual Report on Risk Management Activity 2019/20 presented to the Committee on 9th March 2020.

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

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

In addition, in light of the coronavirus pandemic and the impact of this on the Council the opinion given below is based on internal audit work undertaken, and completed, prior to emergency measures being implemented as a result of the pandemic. These measures have resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. It is therefore not possible to quantify the additional risk arising from the current short term measures or the overall impact on the framework of governance, risk management and control.

Chief Internal Auditor's Opinion

I am satisfied that, based on the internal audit activity undertaken during 2019/20 and management's actions taken in response to that activity, enhanced by the work of other external review agencies, sufficient evidence is available to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of Gloucester City Council's overall internal control environment.

In my opinion, based on internal audit work undertaken and completed prior to emergency measures being implemented as a result of the coronavirus (Covid 19) pandemic, Gloucester City Council has a **satisfactory** overall control environment, to enable the achievement of the Council's outcomes and objectives. This opinion will feed into the Annual Governance Statement which will be published alongside the Annual Statement of Accounts.

(4a)   Scope of the Internal Audit Opinion

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

> The results of all internal audit activity undertaken during the year ended 31st March 2020 and whether our high and medium priority recommendations have been accepted by management and, if not, the consequent risk;

> The effects of any material changes in the organisation's risk profile, objectives or activities;

> Matters arising from the quarterly Internal Audit Progress Reports or other assurance providers to the Audit and Governance Committee;

> Whether or not any limitations have been placed on the scope of internal audit activity; and

> Whether there have been any resource constraints imposed on internal audit which may have impacted on our ability to meet the full internal audit needs of the organisation.

(4b)   Limitations to the scope of our activity

There have been no limitations to the scope of our activity or resource constraints imposed on internal audit which have impacted on our ability to meet the full internal audit needs of the Council. Whilst the core Internal Audit service is provided by the ARA Shared Service, during 2019/20 the Chief Internal Auditor has:

> Commissioned external specialist ICT audit via Warwickshire County Council's Internal Audit Framework Agreement;

> Arrangements in place with Gloucestershire NHS Counter Fraud Service to provide support with investigations; and

> An agreement in place with Gloucestershire's Counter Fraud Unit to provide counter fraud support.

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

The underlying principle to the 2019/20 plan is risk and as such, audit resources were directed to areas which represented 'in year risk'. Variations to the plan are required if the plan is to adequately reflect the ongoing changing risk profile of the Council.

Since the original risk based plan was approved in March 2019 by the Audit and Governance Committee, five brought forward activities from 2018/19 have been completed and reported within 2019/20 (General Data Protection Regulations; IT Disaster Recovery and Business Continuity; Ongoing Cyber Resilience; Civil Parking Enforcement; and Service Planning and Peformance Reporting) and some of the original planned audits have been deferred into the 2020/21 Internal Audit Plan (based on appropriate client request and to ensure the audit adds value). Plan changes are detailed in **Attachment 2** (the Summary Activity Progress Report 2019/20).

The net effect is that although the work undertaken was slightly different to that originally planned we are able to report that we achieved **84%** of the overall revised plan 2019/20, against a target of 85%. The actual percentage achieved has been adversely affected by Covid 19 and being unable to finalise a number of activities which otherwise would have been completed.

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

Percentage of Planned vs Actual Days per Service Area 2019/20
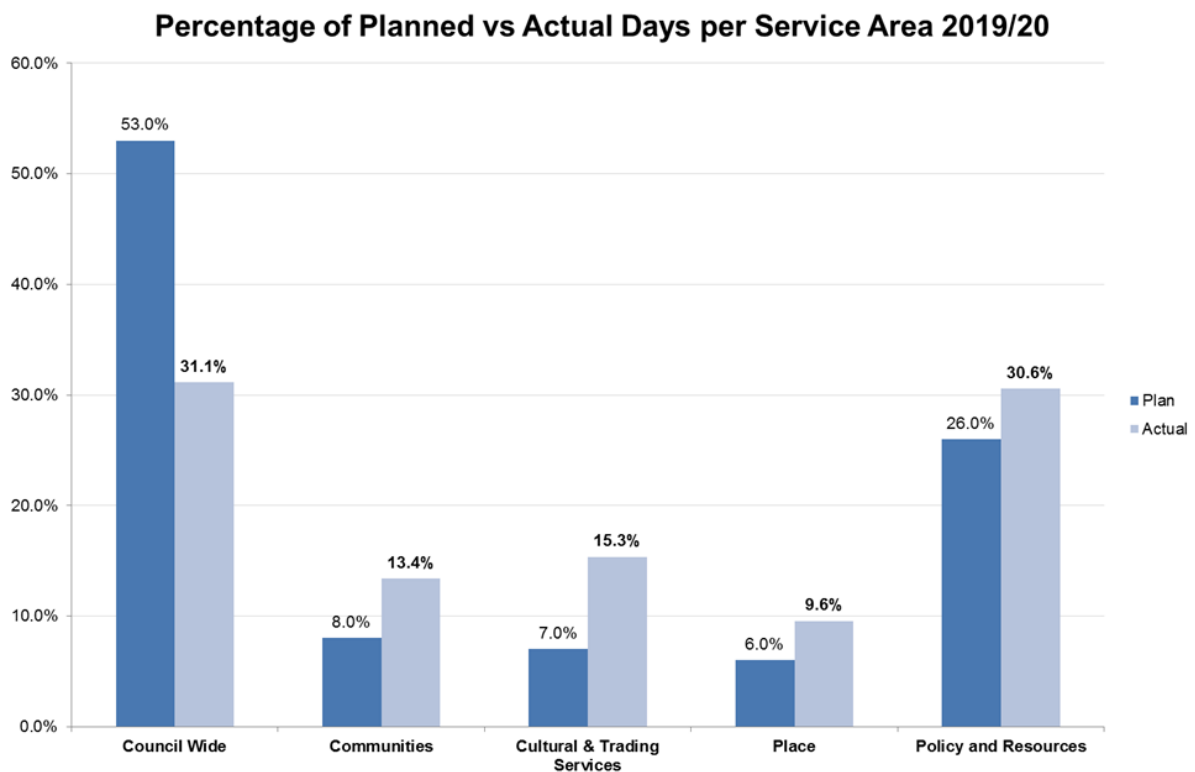
Percentage of Planned vs Actual Days per Category 2019/20
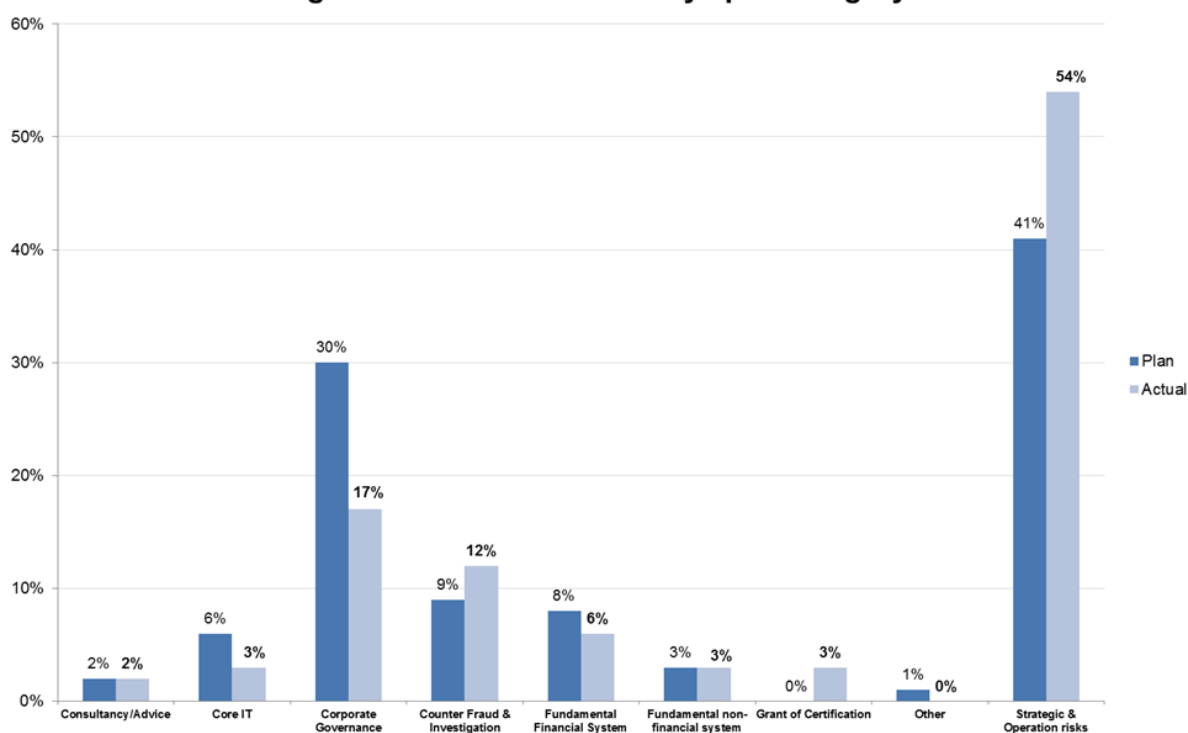
Example rationale for the variance between 2019/20 planned and actual days per service area and category include (but are not exclusive to):

➢ New activities requested e.g. European Elections and Free Hospitals Fund for Children;

➢ ICT audit days being charged at the point of agreed draft report (the above table excludes the audit days for Key ICT Project Governance due to the audit position);

➢ Agreed audit deferrals into the 2020/21 Plan (e.g. Complaints Procedures) and the cancellation of the Civil Penalties - Unsatisfactory Housing Conditions within the Private Rented Housing Sector due to competing priorities within the Housing Service and the procedures having not yet been developed (Internal Audit review to be considered for the 2021/22 internal audit plan);

➢ Audit activity where actual days were in excess of those originally budgeted, due to the findings and outcomes of the audit work e.g. Civil Parking Enforcement and Shopmobility Fees and Charges;

➢ Audit activity where actual days were less than those originally budgeted e.g. Honorariums and Temporary Promotions and Building Control Shared Service; and

➢ The impact of counter fraud and investigation actual days, following case referral by the Council (i.e. actuals days have been allocated to the service area, rather than Council Wide). The outcome of this work is detailed within section 7 of this report.

5

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

The schedule provided at **Attachment 1** within this report 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 audit activity undertaken during 2019/20, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Audit and Governance Committee.

Explanations of the meaning of these opinions are shown below.

Assurance Levels	Risk Identification Maturity	Control Environment
Substantial	**Risk Managed** Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners, and staff. All key risks are accurately reported and monitored in line with the Corporate Risk Management Strategy.	• 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	**Risk Aware** Service area has an awareness of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners, and staff, however some key risks are not being accurately reported and monitored in line with the Corporate Risk Management Strategy.	• 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	**Risk Naïve** Due to an absence of accurate and regular reporting and monitoring of the key risks in line with the Corporate Risk Management Strategy, the service area has not demonstrated an adequate awareness of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners and staff.	• 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

6

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

The below pie charts show the summary of the risk and control assurance opinions provided within each category of opinion i.e. substantial, satisfactory and limited. Audit Risk Assurance (ARA) can report that the Council is showing that **70%** of the activities reviewed have received a **substantial (15%)** or **satisfactory (55%)** opinion on control. Whilst **30%** of the opinions on control are limited, this maybe related to transformational change, continued focusing of our activity on the key risks of the Council and specific requests from the Audit and Governance Committee and Corporate Directors, who are asking for areas to be reviewed where issues have arisen or where independent assurance is required.

Risk and Control Opinions 2019/20

Control Assurance

Limited 30%

Substantial 15%

Satisfactory 55%
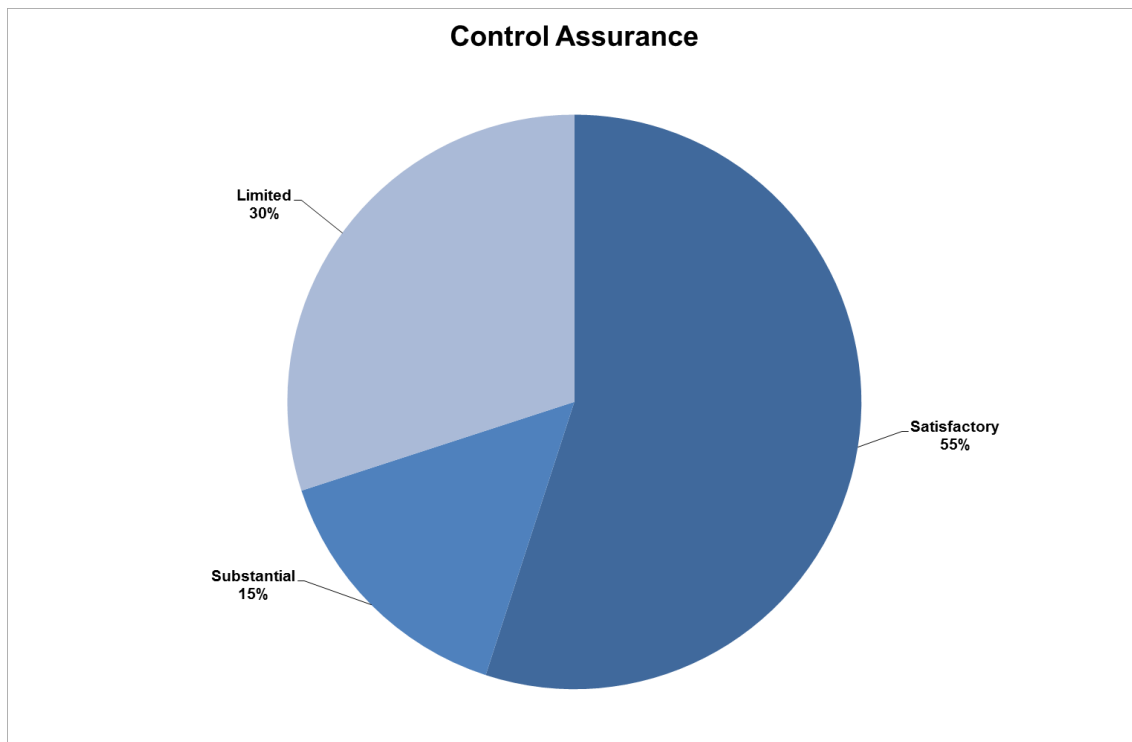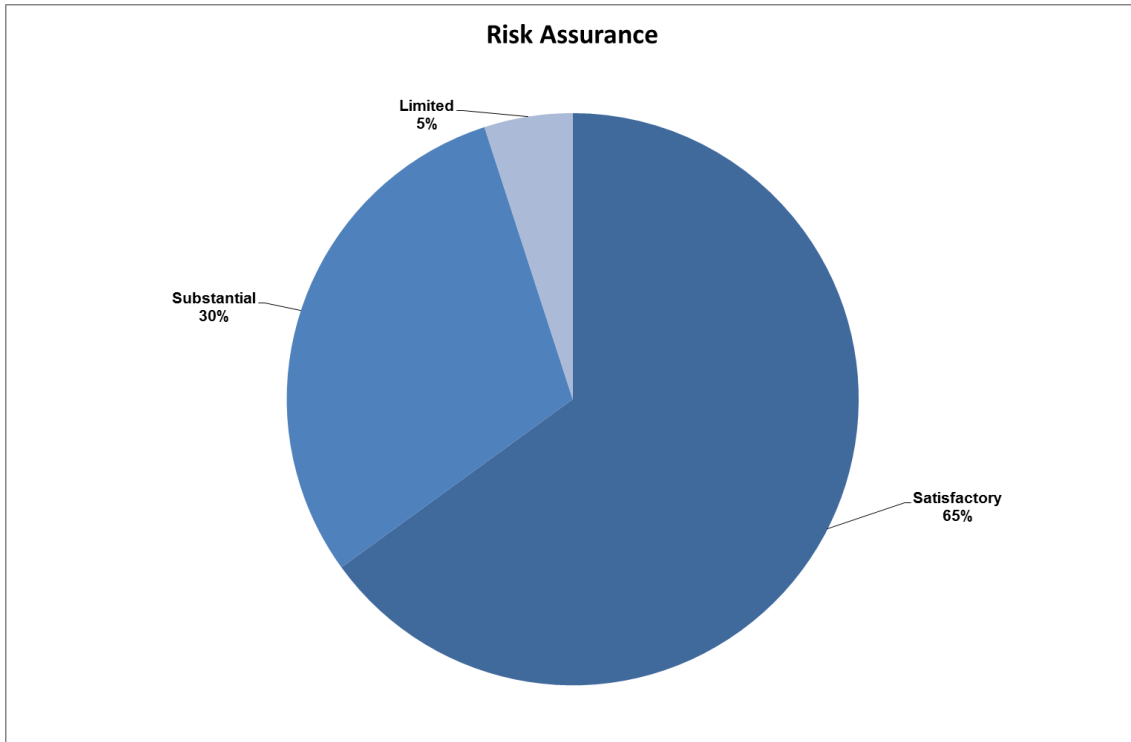
Risk Assurance

(6b) Limited Control Assurance Opinions

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

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

During 2019/20, six limited opinions on control were provided. These related to:

Audited Service Area	Date reported to Audit and Governance Committee
Shopmobility Fees and Charges	16th September 2019
Travel and Other Expenses	18th November 2019
Building Control Shared Services	20th January 2020
IT Disaster Recovery and Business Continuity	9th March 2020
Guildhall and Blackfriars Priory - Income from events	9th March 2020
Health & Safety (Limited Assurance Follow Up)	20th July 2020

(6d) Satisfactory Control Assurance Opinions

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

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

Year	Total No. of high priority recs.	% of high priority recs. accepted by management	Total No. of medium priority recs.	% of medium priority recs. accepted by management	Total No. of recs. made
2017/18	7	100%	52	100%	59
2018/19	9	100%	34	100%	43
2019/20	**16**	**100%**	**37**	**100%**	**53**

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

(6f) Risk Assurance Opinions

During 2019/20, one limited assurance opinion on risk was provided on completed audits from the 2019/20 Internal Audit Plan.

Audited Service Area	Date reported to Audit and Governance Committee
Building Control Shared Service	20th January 2020

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

(6g) Limited Assurance Opinions Direction of Travel

Internal Audit undertakes a follow up review of every audit (where relevant) where a limited assurance opinion on the control environment has been provided. The tables below show the changes in the risk and control opinions. This provides reasonable assurance that management have taken actions to address the internal audit recommendations made, reducing the risk exposure.
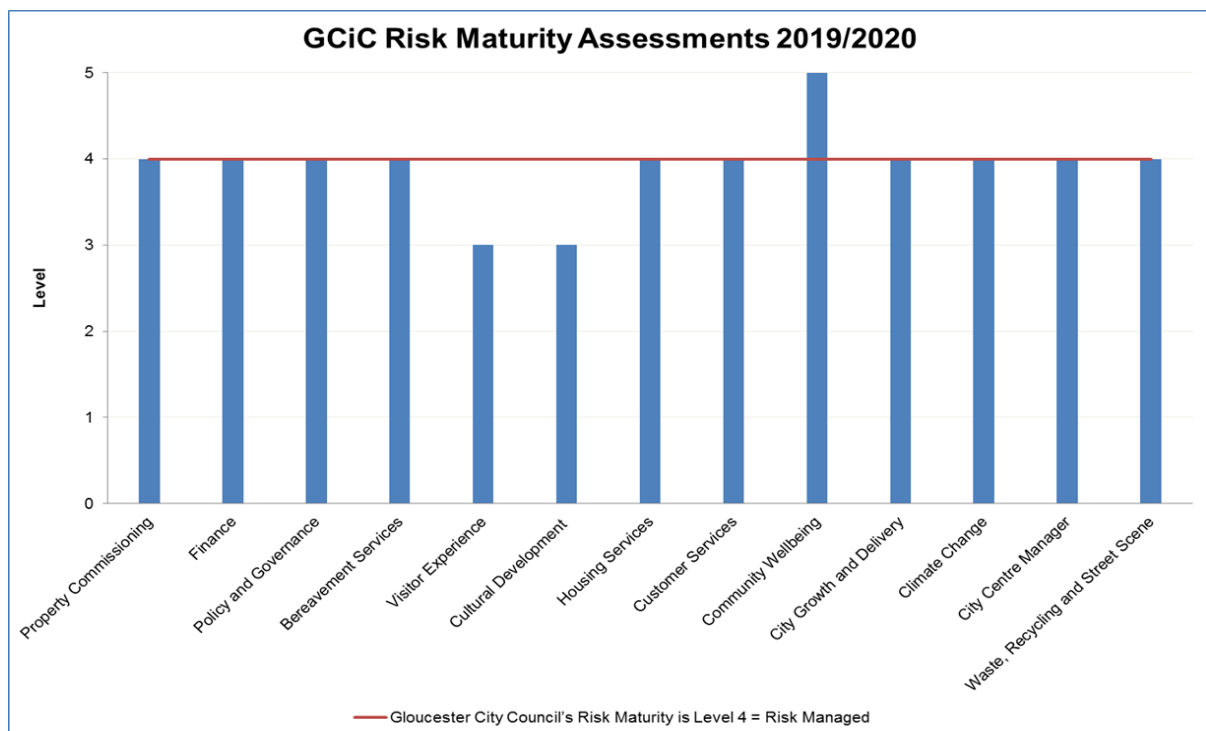
9

	2018/19		2019/20		Direction of Travel
	Risk Opinion	Control Opinion	Risk Opinion	Control Opinion	
Health and Safety	Satisfactory	Limited	Satisfactory	Limited	→
Purchasing: Low and Intermediate Transactions	Satisfactory	Limited	On hold due to Covid-19		N/A
Code of Conduct	Satisfactory	Limited	Follow-up in 2020/21 plan		N/A
Network Access Controls	Satisfactory	Limited	Substantial	Satisfactory	↑

It is noted that the Health and Safety limited assurance follow up outcome is included within the Annual Report at **Attachment 1**. Providing detail of the Council's position and further actions being taken by management.

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

During 2019/20, **95%** of the audited areas rated the effectiveness of risk management arrangements as **substantial (30%)** or **satisfactory (65%)** with **5%** obtaining a limited assurance opinion. This evidences that risk management continues to be further embedded into the Council's business activities.

The above position is supported by the Gloucester City Council Annual Governance Statement 2019/20 outcomes. The assurance statements obtained from the Corporate Directors and Heads of Service across the Council (when formulating the Annual Governance Statement), provided reasonable assurance that the majority of management apply the Council's Risk Management Strategy and principles within their service areas. The assurance statement outcomes and the risk maturity level definitions applied are reflected within the below tables.

Risk Maturity Level	Level 1 Developing (Risk Naïve)	Level 2 Progressing (Risk Aware)	Level 3 Operational (Risk Defined)	Level 4 Embedded & Engaged (Risk Managed)	Level 5 Dynamic & Empowering (Risk Enabled)
	No formal approach to risk management.	Consulting and planning to implement risk management.	Early Stages of implementation.	Established risk management with planned extension /development.	Fully established and effective risk culture at all levels.

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

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

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

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

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

➢ Reviewed the existing governance arrangements against the principles set out in the Framework;

➢ Developed and implemented a refreshed local code of corporate governance, based on the principles, including an assurance framework for ensuring ongoing effectiveness; and

➢ Will report publically, via the Annual Governance Statement on compliance with the code on an annual basis, how the Council have monitored the effectiveness of governance arrangements in the year and on planned improvement areas.

Gloucester City Council's governance framework reflects the CIPFA/SOLACE key principles and has been summarised within a Local Code of Corporate Governance 2019/20. This local code comprises the Council's systems and processes, culture and values for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community.

The key 2019/20 governance matters identified related to:

- ➤ Future Financial Stability / Efficiency Savings / Covid 19 impact;

- ➤ Covid 19 impact on governance; and

- ➤ In January 2020 Marketing Gloucester Limited (MGL), a company wholly owned by the City Council, went into administration. The City Council's Overview and Scrutiny Committee has taken a lead in scrutinising the events leading up to the collapse of MGL.

The actions to be taken to address the above can be found within the Council's Annual Governance Statement 2019/20.

With the exception of the above Internal Audit conclude that effective governance arrangements operate within the Council.

(7) Summary of additional Internal Audit Activity

(7a) Special Investigations/Counter Fraud Activities

Current Status

During 2019/20 (1st April 2019 to 31st March 2020) three potential fraud/irregularity cases were referred to Internal Audit, plus an additional case was identified as a result of one of these investigations. Three of these irregularities have previously been reported to the Audit and Governance Committee. The fourth case has now been closed due to lack of recorded evidence however, an audit of the service area has been included within the 2020/21 Internal Audit plan.

A number of Counter Fraud initiatives were promoted throughout the year including signing up to becoming a supporter of International Fraud Awareness Week. This is an annual event that takes place in November each year. During the week posters, social media and information flyers are used to raise counter-fraud awareness.

The ARA Counter Fraud team devised and provided Counter Fraud training sessions to Gloucester City Council team leaders. The interactive sessions each lasted two hours and covered a wide range of topics. Feedback from the sessions was positive and included suggestion for training roll out to wider audiences including the Senior Management Team. It had been planned to deliver one such session in March 2020, however this was postponed due to the Coronavirus pandemic.

In addition, any fraud alerts received by Internal Audit from the National Anti Fraud Network (NAFN) and other professional bodies are passed onto the relevant service area within the Council, to alert staff to the potential fraud, particularly in respect of the Covid-19 scams (locally and nationally) and advice on how to avoid breaches of cyber security arrangements during the pandemic.

Fraud Risk Assessment / Risk Register

The fraud risk register has been updated and provided to the Chief Financial Officer, the outcomes of this assessment is used to inform future internal audit and counter-fraud activity.

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data collections were collected throughout October 2018 and the reports have been received and reviewed. Examples of data sets include housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol. Not all matches are investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area.

A review of the Council tax reduction scheme matches has resulted in the recovery of £3,224.

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

This work identified potential issues to the value of £115,372.54. Some of the issues were due to recent changes in circumstances, records have been updated and going forward the correct charges will be applied. Seven of the matches identified issues that dated back over a more significant period of time and the Council is in the process of recovering £57,446.36.

Monitoring and Review

The Committee can also take assurance that all special investigations/counter fraud activities are reported to the Managing Director, Monitoring Officer and Head of Policy and Resources (S151 Officer) as required, via the Corporate Governance Group who challenge, monitor management actions and follow-up progress to date and approve all police referrals.

Counter Fraud and Corruption Policy Statement and Strategy

Effective governance requires the Council to promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour.

In March 2020 the Fighting Fraud and Corruption Locally (FFCL) A Strategy for the 2020's, A response to Economic Crime and Fraud was released. The strategy outlines a governance framework for continuing national and regional collaboration on counter fraud under the Fighting Fraud and Corruption Locally umbrella. It is the definitive guide for council leaders, chief executives, finance directors and all those with governance responsibilities. The strategy includes practical steps for fighting fraud, shares best practice and brings clarity to the changing counter-fraud and corruption landscape.

13

The Council's Counter-Fraud and Corruption Policy Statement and Strategy 2020-23 has been produced, the contents of which reflect the latest version of the FFCL policy and strategy. This strategy will be presented to the Audit and Governance Committee at its meeting on 20th July 2020.

The Chief Internal Auditor continues to benchmark the Council's response to counter fraud and corruption reflecting any key changes identified in the strategy.

Serious and Organised Crime Strategic Partnership led by Gloucestershire Police

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

(7b)   Local Government Transparency Code 2015

Introduction

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

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

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

Tackling fraud is an integral part of ensuring that tax-payers money is used to protect resources for frontline services. The National Fraud Authority estimated local authorities face the threat of £2.1bn fraud in a year in 2013. In fact, the Annual Fraud Indicator produced by Crowe Clark Whitehill estimated that the figure may be as high as £7.8bn in 2017, out of a total of £40.4bn for the public sector as a whole. This is money that can be better used to support the delivery of front line services and make savings for local tax payers.

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

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

Council wide fraud and irregularity activity relating to 2019/20 including Internal Audit activity

Question	Gloucester City Council Response
Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.	N/A
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.	2.6 FTE fraud investigators, plus access to the Gloucestershire Counter Fraud Hub (CFU), as part of the Internal Audit shared service arrangement with Gloucestershire County Council and Stroud District Council i.e. Audit Risk Assurance (ARA). An additional member of Gloucester City Council staff is also available to undertake investigations, where required.
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.	One FTE employed by the City Council with 2.6 FTE fraud investigators employed by ARA, as part of the Internal Audit shared service, plus services can be bought from the CFU who also employ qualified accredited counter fraud specialists.
Total amount spent by the authority on the investigation and prosecution of fraud / irregularity.	£23,828 (includes an element of costs for the services of ARA and the Gloucestershire CFU as part of the Internal Audit, ARA shared service arrangement. Excludes Gloucester City Council staff costs).
Total number of fraud cases investigated.	1 – theft of cash

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

Question	Gloucester City Council Response
Total number of cases of irregularity investigated.	3 internal staff/contract terms and conditions related.

Question	Gloucester City Council Response
	71 Housing Benefit (HB) cases referred to the Department for Work and Pensions (DWP) for their investigation. 42 HB cases recalculated due to HB Matching Service (HBMS). 1,063 HB cases recalculated due to Real Time Information/ Validate Earnings and Pensions Alerts Service (RTI/VEP). 69 cases received from the DWP as a direct result of their investigations.
Total number of occasions on which a) fraud and b) irregularity was identified.	a) 1 b) 3 referred irregularity cases investigated plus as a local authority there is an obligation to refer our HB fraud allegations to DWP for their consideration as to whether an investigation should take place. The City Council has no control over which cases the DWP choose to investigate.
Total monetary value of a) the fraud and b) the irregularity that was detected.	a) £7,000 b) Referred to DWP £92,890.33 Housing Benefit overpayments (overpayments referred to DWP for their consideration of investigation must all be over £2,000 to meet the referral threshold). Received from DWP £23,299.77 Housing Benefit overpayments. HBMS £60,712.61 of Housing Benefit overpayments. (RTI/VEP) - £258,122.36 of Housing Benefit overpayments.

Question	Gloucester City Council Response
Total monetary value of a) the fraud and b) the irregularity that was recovered	a) £0 (Although disciplinary sanctions applied) b) Recovery will be sought from all those who have been overpaid HB as a result of fraud / irregularity.

Full details about the code and its requirements can be found at:
https://www.gov.uk/government/publications/local-government-transparency-code-2015

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

The CFU has been engaged through ARA in 2019/20 to undertake work on behalf of the Council. All counter fraud activity undertaken by the CFU has been agreed with the S151 Officer and relevant Service Managers, and is overseen by the Intelligent Client Officer (Revenues and Benefits) who ensures ARA awareness of CFU activity.

The CFU, in liaison with the Policy and Resources Intelligent Officer were tasked with reviewing the NFI single person discount matches. The majority of these matches are those between electoral register and those who receive a 25% discount from their Council Tax 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 to be included on the electoral role in the lead up to the Brexit vote in 2017. An initial overview of the matches was undertaken by the CFU and a number of 'legitimate' and exempted matches were identified and discounted. 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. Following the initial reviews the work was transferred to the Revenues team to continue with the project and amend any bills as required. The findings are reported in the table above.

(8) Internal Audit Effectiveness

The Accounts and Audit Regulations 2015 require '*a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.* This process is also part of the wider annual review of the effectiveness of the internal control system, and significantly contributes towards the overall controls assurance gathering processes and ultimately the publication of the Annual Governance Statement.

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

Public Sector Internal Audit Standards (PSIAS)

These standards have four key objectives:

> ➤ Define the nature of internal auditing within the UK public sector;

> ➤ Set basic principles for carrying out internal audit in the UK public sector;

> ➤ Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and

> ➤ Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

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

External Quality Assessment of the Effectiveness of Internal Audit

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

> ➤ The form of external assessment; and

> ➤ The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

The latest review was undertaken during May 2020 by the Chartered Institute of Internal Auditors (CIIA). The EQA assessment concluded that:

"We are pleased to report that the ARA team meet each of the 64 Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing.

To summarise, we are delighted to report that the ARA team are excellent in their:

> ➤ *Reflection of the Standards;*

> ➤ *Focus on performance, risk and adding value; and*

> ➤ *Quality Assurance and Improvement Programme*

We believe that the ARA team are good in their:

> ➤ *Operating with efficiency.*

Finally, like many internal audit functions at the present time, we consider that the ARA team is satisfactory in:

> *Coordinating and maximising assurance.*

The need to consider how best to rely on and coordinate with other assurance providers remains an emerging area of internal audit, and assurance practice. It depends as much on the other assurance providers as it does on internal audit.

In conclusion, this is an excellent result and the CIA and the ARA team as a whole should be justifiably proud of their service, its approach, working practices and how key stakeholders' value it.

It is therefore appropriate for the function to say in reports and other literature 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'."

The full EQA report and outcome are a separate item on the 20th July 2020 Audit and Governance Committee agenda.

Internal Assessment - Customer Satisfaction Survey results 2019/20

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

A target of 80% was set where overall, audit was assessed as good or better. The latest results (as summarised below) show that the target has been exceeded in 2019/20, with the score of **91%** reflecting Internal Audit as being a positive support to their service.

Satisfaction Survey Results 2019/20

Compared to 2017/18 and 2018/19
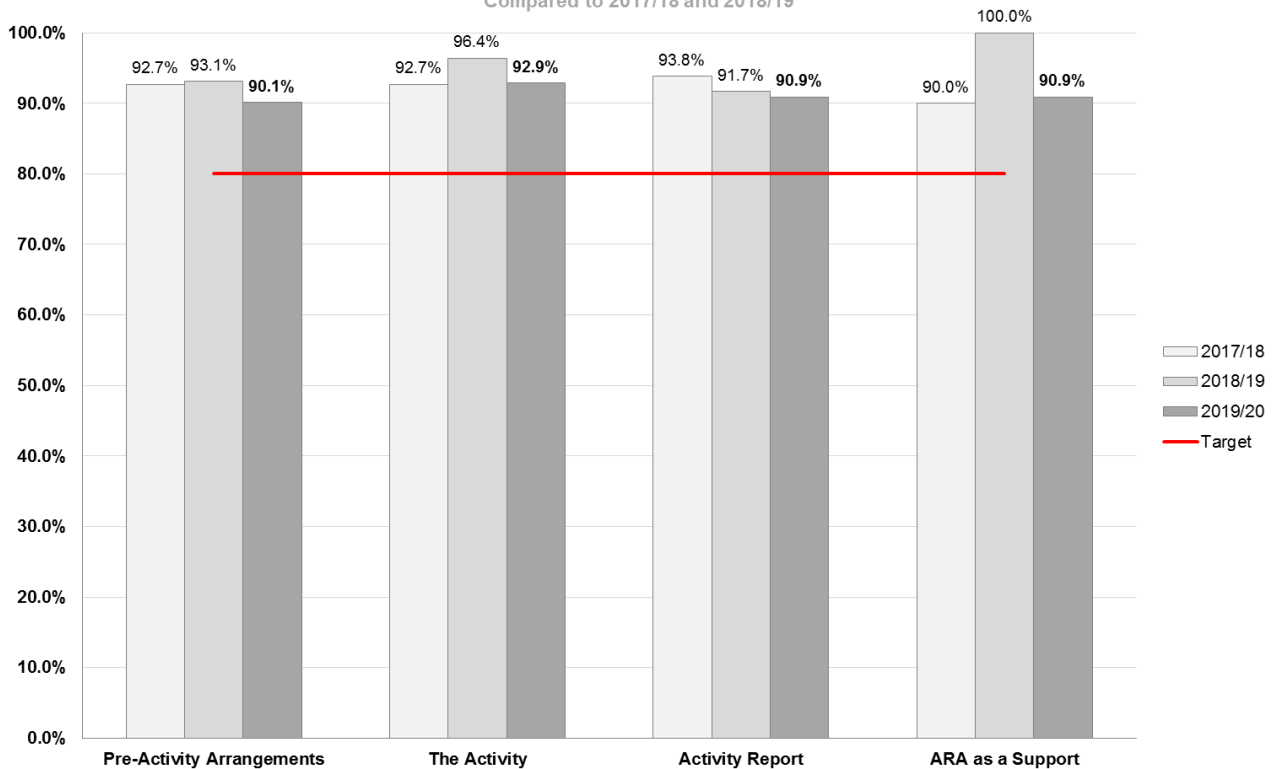
In addition, the following positive comments have been received from our customers:

➢ *"The auditor was positive and a second objective eye revealed some useful points"*

➢ *"The auditor was very understanding of the context and circumstances surrounding this work and was very flexible in his approach"*

➢ *"The auditor was very proactive in keeping me updated in terms of progress of the audit and in sharing his findings/recommendations at the pre-final reports meeting, which I found really helpful"*

➢ *"Recognition of the recommendations that were implemented and phone calls to chase me up for information as I'm rarely at my desk"*

➢ *"The auditor was really informative and helpful throughout the process. He showed that he was clearly knowledgeable and was really supportive throughout"*

Lessons Learned from customer feedback and actions taken by Internal Audit

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

During 2019/20 one client feedback survey indicated that more discussion is required at managerial level to consider the initial key findings prior to the formal draft being issued.

20

Following further discussions between the ARA Group Manager and the service manager it was concluded that this had been an isolated occurrence and consequently no significant change was required to the existing Internal Audit practice (i.e. for audit debrief completion with appropriate officers). The area has also been discussed with the ARA team to ensure that audit debriefs continue in line with the required Internal Audit practice.

ARA Learning and Development

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

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

ARA is committed to offering a structured trainee auditor programme, to attract people to the Council and to the profession. ARA currently supports two trainee auditor posts within the team structure. Within 2019/20 one Trainee Auditor has completed their IIA qualification and progressed to a Senior Auditor post, which is a positive achievement for both the individual and the service – evidencing the success of the ARA trainee auditor programme to date.

ARA Partner Dividend

During 2019/20 ARA has been in a position to be able to provide a dividend to the Council in the sum of £17,113.91. This is due to efficiencies achieved by the shared service in 2019/20.

Internal Audit's relationship with the Audit and Governance Committee

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

CIPFA have produced revised guidance on the function and operation of audit committees; "Audit Committees in Local Authorities and Police, 2018 edition". The guidance represents CIPFA's view of best practice for Audit Committees in local authorities throughout the UK. In the guidance, CIPFA provide a suggested self-assessment against recommended practice.

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

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

Green Impact Award

Green Impact is a sustainability accreditation scheme with an awards element. Green Impact supports organisations in meeting the reduction in energy and fuel use, cost and resulting C02 emissions. ARA achieved a bronze award in 2017 demonstrating and evidencing change across the team and its activities making improvements in managing waste and recycling, reduction of energy use, reduction in water usage including preventing water wastage, reusing before procuring new, alternative travel use and improving overall team health and well-being.

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

In 2018 ARA has further demonstrated its commitment in meeting this objective and received the gold award, the highest award within the scheme. In 2019/20 ARA continued to operate in accordance with the activities set out by the Green Impact program.

Completed Internal Audit Activity during April – June 2020

Summary of Limited Assurance Opinions on Control

Service Area:	**Council Wide**
Audit Activity:	**Health & Safety (Limited Assurance Follow-Up)**

Background

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

In March 2019, Internal Audit concluded an audit of the arrangements and procedures established by the Council to meet its commitment to health and safety, and fulfilment of legal requirements. Whilst the review confirmed that service managers displayed a positive attitude towards the wellbeing of their team members, it also highlighted that the control environment was ineffective; and the day to day practical application of the requirements were not fully understood or consistently applied.

The key findings from the 2018/19 review were reported to the Audit and Governance Committee on 22nd July 2019. It was subsequently agreed that Internal Audit would undertake a follow-up review as part of the 2019/20 work-plan.

Scope

This follow-up audit was undertaken in January 2020, by reviewing the recommendations agreed with management (during the 2018/19 activity) to ascertain if the remedial actions have been implemented and maintained.

Risk Assurance – Satisfactory

Control Assurance – Limited

Key Findings

The evaluation by Internal Audit of the progress with implementation being:

Original Recommendation	Priority	Position at 2019/20 Internal Audit Follow Up – January 2020		
		Implemented	Partially Implemented	Not Implemented
1	Medium	Yes		
2	High			Yes
3	Medium	Yes		

Original Recommendation	Priority	Position at 2019/20 Internal Audit Follow Up – January 2020		
		Implemented	Partially Implemented	Not Implemented
4	High		Yes	
5	High		Yes	
6	High		Yes	

In arriving at the assessment of each recommendation Internal Audit is mindful of:

> The Operational Health and Safety Group was formed resulting in positive and constructive discussions regarding health and safety provision at the Council.

> The accident/incident report forms have been amended to reflect the current risks faced by the Council and are available to all staff. The next stage is to raise the awareness and promotion of the revised forms.

> Gaps in building/service manager knowledge have been assessed and a corporate training budget agreed. At the time of the review, it had been envisaged that whilst the mandatory Health and Safety training has yet to be arranged this would be completed by the end of the financial year.

> The majority of risk assessments (RAs) have now been completed with progress relating to any gaps being monitored. At the time of the review, training on the completion of RAs had been arranged for March 2020 and a new RA template and guidance published on the staff intranet pages.

> Asset Management had completed a gap analysis of statutory testing and positively working to rectify outstanding statutory tests. However, Internal Audit analysis highlighted that despite good progress, there are still gaps in the supporting documentation held within the electronic file system evidencing the testing regime undertaken.

> The division of responsibilities between Asset Management and building managers had not been clarified and documented as agreed in the management response to this specific recommendation.

> The Annual Health and Safety Audits had not commenced and were on hold until appropriate external training could be completed by relevant officers.

Conclusion

Positive progress has been made in the management and oversight of the Council's responsibilities under the Health and Safety Policy and this was moving in the right direction.

Conversely, it is also evident that several of the agreed key management actions had only been partially completed or were still to be progressed.

To enable the internal control environment to be upgraded to satisfactory opinion, Internal Audit considers that a renewed push from senior management is now required to ensure that the outstanding key actions are fully completed. In particular:

➤ Complete annual health and safety audits and inspections (which are to be documented, appropriately reviewed with any remedial actions taken);

➤ Ensure the training is delivered (where gaps are identified) in accordance with the policy; and

➤ Provide clarification of roles and responsibilities between AMPS and service/building managers, including where supporting documentation is to be retained (including the drafting a manual for service managers and one for Property Management officers).

Management Update – Head of Communities 28ᵗʰ May 2020

A large amount of work has been done across the organisation as a result of the original Health and Safety Audit in 18/19. This audit report was published during a time of great change for the council including a relocation and an organisation wide transformation programme. Despite the period of change the majority of actions on the Strategic Health and Safety Group's action plan have been completed. The few outstanding actions are in progress either in terms of planning or are in the process of implementation. As some of these are high priority actions we have carefully considered addressing the outstanding issues in ways which are sustainable and improve across a range of other issues at the same time, such as the procurement of a new piece of software for the Asset Management Team.

In terms of recommendation 2: *The Head of Communities should ensure that annual health and safety audits and inspections are carried out as per the policy.*

Although the recommendation has not been completed work has been done to ensure it can be. The Community Wellbeing officer has now completed auditing training and service managers have completed their annual risk assessment reviews. These will be audited within the next 12 months and could not be audited until they had been created.

In terms of recommendation 4: *The Head of Communities to identify the gaps in knowledge of all service managers and then arrange for appropriate training to be provided.*

The Head of Communities has completed a training audit to enable the Strategic Health and Safety Group to understand the training needs of managers and Team Leaders. We had liaised with the County Council to look at options for joint training but that has not been possible. However, a training budget specifically for health and safety has been set aside for the 2020/21 financial year which will enable us to deliver the training required.

In terms of recommendation 5: *The Community Wellbeing Officer should provide guidance to service managers on (a) what records should be maintained by them to demonstrate compliance with the policy and (b) how to complete and review risk assessments, and resolve any issues highlighted.*

This sits alongside recommendation 2 and guidance has been created for managers to help them fully risk assess and record the risks of their activities. Risk management is now part of the Service Planning process and is reported through Pentana.

Finally, recommendation 6: *The Property and Commissioning Manager should provide clarity to building managers on where the division of responsibilities lay regarding premise related health and safety issues.*

This is planned as part of a more comprehensive piece of work which will see a new piece of management software implemented in the Asset Management Team. It would not have been efficient to implement measures ahead of this new system and then redesign them later and so the decision was made to wait for the new software. We are confident that the implementation of this will contribute significantly to this and several of the other recommendations.

Summary of Satisfactory Assurance Opinions on Control

Service Area:	Policy and Resources
Audit Activity:	Service Planning and Performance Reporting

Background

The Council is progressing the implementation of a new service planning, performance management and reporting system. The system will aid the management, monitoring and reporting of service objectives and outcomes, enhancing the current governance framework. Service risks are also considered within the new process.

In 2018/19 Internal Audit reviewed the progress made in implementing the new system, giving an assessment of the general direction of travel to inform service planning and performance reporting comments made in the Council's Annual Governance Statement.

Scope

The overarching objective was:

> ➢ To review the service planning and performance reporting framework, system and associated processes to ensure there is a holistic, robust and controlled approach to the setting of targets, their monitoring and reporting; and

- To review the targets, performance indicators and outcomes assessing how they support and enable the effective monitoring and management of performance, aiding and informing management and members on the delivery of service and corporate aims, objectives and priorities.

Risk Assurance – Substantial

Control Assurance – Satisfactory

Key Findings

Service planning

The internal audit review observed and examined the implementation of the service planning arrangements for the coming financial year and found the following:

- A well-constructed and documented service planning framework has been developed. Guidance and templates aided the introduction of a consistent approach which encourages inclusiveness, provides robust challenge and documents service aims, scope and outputs.

- The activities included in the service plans enable the identification of the contribution staff members and teams make to the service and the contribution the service makes to Council's corporate aims.

- The Performance and Improvement Officer, having developed the service planning process, has acted as a facilitator which has both aided the application of the process and supported service team ownership of their respective service plans.

- The 'challenge' process by the Senior Management Team and the Cabinet has offered a varying perspective of the services activities. This has helped to ensure that service plans appropriately and proportionately focus on 'business as usual' activities, and service improvement and projects, for which there is the capacity to deliver.

- The stepped service plan development process; from initial drafting, to challenge, to redrafting, has evidenced learning and development at each stage which has enhanced the final versions of the service plans.

- For 2020/21 the Pentana performance management system will be used to record, monitor and report on service plan delivery. The Performance and Improvement Officer role will provide overview to ensure the effective use of the system, which in turn will support service and corporate performance reporting, linking to action tracking (and risk management where appropriate). Ownership and accountability for the effective use of the system is clear, resting with Service Managers.

- Although the core service planning arrangements are present, developing the service plans for 2020/21 has been a learning process, continued development and improvement (mainly fine tuning) will be an evolutionary process.

Performance management framework

- The service planning process forms part of the performance management framework, which, at the time of the internal audit review, was drafted and being consulted upon. The planned processes link service planning, to monitoring, to reporting, and to rectification and action tracking.

- Performance monitoring will be undertaken over a quarterly timetabled cycle; again this is well defined and planned. The key stages will be recorded through a combination of templates and utilising the Pentana system, to evidence the application of agreed processes and to ensure performance is effectively managed.

- The proposed process is well structured and covers each of the aspects expected in an effective performance management framework. Once fully implemented and followed Internal Audit would expect the system to support and enable service and corporate performance to be effectively monitored and reported.

An enhancement to the performance framework suggested by Internal Audit is to verify that each stated service activity (across all service plans) will collectively deliver the priorities and outcomes in the Council's Corporate Plan. Certainty should be gained that the spread of service activities, allocation of resource, and business as usual functions, service improvement and project outcomes, will result in the delivery of each of the Councils priority commitments.

Conclusion

The management response to the 2018/19 internal audit report identified the key factor in continuing to develop and implement of the Council's service and performance management framework was securing additional capacity. The subsequent appointment to the newly formed Performance and Improvement Officer post has resulted in significant progress towards the development and implementation of the comprehensive service planning process. The development of the performance monitoring and reporting process continued to evolve at the time of the internal audit review.

Collectively the steps taken and those planned offer the opportunity for an effective performance management framework and associated processes. This performance management framework as proposed will support and enhance the overall governance assurance framework.

The Internal Audit opinion is based on the service planning and proposed performance monitoring and reporting arrangements presented to and reviewed by Internal Audit. The opinion is reliant on these arrangements being progressed without significant change to principles or process.

Although no direct recommendations in respect of process or control are made, it is suggested senior management commission a post implementation performance management framework effectiveness review, during 2020/21 quarter three, before the following years service planning is advanced.

Management Actions

None required.

Service Area:	Communities
Audit Activity:	Temporary Accommodation

Background

The 2019/20 budget for temporary accommodation totals £765,000. Due to increased demand by those who present as homeless the Council's applications for temporary accommodation has continued to grow. During 2019/20 homeless applications assessed, as reported to Ministry of Housing, Communities and Local Government (MHCLG), averaged 335 per quarter year.

Scope

The objectives of the audit were to assess how the arrangements for temporary accommodation are managed and reported.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

➢ Under the Homelessness Reduction Act 2017 the Council is required to have suitable prevention and relief arrangements in place to support eligible households.

➢ The procedures and controls used for a sample of ten households who presented as homeless were tested, to assess the approach used. All ten households were suitably supported in compliance with the Homelessness Reduction Act 2017.

➢ A robust process is in place to ensure that the payments to landlords of temporary accommodation are valid and for segregation of staff duties.

➢ At the date of audit, the 2019/20 Out of Hours recharge for other local authorities' use of temporary accommodation had not been initiated.

➢ Internal Audit identified that 2018/19 recharges to non-Gloucestershire authorities totalling £1,256.83 are unpaid, even though arrears reminder letters have been sent. The collectability of these 2018/19 debts have a high risk of not being settled.

➢ Evidence reviewed for the internal monitoring and reporting of homeless people in temporary accommodation to Cabinet, established it is embedded and up to date.

➢ There is a requirement to report to the MHCLG. The external reporting procedure for performance indicators was confirmed as being quarterly to MHCLG; and evidence verified shows that reporting is up to date.

Conclusion

Internal Audit's appraisal of the procedures and controls that are operating, judges that a systematic control environment is in place to deal with temporary accommodation and those people who present as homeless.

A total of three recommendations have been made (which if implemented) will further enhance the existing control environment. These recommendations are:

➢ Update the documented procedures and controls for temporary accommodation;

➢ Introduce a procedure to regularly review the collectability of Out of Hours recharge debts which are in arrears and where applicable proactively chase or seek authorisation to write-off the debts; and

➢ Complete the 2019/20 Out of Hours recharge procedure to other local authorities.

Management Actions

Management have responded positively and the recommendations agreed in principle. These will be considered further and in detail following Covid-19 recovery, taking into account any changes that may be required.

Summary of Substantial Assurance Opinions on Control

None during this period.

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

Service Area:	**Council Wide**
Audit Activity:	**Ongoing Cyber Resilience**

Background

Two previous internal audits of Cyber Security at Gloucester City Council have been undertaken:

➢ 2016/17 - Cyber Security; and

➢ 2017/18 - Cyber Security (Ransomware).

Both audits resulted in satisfactory assurance opinions for control environment and risk identification maturity. A total of nine audit recommendations were raised: one High priority and eight Medium priority.

The Ongoing Cyber Resilience review aim was to provide assurance that the agreed actions from the previous internal audits have been appropriately implemented.

Scope

The scope of this review was to extract the recommendations and agreed management actions from the 2016/17 Cyber Security and 2017/18 Cyber Security (Ransomware) internal audit reports and undertake appropriate audit review and testing to verify their implementation.

Key Findings

Audit testing in 2019/20 confirmed a positive direction of travel against the original audit report recommendations. For example, discussion with ICT management and review of cyber security protection at the point of audit verified that:

➢ Internal vulnerability scanning software (Alien Vault) had been deployed on the Council's network domain;

➢ Minimum Password Age invoked to prevent reuse of login credentials; and

➢ Civica Helpdesk access rights restricted to valid and authorised users.

To safeguard server hardware, Indectron have been contracted by the Council to provide a secure hosting environment at their Data Centre in Barnwood, Gloucester. The original target for all server hardware relocation to the new Data Centre was quarter 4 2019/20, however this timing has had to be reconsidered due to the impact of Covid-19. The revised target for service hardware relocation is September 2020 and will be dependent on the national Covid-19 position/central government guidance at that point.

Due to the position on server hardware relocation, internal audit were unable to verify implementation of the complete original recommendation set. Hence an assurance opinion for risk identification maturity and control environment could not be concluded.

Conclusion

Based on the above position and the understanding that there continues to be significant changes on the area, the 2020/21 Gloucester City Council Internal Audit Plan includes a full Cyber Security internal audit.

The 2020/21 review will consider the Council's information risk management regime including ICT Security related policies and procedures; secure configuration of devices; perimeter security; managing user privileges; user education and awareness; incident management; malware prevention; monitoring; removable media controls; and home and mobile working. This work scope captures all previous recommendation themes and will be timed to ensure that it captures relevant changes post server hardware relocation.

This page is intentionally left blank

ARA
AuditRiskAssurance

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	Final Report Issued	Satisfactory	Limited	20/07/2020	
Council Wide	Purchasing: Low and Intermediate Value Transactions Limited Assurance Follow Up	1	Audit in Progress				On hold - Covid 19.
Council Wide	IT Disaster Recovery and Business Continuity	1	Final Report Issued	Satisfactory	Limited	09/03/2020	Brought Forward from 2018/19 plan.
Council Wide	Ongoing Cyber Resilience	1	Final Report Issued	Not Applicable	Not Applicable	20/07/2020	Brought Forward from 2018/19 plan.
Council Wide	Key ICT Project Governance	1	Draft Report Issued				Draft report provided to management January 20 and content queried. Extra audit trail required and requested to update the draft report and finalise the audit. Report update and finalisation delayed due to non receipt of additional audit trail (Covid 19 impact from March 20). ARA have remained active in key contact communication in order to progress and conclude this task.
Council Wide	Complaints Procedures	2	Planned				On hold - Covid 19.
Council Wide	Travel and Other Expenses	1	Final Report Issued	Satisfactory	Limited	18/11/2019	
Council Wide	Use of Internet	1	Cancelled				Priority given to other corporate policies / new unplanned activities requested.
Council Wide	Honorariums and Temporary Promotions	1	Final Report Issued	Satisfactory	Satisfactory	16/09/2019	
Council Wide	Governance Review of Assurance Statements	1	Final Report Issued	Satisfactory	Satisfactory	20/01/2020	
Council Wide	Safeguarding	2	Audit in Progress				On hold - Covid 19.
Council Wide	Sickness Absence Procedure	2	Final Report Issued	Substantial	Satisfactory	18/11/2019	
Council Wide	Network Access Controls Limited Assurance Follow Up	1	Final Report Issued	Substantial	Satisfactory	20/01/2020	
Communities	Civil Penalties to tackle Unsatisfactory Housing Conditions within the Private Rented Housing Sector	2	Cancelled				Internal Audit cancelled. Management have confirmed policy and procedure implementation is delayed to 2020/21.
Communities	Licensing	2	Final Report Issued	Satisfactory	Satisfactory	20/01/2020	
Communities	Temporary Accommodation	2	Final Report Issued	Satisfactory	Satisfactory	20/07/2020	
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	Final Report Issued	Satisfactory	Limited	09/03/2020	
Cultural and Trading	Shopmobility Fees and Charges	2	Final Report Issued	Satisfactory	Limited	16/09/2019	
Place	Planning - Processing and Performance	2	Deferred				Deferred to 2021/22. Management review of planning service to be undertaken in 2020.
Place	Building Control Shared Service	2	Final Report Issued	Limited	Limited	20/01/2020	
Policy and Resources	Civil Parking Enforcement	2	Final Report Issued	Satisfactory	Satisfactory	18/11/2019	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	Final Report Issued	Substantial	Substantial	09/03/2020	
Policy and Resources	Freedom of Information (FoI) requests	2	Audit in Progress				On hold - Covid 19.
Policy and Resources	Housing Benefits	2	Audit in Progress				On hold - Covid 19.
Policy and Resources	IR35 off-payroll working through an intermediary	2	Final Report Issued	Satisfactory	Satisfactory	20/01/2020	
Policy and Resources	Property Investment Strategy	2	Audit in Progress				On hold - Covid 19.
Policy and Resources	Local Government Transparency Code - 2015	2	Final Report Issued	Satisfactory	Satisfactory	18/11/2019	
Policy and Resources	VAT	2	Final Report Issued	Substantial	Substantial	09/03/2020	
Policy and Resources	Service Planning and Performance Reporting	2	Final Report Issued	Substantial	Satisfactory	20/07/2020	Brought Forward from 2018/19 plan. The 2018/19 annual report included a position statement only.
Policy and Resources	European Elections	1	Final Report Issued	Not Applicable	Not Applicable	18/11/2019	New Activity.
Policy and Resources	Free Hospital Fund for Children	1	Final Report Issued	Not Applicable	Not Applicable	18/11/2019	New Activity.

This page is intentionally left blank

Report to the Audit and Governance Committee 20 July 2020 on the actions taken in relation to key recommendations made in the Guildhall, Blackfriars Priory and Museums – income received from room hire Internal Audit report

Lead and presenting officer: Philip Walker - Head of Cultural Services

---

Summary of Audit Area

The Council makes rooms available for hire to hold meetings, live events, functions and weddings. The level of income generated is substantial and it is paramount that effective systems are in place to ensure the income due to the Council is collected.

Summary Terms of Reference of the Audit

To provide assurance that there are effective controls in place to collect and account for the income due to the Council from room hire and packages. In particular that:
- The fee structure has been agreed at the appropriate level and consistently applied;
- Invoices for the amounts due are raised in accordance with the relevant agreement;
- Invoice amendments and cancellations are valid, accurate, timely and appropriately authorised; and
- Unpaid debts are monitored, and appropriate action is taken to enable debt recovery, or where considered unrecoverable, written off.

Risks

- Invoices are not raised resulting in a loss of income;
- Receipt of income due is not monitored/subsequently received;
- Income is not held securely;
- Damage to reputation;
- Insurance arrangements do not cover the activities being undertaken;
- There is a lack of segregation of duties which could result in income being diverted through fraudulent activity; and
- Non-compliance with the basic principles of GDPR.

Key Findings

Fee structure
- The 19/20 fee structure (excluding wedding packages at Blackfriars Priory and room hire at Gloucester Museum) were agreed by Cabinet on 28th February 2019.
- Some bookings (excluding wedding packages) are provided at a discounted rate, including workshop hires inclusive of Community Based Asset Development, and concession discounts based on footfall and a history of repeat bookings. In these cases, there is an absence of documented authorisation across sites to justify a deviation from the Council's Fees and Charges 19/20;
- The caterers at Blackfriars pay the Council a 15% commission on costs of the catering provided at wedding events. However, these arrangements have not been subject to a formal procurement process.

Diary and Booking System
- In July 2019, a new booking management system called Artifax was introduced. Use of the system was reviewed by Internal Audit and this identified that:
    - Log in credentials are being shared and therefore not in accordance with expected access controls; and
    - The system is not being fully utilised or consistently applied to events at sites e.g. ticketed events and Blackfriars Priory booking.

Booking Terms and Conditions

- All non-local authority booking enquiries should be subject to a completed booking form with the expectation that a 20% deposit must be paid to secure the venue with the balance paid 14 days prior to the event. By completing a booking form, the hirer is therefore signing up to the Terms and Conditions; and
- Internal Audit completed a review of 38 bookings held at the Guildhall/Museum and Blackfriars Priory. This identified that:
    - 32/38 booking forms were held with 28/32 booking forms signed and dated;
    - The 20% deposits were taken by exception and not as required by the Terms and Conditions of the hire; and
    - Except for wedding functions, balances are not being invoiced/paid 14 days prior to the event.

Invoicing

- A review of the actual fees charged across the three sites was completed against 38 bookings. This highlighted that:
    - 26 bookings were charged in accordance with the agreed fee structure;

- o Eight bookings were subject to a discount from the agreed fee structure;
  - o Four bookings had taken place but had not been invoiced with a value of £523.20; and
  - o Credit note requests reviewed evidenced appropriate rationale, accuracy and timeliness in application.

Debt Management

- If an invoice is not paid within the standard payment terms (10 days), it will then become subject to the Council's debt recovery procedures,
- No debt balances have been written off in the period from 1st July 2019 to 13th November 2019;
- A monthly report is sent to each service manager containing all outstanding invoices and recovery stages. The relevant service manager should review the report and instruct how to proceed with regards to debts that are suspended or at service referral stages;
- Internal Audit reviewed the list of outstanding debts currently allocated to Culture and Trading as at 20th November 2019 which highlighted that circa £140,000.00 debt is outstanding, of which £40,000.00 (29%) relates to room hire and additional extras.

Action(s) taken to implement the recommendations as at 1 July 2020 and / or proposed (with timescale)

Medium priority recommendation 1:	Original management response
The fee structure for wedding packages and Museum room hires should be reviewed annually in line with the Council's fees and charges and included in the fees and charges document presented to Cabinet on an annual basis.	Both Blackfriars and Museum charges will be reviewed annually as part of the fees and charges setting process. **Completion date:** Completed
Management update	
Completed.	

Medium priority recommendation 2:	Original management response
The Head of Cultural Services should provide clear guidance to Service Managers on the granting of discounts/concessions against the agreed fee structure and state how these should be authorised and recorded.	Service managers are aware of the financial targets that the service has and will therefore only grant discounts in exceptional circumstances. Previous discounts have either been signed off at Director level or have been historic however better record keeping will evidence this. The Head of Service and Service Managers are to meet to discuss sign off levels for discounts. **Completion date:** 30/04/2020
Management update	
Met to discuss this – Head of Service is happy to delegate the discounts to Service Manager for all amounts of up to 25% of fees. Over this amount to be signed be signed off by HoS. This process needs to be documented so that it is followed.	

Medium priority recommendation 3:	Original management response
The service should (in consultation with OneLegal and procurement) evaluate the Council's potential liabilities surrounding catering at Blackfriars Priory, and determine whether the existing practices should be formalised contractually.	Service Managers in consultation with Procurement to identify the best method to address potential liabilities and whether a formal tender process should take place or if the service looks at a preferred supplier framework. **Completion date:** Consultation by 30/04/2020 Revised arrangements by 31/10/2020
Management update.	
On track to complete by Revised arrangements deadline. Consultation discussions have commenced with Procurement team.	

Medium priority recommendation 4:	Original management response
The service should review the current practises to: • Ensure a completed booking form is held; • Enforce the stated invoicing terms and conditions; • Extend the use of Artifax to all booking types; and • Arrange for each user to have their own role based secure access to Artifax.	Events and Marketing Officer to ensure all booking forms are completed fully. Events and Marketing Officer to set up a system to ensure that the T&Cs are enforced in partnership with the Business Support Officer. Cultural Development Manager to ensure that all bookings are administered through Artifax . Assess the use of usernames and passwords to ensure that those that require access can do securely. **Completion Date:** 30/04/2020
Management update	
Completed. Files all now paperless so Bookings Forms for all bookings are now held. Artifax – everyone who needs it has Free Log-in access to use this system until Sept at which point it will be reassessed, as costly to purchase additional log-in licenses for users.	

Medium priority recommendation 5:	Original management response
The Service Manager should consult with OneLegal to establish whether ticketed events promoted by national companies should be subject to a formal contractual arrangement with the promoter of the event.	The Cultural Development Manager to consult with One Legal. **Completion Date:** Consultation by 30/04/2020 Revised arrangements by 31/10/2020
Management update	
Not yet completed.	

Medium priority recommendation 6:	Original management response
The service should review existing practices to ensure that all unprocessed invoices are raised.	The Business Support Officer was appointed in June 2019 due to having no administration resource within Cultural Services. A back-log of invoices were processed and the service is now in a better position as a result of this appointment. The Visitor Experience Manager to work with the Business Support Officer to set services standards to ensure that all invoice requests are processed in a timely manner. **Completion date:** 30/04/2020
Management update	
All invoices were raised by end March 2020 financial yr. Since April, invoices are raised in advance or within 7 days. Service standards are being finalised by a member of the team and this will be shared with all relevant team members by end July 2020.	

High priority recommendation 7:	Original management response
The Heads of Service for Cultural and Place, in consultation with relevant Service Managers/Civica, should review outstanding debts to decide which debts: • Are to be deemed unrecoverable and thus recommended to be written off in accordance with financial regulations; • Should continue through the Council's debt recovery process, with clear instructions given to Civica on the action to be taken to enable recovery; and • Introduce robust monitoring arrangements to identify any debts and ensure timely instruction to Civica on the action to be taken to facilitate recovery.	The Head of Service and Service Managers are aware of the problem and are looking at methods to identify resource to administer the arrears. The Business Support Team Leader has identified resource to assist the team with debt collection. Work has already started in identifying and addressing hirers who are in arrears and therefore not allowing repeat bookings until payment is made. **Completion Date: 30/06/2020**
Management update	
Not yet completed. Covid recovery impacted on this. Limited details available from Debt Recovery Team. Many debts relate to areas that include Cemeteries and Markets which are not part of the Cultural Service's debt. Will be prioritised by the Business Admin Support officer with support from Corporate Support Officer during July – Aug 2020.	

This page is intentionally left blank

Report to the Audit and Governance Committee 20 July 2020 on the actions taken in relation to key recommendations made in the IT Disaster Recovery and Business Continuity Internal Audit report

Lead and presenting officer: Jon Topping, Head of Policy and Resources

---

Summary of Audit Area

Many of the Council's services rely on fully functioning and operational ICT. The impact of loss of ICT could be severe if services and applications are not able to be recovered.

Disaster Recovery plans and procedures should enable IT services to continue operating as close to normal as possible. The disaster recovery process includes planning and testing, and may involve a separate physical site for restoring operations.

Summary Terms of Reference of the Audit

The scope of the audit included, but was not limited to, the following areas:
- Alignment of Business Continuity arrangements to IT Disaster Recovery capability;
- Physical security and access control for IT server hardware;
- Environmental protection including fire suppression, Uninterruptible Power Supply (UPS) and standby generator;
- Documented Disaster Recovery plans which reflect agreed business priorities; and
- Regular rehearsal and testing of Disaster Recovery arrangements.

Risks

- Lack of documented and tested Disaster Recovery arrangements;
- Reputational damage through the inability to promptly recover key Council systems in the event of a live invocation; and
- Expectations gap between what the Council (as an overarching entity and at an operational service level) understands will happen and what ICT can deliver during an incident.

Key Findings

The ICT internal audit review identified a number of areas of good practice. All Council systems are subject to regular data backup. Furthermore, backup media is stored offsite at a third party data storage site provided by Redstor.

All server hardware is currently located at the Council's former offices. Council servers are located in a physically secure Communications Room with power supplies protected by a UPS system. Air conditioning is in place to safeguard the room temperature, together with monitoring systems to alert against smoke, water or humidity.

To safeguard server hardware, Indectron have recently been contracted by the Council to provide a secure hosting environment at their Data Centre in Barnwood, Gloucester. All server hardware is scheduled to be relocated to the new Data Centre in quarter 4 2019/20.

The audit also identified issues where improvement in Disaster Recovery controls should be actioned to ensure that there is a reasonable chance of a timely recovery from an incident:

- The absence of a documented IT Disaster Recovery plan;
- The absence of an annual test of IT Disaster Recovery arrangements; and
- The lack of alignment of Business Continuity plans to IT Disaster Recovery capability (including business prioritisation for recovery of key Council applications).

Three audit recommendations (all High priority) have been raised, based on the above key action areas.

Action(s) taken to implement the recommendations as at 1 July 2020 and / or proposed.

High priority recommendation 1:	Original management response
Management should assess the feasibility of comparing and aligning Business Continuity plans to Disaster Recovery arrangements, to identify and document any gaps in ICT's recovery capability. This should ensure that Disaster Recovery plans match agreed business priorities for recovery of key Council applications.	The Council is completing the move from HKP to Shield House data centre. Once this is completed, we will be able to update both the Disaster Recovery plans and Business Continuity plans which will be aligned with the IT DR capabilities. This will ensure realistic recovery timescales are in plans and key services are prioritised. **Completion date:** 01 July 2020
Management update	
Business Continuity plans are likely to change due to Covid-19 and we are still in a position where the servers in HKP cannot be moved to the new Data Center. The earliest time the move is likely to happen will be in September 2020.	

High priority recommendation 2:	Original management response
Management should ensure that a documented and approved Disaster Recovery plan is produced.	As per recommendation 1.

	Completion date: 01 July 2020
Management update	
See recommendation update 1	

High priority recommendation 3:	**Original management response**
Management to ensure that Disaster Recovery arrangements are subject to annual testing.	Testing Plan Arrangements will be agreed once revised DR/BCP plans are in place. **Completion date:** To be reviewed post 01 July 2020 (recommendation 1 implementation target)
Management update	
See recommendation update 1	

Gloucester
City Council

Meeting:	**Audit and Governance Committee Date: 20th July 2020**
Subject:	**Annual Governance Statement (AGS) 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: Theresa.Mortimer@gloucester.gov.uk Tel: 396430
Appendices:	**1: Annual Governance Statement (AGS) 2019/20**
	2: Revised Local Code of Corporate Governance (LCCG) 2019/20
	3: Council Wide Governance Assurance Map 2019/20
	4. Council Wide Risk Maturity Level Assessment 2019/20

FOR GENERAL RELEASE

1.0   Purpose of Report

1.1   To summarise Gloucester City Council's corporate governance arrangements in place during 2019/2020, via the publication of an AGS, (signed by the Leader, the Managing Director and the S151 Officer), supported by a revised Local Code of Corporate Governance 2019/2020, which is in accordance with the requirements of the Local Government Act 1999, the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authorities Chief Executives (SOLACE) guidance – Delivering Good Governance in Local Government Framework 2016 and to provide the Committee with the Council Wide Governance Assurance Map 2019/20 and the Council's Risk Maturity Level Assessment 2019/2020.

2.0   Recommendations

2.1   Audit and Governance Committee is asked to RESOLVE that:

➢   the AGS 2019/20 (including the actions planned by the Council to further enhance good governance arrangements), as set out in Appendix 1, be approved.

3.0   Background and Key Issues

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

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

3.3 In response to the above, we therefore:

➢ reviewed the existing governance arrangements against the revised principles set out in the Framework;

➢ developed and implemented a refreshed local code of corporate governance, based on the principles, including an assurance framework for ensuring ongoing effectiveness; and

➢ will report publically, via the Annual Governance Statement on compliance with our code on an annual basis, how we have monitored the effectiveness of our governance arrangements in the year and on planned improvement areas.

3.4 The Annual Governance Statement is signed by the Leader, Managing Director (Head of Paid Service) and the S151 Officer and must accompany the Annual Statement of Accounts.

4.0 Social Value Considerations

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

5.0 Environmental Implications

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

6.0 Alternative Options Considered

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

7.0 Reasons for Recommendations

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

8.0 Future Work and Conclusions

8.1 The improvement actions identified as part of the annual review and included within the AGS will be monitored by Senior Management and the Audit and Governance Committee during 2020/2021.

9.0 Financial Implications

9.1 There are no direct financial costs arising out of this report.

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

10.0 Legal Implications

10.1 Nothing specific arising from the report recommendations.

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

11.0 Risk & Opportunity Management Implications

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

12.0 People Impact Assessment (PIA) and Safeguarding:

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

13.0 Community Safety Implications

13.1 There are no Community Safety implications as a result of the recommendation made in this report.

14.0 Staffing & Trade Union Implications

14.1 There are no Staffing & Trade Union implications as a result of the recommendation made in this report.

Potential Media Interest – to be completed for SMT/Cabinet Briefing purposes. Remove prior to publication of report. Draft report to be sent pressoff@gloucestershire.gov.uk.

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

This page is intentionally left blank

Annual Governance Statement
2019 - 2020

Gloucester
City Council
Transforming Your City

ARA
Audit Risk Assurance

Gloucester City Council · STROUD DISTRICT COUNCIL · Gloucestershire COUNTY COUNCIL

Contents

Scope of Responsibility

Gloucester City Council (GCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

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

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

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

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

What is Governance?

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

❑ leadership and management;

❑ performance and risk management;

❑ stewardship of public money; and

❑ public engagement and outcomes for our citizens and service users.

What is the purpose of a Governance Framework?

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

❑ operates in a lawful, open, inclusive and honest manner;

❑ makes sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud, properly accounted for and used economically, efficiently and effectively;

❑ has effective arrangements for the management of risk;

❑ secures continuous improvement in the way that it operates;

❑ enables human, financial, environmental and other resources to be managed efficiently and effectively;

❑ properly maintains records and information; and

❑ ensures its values and ethical standards are met.

What is the Annual Governance Statement?

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

In this document the Council:

❑ acknowledges its responsibility for ensuring that there is a sound system of governance;

❑ summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;

❑ describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;

❑ provides details of how the Council has responded to any issue(s) identified in last year's governance statement; and

❑ reports on any key governance matters identified from this review and provides a commitment to addressing them.

The Annual Governance Statement reports on the governance framework that has been in place at Gloucester City Council for the year ended 31st March 2020 and up to the date of approval of the statement of accounts.

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

The Council's Governance Assurance Framework, which underpins the AGS, has been in place at the Council for the year ended 31st March 2020 and up to the date of approval of the AGS and Statement of Accounts.

The Council is also aware that should the position change and a significant control issue is subsequently identified after the 31st March 2020 (and prior to the publication of the AGS in July or later), this will be brought to the attention of the Chief Financial Officer and an addendum provided to this statement.

What is a Governance Assurance Framework?

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

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

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

The Three Lines of Defence in effective Risk Management and Control

Assurance can come from many sources within the Council. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance. By defining these sources into three categories i.e. the **First Line** (functions that own and manage risks e.g. operational management has ownership, responsibility and accountability for directly identifying, assessing and controlling / mitigation risks), the **Second Line** (functions that oversee risks and ensures compliance e.g. HR, Finance, IT and other control functions. This line monitors the effectiveness of risk management arrangements put in place by the first line and the **Third Line** (functions that provide independent assurance on the management of risks e.g. Internal Audit). In addition to internal governance arrangements, External Auditors, regulators and other bodies reside outside of the Council's structure, but have an important role in the Council's overall governance and control structure. This framework helps the Council understand how each contributes to the overall level of assurance and how best they can be integrated and supported. Please see page 7 below which summarises the Council's assurance framework, which is based on the three lines of defence model.

What is the Council's Governance, Risk and Control Assurance Framework?

Annual Governance Statement (AGS)

Governing Body / Audit and Governance Committee
(AGS Approval Committee)

Managing Director, Chief Financial Officer, Monitoring Officer, Senior Management Team
(Provides oversight of the 3 lines of defence assurance framework)

2nd Line of Defence

Risk Control and Compliance

Functions that oversee risks

- Financial Control
- Inspection
- Risk Management
- Quality
- Compliance

Support and monitor

1st Line of Defence

Risk Owners / Managers

Functions that are accountable, own and manage risk

- Operational Management
- Responsibility for directly assessing, controlling and mitigating risk
- Design and Implement Risk Control Measures
- Management / Supervisory Controls

Validate 1st and 2nd line

3rd Line of Defence

Independent Risk Assurance

Functions that provide independent assurance

Internal Audit

- External Audit
- External Inspections
- Review Agencies
- Regulators

7

How has the Annual Governance Statement been prepared?

In preparing the Annual Governance Statement the Council has:

❑ reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance;

❑ updated the Council's Local Code of Corporate Governance to reflect this guidance which includes the revised seven principles of good governance and associated required actions and behaviours taken by the Council that demonstrate good governance; and

❑ assessed the effectiveness of the Council's governance arrangements against the revised Local Code of Corporate Governance.

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

The Council annually reviews the effectiveness of its governance arrangements to ensure it supports the delivery of sustainable service outcomes and value for money. The key sources of assurance and information that inform this review are outlined below:

❑ The development and implementation of a Member / Management governance assurance framework which enables the Council to gain assurance that good governance actions and behaviours are operating within the Council;

❑ The work of Members and Senior Officers of the Council who have responsibility for good governance. This includes the Corporate Governance Group who is responsible for providing oversight, insight and foresight to ensure the principles of good governance are operating effectively. This group is chaired by the Managing Director and supported by the Chief Financial Officer, Monitoring Officer, Head of Law (Commercial and Property), Policy and Governance Manager, HR Business Partner and the Chief Internal Auditor;

❑ Any comments made by the Council's External Auditors and/ or any other review agencies and inspectorates;

❑ Reports on Risk Management activity during 2019/2020;

- ❑ The Council's Risk Maturity Assessment which is Level 4 out of 5: Risk Managed – Established risk management with planned extension / development;

- ❑ A Transformation Board overseeing a comprehensive two-stage organisational Transformation Programme. Together Gloucester 1 resulted in a fundamental review of the organisation, establishment changes and cost reductions saving £1.2m per annum. Together Gloucester 2 sustained these savings with a redesign of 140 service processes, investment in new technologies and working methods and a relocation of the City Council's Offices; and

- ❑ The Chief Internal Auditor's annual opinion which has, up to the middle of March 2020, provided a satisfactory independent opinion on the effectiveness of the Council's control environment comprising, risk management, control and governance. The opinion given is based on internal audit work undertaken, and completed, prior to emergency measures being implemented as a result of the pandemic. These measures have resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. It is therefore not possible to quantify, at this stage, the additional risk arising from the current short term measures or the overall impact on the framework of governance, risk management and control.
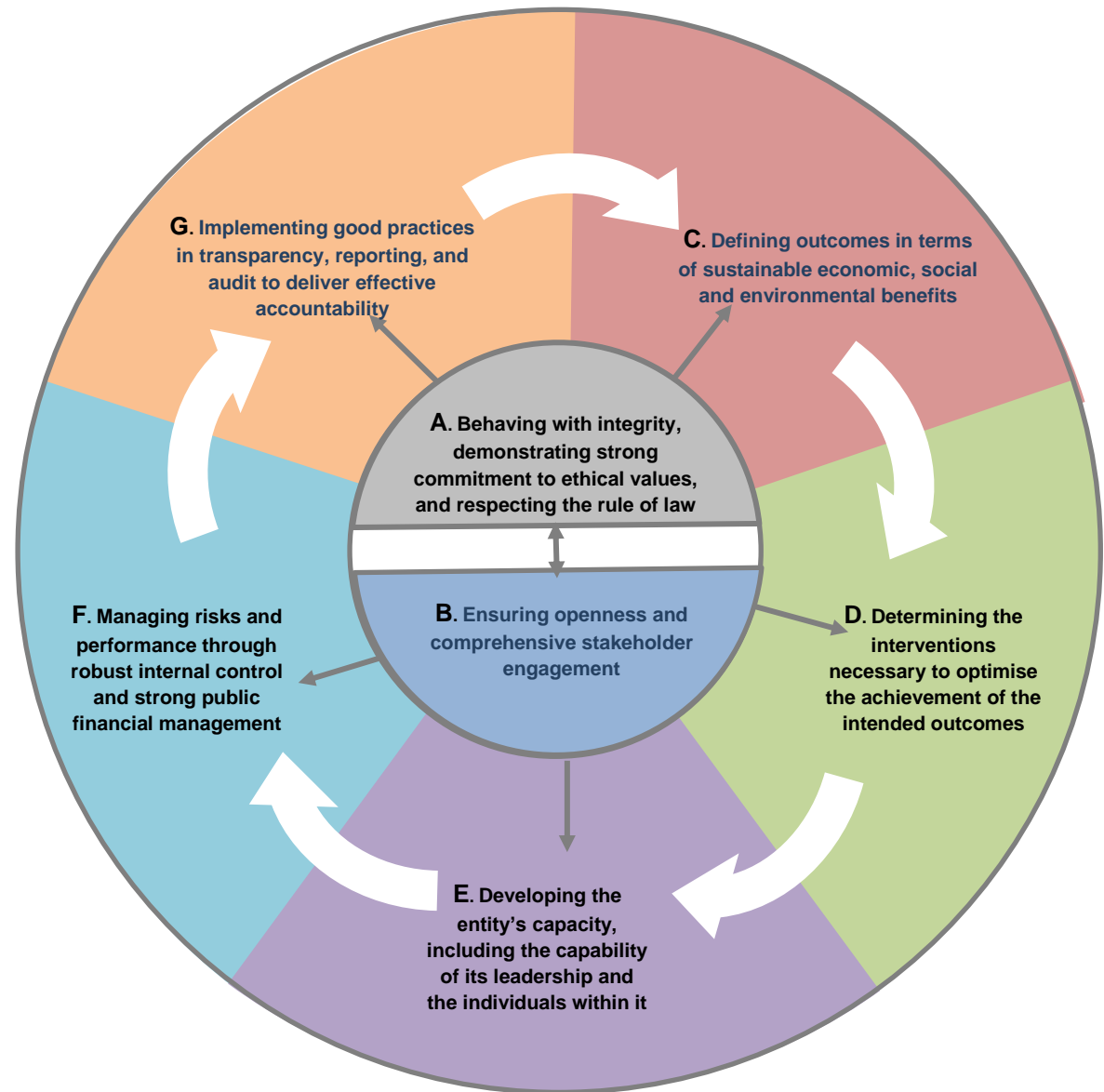
COVID-19 Impact on Governance

With significant organisational disruption, new emergency responsibilities, increased staff absence and also staff working from home, conducting the annual review has recognised the challenges from Coronavirus. The AGS assesses governance in place during 2019/20 so the majority of the year will be unaffected by Coronavirus. The conclusion on whether or not governance is fit for purpose therefore reflects the normal operations. However Coronavirus will have impacted on governance during March 2020 and beyond. The impact on governance will be felt by all organisations and there will be some aspects experienced by all, for example changes to decision making arrangements and the conduct of meetings. Other aspects will reflect changes to the Council's priorities and programmes. These may fall into the following broad categories:

❑ Impact on business as usual in the delivery of services;

❑ New areas of activity as part of the national response to coronavirus and any governance issues arising, e.g. Implementation of new policies and processes and emergency assistance;

❑ The funding and logistical consequences of delivering the local government response, e. g. Changes to council meetings and decision making arrangements, new collaborative arrangements and funding and cash flow challenges;

❑ Assessment of the longer term disruption and consequences arising from the coronavirus pandemic, e.g. Existing projects and programmes may have been put on hold, new priorities and objectives introduced and new risks identified or existing risks escalated. By the date of final publication the crisis may be over and the Council may have conducted or be in the process of reviewing lessons learned from its response. However, this area has been included as one of the Council's significant governance issues within the 2019/2020 action plan below.

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

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

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

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

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

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

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

B. Ensuring openness and comprehensive stakeholder engagement

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

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

Principle A

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

Supporting Principles:

| Behaving with integrity | Demonstrating strong commitment to ethical values | Respecting the Rule of Law |

How we do this:

Behaving with integrity

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

Demonstrating strong commitment to ethical values

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

Respecting the Rule of Law

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

12

Principle B

Ensuring openness and comprehensive stakeholder engagement

Supporting Principles:

Openness	**Engaging comprehensively with institutional stakeholders**	**Engaging stakeholders effectively, including individual citizens and service users**

How we do this:

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

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

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

13

Principle C

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

Supporting Principles:

Defining outcomes

Sustainable economic, social and environmental benefits

How we do this:

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

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

14

Principle D

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

Supporting Principles:

Determining interventions	**Planning interventions**	**Optimising achievement of intended outcomes**

How we do this:

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

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

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

Principle E

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

Supporting Principles:

Developing the Council's capacity

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

How we do this:

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

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

Principle F

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

Supporting Principles:

Managing Risk

How we do this:

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

Managing Performance

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

Robust internal control

- ❖ There is an Internal Audit (IA) function (100% compliant with Public Sector Internal Audit Standards). The annual Chief Internal Auditor's opinion of the Council's control environment comprising, risk management, control and governance. is provided on Page 8 of this report
- ❖ The Council takes fraud, corruption and maladministration very seriously and has established policies and processes which aim to prevent or deal with such occurrences. These can be found within the Anti Fraud and Corruption Policy Statement and Strategy and confidential reporting procedure (Whistleblowing).
- ❖ Audit and Governance Committee is responsible for monitoring and reviewing the above.

Managing Data

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

Strong public financial management

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

17

Principle G

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

Supporting Principles:

Implementing good practices in transparency	**Implementing good practices in reporting**	**Assurance and effective accountability**

How we do this:

❖ Agendas and minutes of Council, Cabinet and Committee meetings including Scrutiny are publicly available on the Council's website.

❖ The Council has a Freedom of Information Act publication scheme (to ensure the members of the public have access to all recorded information held by the Council.

❖ Compliance with the Local Government Data Transparency Code which sets out the minimum data that the Council should be publishing, the frequency it should be published and how it should be published e.g. expenditure exceeding £500, grants to voluntary, community and social enterprise organisations, senior salaries etc. This makes it easier for local people to contribute to the local decision making processes and help to shape public services.

❖ The published Annual Statement of Accounts is the statutory summary of the Council's financial affairs for the financial year. The purpose of the Annual Statement of Accounts is to give clear information on the income and expenditure of the Council and to demonstrate the Council's stewardship of public money for the year.

❖ The Council publishes an Annual Governance Statement in order to report how we have monitored the effectiveness of our governance arrangements (self assessed against the seven key principles set out within our Code of Corporate Governance) in year and on any planned changes in the coming year.

❖ The Audit and Governance Committee review and approve the Annual Statement of Accounts and Annual Governance Statement.

❖ Accountability and decision making arrangements are clearly defined within the Council's Constitution. These accountabilities include arrangements when delivering services with our key partners.

❖ The Audit and Governance Committee provide independent assurance to the Council on the adequacy and effectiveness of the governance arrangements and internal control environment operating within the Council.

❖ Risk based internal auditing provides ongoing assurance that the key risks material to achieving the Council's objectives are being managed.

❖ Peer reviews and benchmarking undertaken to ascertain good practice and implement improvements as identified.

18

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

The Council	- Approves the Council Plan. - Approves the Constitution (including Standing Orders and Financial Regulations). - Approves key policies and budgetary framework.
Cabinet	- The main decision-making body of the Council. - Comprises six Cabinet Members (including the Leader) who have responsibility for particular portfolios.
Audit and Governance Committee	- Provides independent assurance to The Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment. - Promotes high standards of Member conduct and approves the Annual Statement of Accounts and Annual Governance Statement.
Committees	- There are four main Committees (excluding the Audit and Governance Committee). The Overview and Scrutiny Committee scrutinises the Council's performance. The Planning Committee and Licencing Enforcement Committee oversee relevant regulatory matters and the General Purposes Committee makes recommendations to Council on a range of matters including amendments to the Constitution and electoral matters.
Managing Director (MD) Senior Management Team	- The Managing Director has overall accountability for the governance framework. - Implements the policy and budgetary framework set by the Council and provides advice to Cabinet and the Council on the development of future policy and budgetary issues and oversees the implementation of Council policy.
Chief Financial Officer (s151)	- Accountability for developing and maintaining the Council's governance, risk and control framework. - Contribute to the effective corporate management and governance of the Council.
Monitoring Officer	- To advise the Council on ethical issues, standards and powers to ensure The Council operates within the law and statutory Codes of Practice. - Overall responsibility for the maintenance and operation of the Confidential Reporting Procedure for Employees. (Whistleblowing) and contributes to the effective corporate management and governance of the Council.
Internal Audit	- Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. - Delivers an annual programme of risk based audit activity, including counter fraud and investigation activity. - Makes recommendations for improvements in the management of risk.
External Audit	- Audit / review and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).
Managers	- Responsible for developing, maintaining and implementing the Council's governance, risk and control framework. - Contribute to the effective corporate management and governance of the Council.

How has the Council addressed the governance improvement actions from 2018/19?

The Annual Governance Statement 2018/19 contained the following key improvement actions. Details of the issues and how they have been addressed during the year have been reported to the Audit and Governance Committee at their meeting on 20th January 2020.

Please note that whilst improvement plans are in place to address these issues, due to their significance in relation to governance and inherent risk, one of these actions have been carried forward into the 2019/2020 Action Plan to enable their ongoing monitoring.

AGS 2018/19 review reference	Action	Position as at 31st March 2020
AGS Assurance Framework	Future Financial Sustainability / Efficiency Savings	Carried forward into the 2019/ 2020 AGS Action Plan.
AGS Assurance Framework	Together Gloucester Service Transformation	All elements of the TG2 programme are underway.

What are the key 2019/20 Governance matters identified?

The review of the effectiveness of the Council's governance framework has identified the following actions that will need to be addressed during 2020/21, which includes the carried forward action from 2018/2019.

Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
AGS Assurance Framework	**Future Financial Sustainability / Efficiency Savings / Covid-19 Impact** The Money Plan sets out the Council's strategic approach to the management of its finances and presents indicative budgets and Council Tax levels for the medium term. It also comments on the significant financial risks facing the Council in the forthcoming years and explains what the Council is doing to reduce those risks. The Money Plan forecasts indicate the need for a continued delivery of savings in each year of the Plan. In February 2020, Council approved the implementation of the target savings for the Money Plan 2020-25. No additional savings targets were put in place across the life of the plan. With the inclusion of settlement figures for 2020/21 and the assumption of further formula grant reductions over the life of the plan, further savings may be required. The Council will be renegotiating outsourced contracts over the life of the plan to deliver further efficiencies. The financial gap is £0.048m in 2020/21. Due to the high levels of further savings required, the Council put in place a transformation programme called 'Together Gloucester' to deliver required efficiencies in line with the Council's Money Plan.. The Council's challenge is to continue this journey of transformation to fully implement Together Gloucester and designed outcomes. The Council has moved to Shire Hall and the digital transformation journey is continuing to deliver the required transformation and savings. In addition, lost income and additional cost pressures as a result of the economic impact of the coronavirus lockdown is being dynamically managed and monitored. As the long term implications for the Council become more apparent our financial planning will be updated accordingly. **Actions taken in response to the above:** Close monitoring of budgets will be carried out in each financial year. Continuous monitoring of service pressures and ongoing focus on preventative support.	31st March 2021	Head of Policy and Resources

Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
AGS Assurance Framework	**COVID – 19 Impact on Governance** In late March 2020 to Government announced a national lockdown and advised that all employees should work from home except those engaged in essential services who were unable to work from home. The Council implemented home working during w/c 16 March 2020. **There were a number of consequences that impacted upon the governance of the Council:-** ❑ City Council elections due to be held on 7 May 2020 were postponed until May 2021, councillor terms of office were extended and by-elections suspended for the period. ❑ Council and committee meetings were suspended until further notice. ❑ Decisions due to be taken at full Council on 21 March were taken under emergency/urgency delegations. ❑ The Managing Director met weekly with all Group Leaders and Deputies to share information and seek agreement on matters which might ordinarily require formal Cabinet or Council approval. ❑ Where possible, operational decisions were taken using existing Cabinet Member of Officer delegations. Where that was not possible then emergency/urgency delegation powers were used. ❑ To respond quickly to the emerging needs some of the Council's procurement procedures were waived in accordance with the contract and financial regulations. ❑ Senior Management Team (SMT) met daily (remotely and reducing over time to 2/3 times per week) to share information and direct the Council's response to the pandemic. ❑ Council Officers contributed to national, regional, county-wide and city response and resilience groups to co-ordinate the response to the pandemic. ❑ A major community led response to providing support and assistance to the vulnerable and those in need was developed and operated through the City's Councillors, community and commercial organisations and individuals. ❑ Communications channels were opened to keep Councillors and staff informed as the pandemic, and the Council's response developed.		

Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
	The Council has responded by:		
	❑ Putting measures in place to re-establish democratic decision-making and Overview and Scrutiny using digital/remote technologies.	June 2020	Policy and Governance Manager (PGM)
	❑ Fast-tracking the roll out of laptops and headsets to Councillors to enable remote meetings.	April 2020	Head of Policy and Resources (HPR)
	❑ Documenting when delegations and waivers have been used to facilitate full reporting once governance norms are re-established.	From March 2020	PGM
	❑ Maintaining delivery of the majority of Council Services via home working.	From March 2020	SMT
	❑ Supported and co-ordinated a significant community led response to the Pandemic including the administration of a £80k community fund, local delivery of a Community Help Hub and support to a network of street champions.	From March 2020	Corporate Director
	❑ Developing and implementing a Recovery Plan to return (restart suspended services), retain (keep and sustain any improved new ways of working), resist (resist the temptation to simply return to doing thigs as before) and reimagine (consider new ways of delivering services after the pandemic).	From March 2020	Corporate Director

Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
AGS Assurance Framework	**Marketing Gloucester Ltd (MGL)**		
	In January 2020 MGL, a company wholly owned by the City Council, went into administration. The Administrator is working to identify the full extent of the debts owed by MGL and the creditors to whom money is owed. Gloucester City Council will be amongst the creditors. Significant financial difficulties at MGL became apparent at MGL in late summer/early Autumn 2020. The City Council's Overview and Scrutiny Committee has taken a lead in scrutinising the events leading up to the collapse of MGL		
	The City Council responded by:		
	❑ Minimising potential conflicts of interest by replacing Cllr Paul James with Cllr Jennie Watkins as the Council's appointed director and the chair of the Board of MGL.		
	❑ Engaging external consultants to undertake a strategic, operational, governance and financial review of MGL.		
	❑ Engaging an interim chief officer at MGL following the departure and eventual dismissal of the Chief Executive of MGL.		
	Following the collapse of MGL the Council has:		
	❑ Commissioned and received a report into the next steps in delivering Place Marketing in the City.	March 2020	Corporate Director
	❑ Brought the commissioning of City Festivals and Events back in house.	Feb 2020	Head of Cultural
	❑ Employed displaced MGL staff into the City Council.	Feb 2020	and Trading
	❑ Engaged in the establishment of a Strategic City Events Forum alongside key city stakeholders like Gloucester BID, Gloucester Cathedral, Gloucester Culture Trust and Gloucester Quays.	March 2020	Services
	❑ Engaged with GfirstELP and others to repurpose and deliver the desired outcomes connected with the UK Digital Retail Innovation Centre	March 2020	Head of Place
	❑ Made £200k additional financial provision to support the re-establishment of an effective place marketing function for the City.	Feb 2020	Head of Policy and Resources

Certification

The annual review assesses the Council's governance arrangements in place during 2019/20, so the majority of the year will be unaffected by coronavirus. Therefore to the best of our knowledge, the governance arrangements as defined above and within the Council's Local Code of Corporate Governance have been operating effectively with the exception of those areas identified on pages 21 – 24.

However coronavirus will have impacted on governance during March 2020 and therefore during the current emergency, unprecedented pace of change and degree of uncertainty, would naturally carry a lower level of confidence. The Council's response to the coronavirus pandemic and other governance issues identified has been summarised within the AGS action plan on pages 22-23.
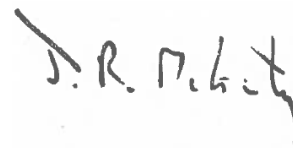
We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

We will also ensure that the AGS is current at the time of publication and reflects any further impacts on governance. Where necessary a second conclusion on the adequacy of governance arrangements during this period will be included to make clear the impact.

Signed:

Richard Cook
Leader of the Council

Jon McGinty
Managing Director
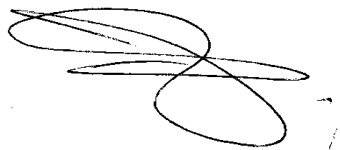
Date: 8th June 2020   8th June 2020

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

Signed:

Jon Topping – Chief Financial Officer (S151 Officer)

Date: **8th June 2020**

Code of Corporate Governance

2019-2020

Gloucester
City Council
Transforming Your City

Contents

Introduction

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

What do we mean by Governance?

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

Core Principles

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

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

B. Ensuring openness and comprehensive stakeholder engagement;

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

D. Determining the interventions necessary to optimize the achievement of the intended outcomes;

E. Developing the Council's capacity, including the capability of its leadership and the individuals within it;

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

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

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

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

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

Principle	Sub Principles	Council Actions and Behaviours
(A) Behaving with integrity, demonstrating strong Commitment to ethical values, and respecting the rule of law	Behaving with integrity	• Ensure that Members and Officers behave with integrity and lead a culture where acting in the public interest is visible and consistently demonstrated thereby protecting the reputation of the Council; • Ensure that Members take the lead in establishing specific standard operating principles or values for the Council and its staff and that they are communicated and understood. These will build on the Seven Principles of Public Life (The Nolan Principles); • Lead by example and use the above standard operating principles or values as a framework for decision making and other actions; and • Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which will be reviewed on a regular basis to ensure they are operating effectively.
	Demonstrating strong commitment to ethical values	• Seek to establish, monitor and maintain the Council's ethical standards and performance; • Underpin personal behaviour with ethical values and ensure they permeate all aspects of the Council's culture and operation; • Develop and maintain robust policies and procedures which place emphasis on agreed ethical values; and • Ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the Council.
	Respecting the Rule of Law	• Ensure Members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations; • Create the conditions to ensure that the statutory officers, other key post holders, and Members are able to fulfil their responsibilities in accordance with legislative and regulatory provisions; • Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders; • Deal with breaches of legal and regulatory provisions effectively; and • Ensure corruption and misuse of power is dealt with effectively.
(B) Ensuring openness and comprehensive stakeholder engagement	Openness	• Ensure an open culture through demonstrating, documenting and communicating the Council's commitment to openness; • Make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption will be for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential will be provided; • Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and will be explicit about the criteria, rationale and considerations used. In due course, the Council will ensure that the impact and consequences of those decisions are clear; and • Use formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action.
	Engaging comprehensively with institutional stakeholders	• Effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably; • Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively; and • Ensure that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.
	Engaging stakeholders effectively, including individual citizens and service users	• Establish a clear policy on the type of issues that the Council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes; • Ensure that communication methods are effective and that Members and Officers are clear about their roles with regard to community engagement; • Encourage, collect and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs; • Implement effective feedback mechanisms in order to demonstrate how their views have been taken into account; • Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity; and • Take account of the interests of future generations of tax payers and service users.

Principle	Sub Principles	Council Actions and Behaviours
(C) Defining outcomes in terms of sustainable economic, social and environmental benefits	Defining outcomes	▪ Have a clear vision, which is an agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the Council's overall strategy, planning and other decisions; ▪ Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer; ▪ Deliver defined outcomes on a sustainable basis within the resources that will be available; ▪ Identify and manage risks to the achievement of outcomes; and ▪ Manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available.
	Sustainable economic, social and environmental benefits	▪ Consider and balance the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision; ▪ Take a longer term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints; ▪ Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs; and ▪ Ensure fair access to services.
(D) Determining the interventions necessary to optimise the achievement of the intended outcomes	Determining interventions	▪ Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided; and ▪ Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.
	Planning interventions	▪ Establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets; ▪ Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered; ▪ Consider and monitor risks facing each partner when working collaboratively including shared risks; ▪ Ensure arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances; ▪ Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured; ▪ Ensure capacity exists to generate the information required to review service quality regularly; ▪ Prepare budgets in accordance with organisational objectives, strategies and the medium term financial plan; and ▪ Inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.
	Optimising achievement of intended outcomes	▪ Ensure the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints; ▪ Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term; ▪ Ensure the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage; and ▪ Ensure the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community…over and above the direct purchasing of goods, services and outcomes".

Principle	Sub Principles	Council Actions and Behaviours
(E) Developing the Council's capacity, including the capability of its leadership and the individuals within it	**Developing the Council's capacity**	▪ Review operations, performance use of assets on a regular basis to ensure their continuing effectiveness; ▪ Improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the Council's resources are allocated so that outcomes are achieved effectively and efficiently; ▪ Recognise the benefits of partnerships and collaborative working where added value can be achieved; and ▪ Develop and maintain an effective workforce plan to enhance the strategic allocation of resources.

	Developing the capability of the Council's leadership and other individuals	▪ Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained;
		▪ Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body;
		▪ Ensure the Leader and the Managing Director have clearly defined and distinctive leadership roles within a structure whereby the Managing Director leads the Council in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority;
		▪ Develop the capabilities of Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:
		  ➢ ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged;
		  ➢ ensuring Members and Officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis; and
		  ➢ ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.
		▪ Ensure that there are structures in place to encourage public participation;
		▪ Take steps to consider the leadership's own effectiveness and ensure leaders are open to constructive feedback from peer review and inspections;
		▪ Hold staff to account through regular performance reviews which take account of training or development needs; and
		▪ Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

(F) Managing risks and performance through robust internal control and strong public financial management	**Managing Risk**	▪ Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making; ▪ Implement robust and integrated risk management arrangements and ensure that they are working effectively; and ▪ Ensure that responsibilities for managing individual risks are clearly allocated.
	Managing Performance	▪ Monitor service delivery effectively including planning, specification, execution and independent post implementation review; ▪ Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the Council's financial, social and environmental position and outlook; ▪ Ensure an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the Council's performance and that of any organisation for which it is responsible; ▪ Provide Members and senior management with regular reports on service delivery plans and on progress towards outcome achievement; and ▪ Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).

	Robust internal control	▪ Align the risk management strategy and policies on internal control with achieving objectives;
		▪ Evaluate and monitor the Council's risk management and internal control arrangements on a regular basis;
		▪ Ensure effective counter fraud and anti-corruption arrangements are in place;
		▪ Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor;
		▪ Ensure an Audit and Governance Committee which is independent of the executive and accountable to the Council:
		  ➢ provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and
		  ➢ that its recommendations are listened to and acted upon.

6

Principle	Sub Principles	Council Actions and Behaviours
(F) Managing risks and performance through robust internal control and strong public financial management	**Managing Data**	▪ Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data; ▪ Ensure effective arrangements are in place and operating effectively when sharing data with other bodies; and ▪ Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring;
	Strong public financial management	▪ Ensure financial management supports both long term achievement of outcomes and short-term financial and operational performance; and ▪ Ensure well –developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.
(G)Implementing good practices in transparency, reporting and audit to deliver effective accountability	**Implementing good practice in transparency**	▪ Write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate; and ▪ Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.
	Implementing good practices in reporting	▪ Report at least annually on performance, value for money and the stewardship of its resources to stakeholders in a timely and understandable way; ▪ Ensure Members and senior management own the results; ▪ Ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publish the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (Annual Governance Statement); ▪ Ensure that the Framework is applied to jointly managed or shared service organisations as appropriate; and ▪ Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.
	Assurance and effective accountability	▪ Ensure that recommendations for corrective action made by external audit are acted upon; ▪ Ensure an effective internal audit service with direct access to Members is in place which provides assurance with regard to governance arrangements and that recommendations are acted upon; ▪ Welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations; ▪ Gain assurance on risks associated with delivering services through third parties and evidence this in the annual governance statement; and ▪ Ensure that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.

Appendix B - Gloucester City Council's Corporate Governance Framework

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

		(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	(B) Ensuring openness and comprehensive stakeholder engagement	(C) Defining outcomes in terms of sustainable economic, social, and environmental benefits	(D) Determining the interventions necessary to optimise the achievement of the intended outcomes	(E) Developing the Council's capacity, including the capability of its leadership and the individuals within it	(F) Managing risks and performance through robust internal control and strong public financial management	(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Core Principles								
Evidence of Good Governance		The Constitution	The Gloucester City Council Plan 2017-2020	Cabinet Reports	Consultation Planning and Implementation Protocol	The Constitution	The Constitution	Audit and Governance Committee
		Schemes of Delegation / Decision making protocols	Decision Making Protocols	The Gloucester City Council Plan 2017-2020	Budget Consultation	Member Development Framework	Audit and Governance Committee	Scrutiny Framework
		Audit and Governance Committee	Council website records all council meetings and key decisions	Scrutiny Framework	Stakeholder Engagement	Member Induction Programme	Scrutiny Framework	Decision Making Protocols
		Scrutiny Framework	Scrutiny Annual Report	Decision Making Protocols	Option Appraisals	Workforce and Organisational Development Strategy	Contract Standing Orders / Financial Regulations	External audit of accounts and value for money opinion
		Contract Standing Orders / Financial Regulations	Public Meetings	Cultural Vision and Strategy 2016-2026	The Gloucester City Council Plan 2017-2020	Leadership Performance Management and Leadership Development Programme	External audit of accounts and value for money opinion / Statement of Accounts / Medium Term Financial Plan	Annual Statement of Accounts
		Statutory Officers Roles Managing Director, Chief Financial Officer/Monitoring Officer / Legal Services Corporate Governance Group.	Public Consultations	Option Appraisals	Money Plan	Staff Performance Development Review	Corporate Governance Group.	Annual Governance Statement / Assurance Framework
		Members and Officers Codes of Conduct	City Plan	Economic Growth Strategy 2019-2022	Decision Making Protocols	Peer Reviews / External Inspection / Transformation Programme	Information Governance	Chief Internal Auditors Annual Opinion / Report
		Members / Officers Register of Interests / Register of Gifts and Hospitality	Joint Core Strategy	Service Level / Outcome Agreements	Strategic Plans	Benchmarking	Risk Management Policy / Strategy / Toolkit Strategic Risk Register / Operational Risk Registers	Internal Audit Service
		Protocol for Member Officer Relations	City Vision 2012-2022	Service Plans	Risk Management Policy / Strategy	Internally led reviews / independent challenge	Risk Based Internal Auditing Service / planning	Strategic performance, financial and risk reporting framework
		Anti-fraud and Corruption Policy and Strategy	Strategic performance, financial and risk reporting framework	Risk Management Policy / Strategy	Alternative Service Delivery Models	Alternative Service Delivery Models	Chief Internal Auditors Annual Opinion / Report	Open Data and Transparency Code
		Anti-Bribery and Anti Money Laundering Policies	Open Data and Transparency Code	Social Value Policy	Strategic performance, financial and risk reporting framework	Shared Services Programme	Strategic performance, financial and risk reporting framework	Website
		Whistleblowing Policy	Customer feedback / Complaints, Comments, Compliments Procedure	Strategic performance, financial and risk reporting framework	Service Plans	Continuing Professional Development Programmes	Anti-fraud and Corruption Policy / Strategy	FOI Publication Scheme,
		Risk Management Policy / Strategy	FOI Publication Scheme	Environmental Information Regulations (EIR)	Public Consultations	Safety, Health and Wellbeing	Anti Bribery Policy / Anti Money Laundering Policy	Complaints, Comments and Compliments procedure

'The International Framework: Good Governance in the Public Sector' defines 'governance' as comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The framework also states that to deliver good governance in the public sector both governing bodies and individuals working for them must try to achieve the Council's objectives while acting in the public interest at all times.							
Core Principles	**(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**	**(B) Ensuring openness and comprehensive stakeholder engagement**	**(C) Defining outcomes in terms of sustainable economic, social, and environmental benefits**	**(D) Determining the interventions necessary to optimise the achievement of the intended outcomes**	**(E) Developing the Council's capacity, including the capability of its leadership and the individuals within it**	**(F) Managing risks and performance through robust internal control and strong public financial management**	**(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability**
	Procurement Strategy / Guidance	Annual Statement of Accounts and Annual Governance Statement published	Environment and Ecology Forum given scrutiny role for Climate Change Strategy implantation. Climate Change Member Contact Group set up to oversee Climate Change work.		Periodic staff surveys	Emergency / Business Continuity Management	

9

Code of Corporate Governance
2019 - 2020

March 2020

Gloucester
City Council
Transforming Your City

GLOUCESTER CITY COUNCIL - ANNUAL GOVERNANCE STATEMENT 2019/20 – Assurance Map

Policy and Resources Assurance Statements – Summary

Leader of the Council	Richard Cook
Managing Director	Jon McGinty
Corporate Director	Jonathan Lund
Head of Policy and Resources	Jon Topping

Actions to address non or partial compliance are monitored by Corporate Director

Key

Fully compliant	🟩
Partially compliant	🟧
Not compliant	🟥

Seven Core Governance Principles	Property Commissioning		Finance		Policy and Governance		Bereavement Services	
	18/19	19/20	18/19	19/20	18/19	19/20	18/19	19/20
a. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law.	G	G	G	G	G	G	G	G
b. My service area operates in a way that ensures openness and comprehensive stakeholder engagement.	G	G	G	G	G	G	G	G
c. My service area defines outcomes in terms of sustainable economic, social and environmental benefits.	A	G	G	G	G	G	G	G
d. My service area determines the interventions necessary to optimise the achievement of intended outcomes.	G	G	G	G	G	G	G	G
e. My service area continually develops its capacity including the capability of its leadership and the individuals within it.	A	A	G	G	G	G	G	G
f. My service area manages risk and performance through robust internal control, strong public financial management, and managing data appropriately.	A	G	A	G	A	G	G	G
g. My service area has implemented good practice in transparency, reporting, and audit to deliver effective accountability.	G	G	G	G	G	G	G	G

Cultural and Trading Services Assurance Statements – Summary

Leader of the Council	Richard Cook
Managing Director	Jon McGinty
Corporate Director	Jonathan Lund
Head of Cultural and Trading Services	Philip Walker
Actions to address non or partial compliance are monitored by Corporate Director	

Key

Fully compliant	(green)
Partially compliant	(amber)
Not compliant	(red)

Seven Core Governance Principles	Cultural Development		Visitor Experience	
	18/19	19/20	18/19	19/20
a. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law.	G	G	G	G
b. My service area operates in a way that ensures openness and comprehensive stakeholder engagement.	G	A	G	G
c. My service area defines outcomes in terms of sustainable economic, social and environmental benefits.	G	G	G	G
d. My service area determines the interventions necessary to optimise the achievement of intended outcomes.	G	G	G	G
e. My service area continually develops its capacity including the capability of its leadership and the individuals within it.	A	G	G	G
f. My service area manages risk and performance through robust internal control, strong public financial management, and managing data appropriately.	G	G	A	G
g. My service area has implemented good practice in transparency, reporting, and audit to deliver effective accountability.	G	A	G	G

Communities Assurance Statements – Summary

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

Key

Fully compliant	(green)
Partially compliant	(amber)
Not compliant	(red)

Seven Core Governance Principles	Housing Services		Customer Services		Community Wellbeing	
	18/19	19/20	18/19	19/20	18/19	19/20
a. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law.	G	G	G	G	G	G
b. My service area operates in a way that ensures openness and comprehensive stakeholder engagement.	G	G	G	G	G	G
c. My service area defines outcomes in terms of sustainable economic, social and environmental benefits.	G	G	G	G	G	G
d. My service area determines the interventions necessary to optimise the achievement of intended outcomes.	G	G	G	G	G	G
e. My service area continually develops its capacity including the capability of its leadership and the individuals within it.	G	G	G	G	G	G
f. My service area manages risk and performance through robust internal control, strong public financial management, and managing data appropriately.	G	G	G	G	G	G
g. My service area has implemented good practice in transparency, reporting, and audit to deliver effective accountability.	G	G	G	G	G	G

GLOUCESTER CITY COUNCIL - ANNUAL GOVERNANCE STATEMENT 2019/20 – Assurance Map

Place Assurance Statements – Summary

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

Key

Fully compliant	(green)
Partially compliant	(amber)
Not compliant	(red)

Seven Core Governance Principles	City Growth and Delivery		Climate Change		City Centre Manager		Waste, Recycling and Street Scene	
	18/19	19/20	18/19	19/20	18/19	19/20	18/19	19/20
a. Officers within my service area behave with integrity and demonstrate strong commitment to ethical values and to respecting the rule of law.	G	G	G	G	G	G	G	G
b. My service area operates in a way that ensures openness and comprehensive stakeholder engagement.	G	G	G	G	G	G	G	G
c. My service area defines outcomes in terms of sustainable economic, social and environmental benefits.	G	G	G	G	G	G	G	G
d. My service area determines the interventions necessary to optimise the achievement of intended outcomes.	A	G	G	G	G	G	G	G
e. My service area continually develops its capacity including the capability of its leadership and the individuals within it.	G	G	G	G	G	G	G	G
f. My service area manages risk and performance through robust internal control, strong public financial management, and managing data appropriately.	G	G	G	G	G	G	G	A
g. My service area has implemented good practice in transparency, reporting, and audit to deliver effective accountability.	G	G	G	G	G	G	G	G

Shared Services Assurance Statements

Legal Assurance Statement – Summary

Leader of the Council	Richard Cook
Managing Director	Jon McGinty
Corporate Director	Jonathan Lund
Head of Law (Litigation and Business Development)	Sarah Farooqi
Actions to address non or partial compliance are monitored by Corporate Director	

One Legal

1. I am aware that GCC is required to provide annual assurance on the standard of internal control which includes the overarching corporate governance arrangements with partnership organisations.

2. To assist in that process, I can confirm that I have reviewed the internal controls that are required by Gloucester City Council, which included the completion of this 'Internal Control Checklist – Certificate of Assurance' document.

3. Having done that, I can confirm controls in this area are appropriate and have operated as defined throughout the period. There are, in my opinion, no other significant matters arising which would require to be reported.

HR Assurance Statement - Summary

Leader of the Council	Richard Cook
Managing Director	Jon McGinty
Corporate Director	Anne Brinkhoff
Head of HR	Colin Parkin
Actions to address non or partial compliance are monitored by Corporate Director	

HR

During the course of the year, the Head of HR confirmed he was satisfied that the governance arrangements were operating effectively within HR and there are no significant governance issues to report.

Communications Assurance Statement - summary

Leader of the Council	Richard Cook
Managing Director	Jon McGinty
Corporate Director	Anne Brinkhoff
Head of Communications	Adam Barnes
Actions to address non or partial compliance are monitored by Corporate Director	

Communications
During the course of the year, the Head of Communications confirmed he was satisfied that the governance arrangements were operating effectively within Communications and there are no significant governance issues to report.

Audit, Risk Assurance (ARA) Assurance Statement - Summary

Leader of the Council	Richard Cook
Managing Director	Jon McGinty
Corporate Director	Jonathan Lund
Head of ARA	Theresa Mortimer
Actions to address non or partial compliance are monitored by Corporate Director	

ARA
During the course of the year, the Head of ARA confirmed she was satisfied that the governance arrangements were operating effectively within ARA and there are no significant governance issues to report.

Building Control Shared Service Assurance Statement - Summary

Leader of the Council	Richard Cook
Managing Director	Jon McGinty
Corporate Director	Anne Brinkhoff
Head of Building Control	Paul Bowley
Actions to address non or partial compliance are monitored by Corporate Director	

Building Control
The effectiveness of the governance arrangements of partnership is laid out in the 101 agreement. The composition and frequency of board meetings are also set out in the agreement. In 2019/20 it was identified that an internal audit of the partnerships governance, risk management and monitoring arrangements would be beneficial. The report was published by Audit Risk Assurance in October 2019. As a result of the audit, positive steps have been taken by the board to ensure that the governance arrangements are robust and meet the requirements of the 101 agreement.

This page is intentionally left blank

GCiC Risk Maturity Assessments 2019/2020

Chart showing risk maturity levels (y-axis "Level" 0 to 5) for the following departments, with a red line at Level 4 labeled "Gloucester City Council's Risk Maturity is Level 4 = Risk Managed":

- Property Commissioning — 4
- Finance — 4
- Policy and Governance — 4
- Bereavement Services — 4
- Visitor Experience — 3
- Cultural Development — 3
- Housing Services — 4
- Customer Services — 4
- Community Wellbeing — 5
- City Growth and Delivery — 4
- Climate Change — 4
- City Centre Manager — 4
- Waste, Recycling and Street Scene — 4

Risk Maturity Level	Level 1 Developing (Risk Naïve)	Level 2 Progressing (Risk Aware)	Level 3 Operational (Risk Defined)	Level 4 Embedded & Engaged (Risk Managed)	Level 5 Dynamic & Empowering (Risk Enabled)
	No formal approach to risk management.	Consulting and planning to implement risk management.	Early Stages of implementation.	Established risk management with planned extension/development.	Fully established and effective risk culture at all levels.

This page is intentionally left blank

Gloucester
City Council

Meeting:	Audit and Governance Committee	Date:	20th July 2020
	Cabinet		16th September 2020
Subject:	Counter Fraud and Corruption Policy Statement and Strategy 2020–2023.		
Report Of:	Head of Audit Risk Assurance (Chief Internal Auditor)		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Theresa Mortimer - Head of Audit Risk Assurance		
	Email: Theresa.Mortimer@gloucester.gov.uk	Tel: 396430	
Appendices:	Appendix A - Counter Fraud and Corruption Policy Statement and Strategy 2020 – 2023.		

FOR GENERAL RELEASE

1.0   Purpose of Report

1.1   The purpose of this report is for Audit and Governance Committee to consider and comment on the updated Council's Counter Fraud and Corruption Policy Statement and Strategy 2020-2023.

2.0   Recommendations

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

(1) The Counter Fraud and Corruption Policy Statement and Strategy 2020-2023 be adopted and recommend its approval to Cabinet;

(2) The strategy once approved by Cabinet, be disseminated to managers in accordance with a communications plan, to reaffirm the Council's counter fraud culture and objectives.

2.2   Cabinet is asked to **RESOLVE** that:

(1) The Counter Fraud and Corruption Policy Statement and Strategy 2020-2023 be approved; and

(2) The strategy be disseminated to managers in accordance with a communications plan, to reaffirm the Council's counter fraud culture and objectives.

3.0   Background and Key Issues

3.1   The Annual Fraud Indicator produced by Crowe Clark Whitehill estimated that the fraud threat to local authorities may be as high as £7.8bn in 2017 of which procurement fraud was estimated as £4.3bn. This study estimated that the total threat faced by the public sector was £40.4bn.

3.2   The Government's Economic Crime Plan 2019 states that the number of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

3.3   These factors suggest that this is the time to review the approach to tackle fraud against the Council and reaffirm the arrangements to ensure that Gloucester City Council has a resilient response to the changed conditions.

3.4   This statement sets out the Council's policy and strategy in relation to fraud and corruption. It has the full support of the Council, the Council's Audit and Governance Committee and Senior Management Team.

4.0   Context

4.1   The Council takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets.

4.2   The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors, partners or service users and will take all necessary steps to investigate all allegations of fraud, or corruption and pursue sanctions available in each case, including removal from office, disciplinary action, dismissal and/or prosecution. The required ethical standards are included in both our Members Code of Conduct and Employees Code of Conduct.

4.3   This policy statement is underpinned by a Counter-Fraud and Corruption Strategy, which sets out the key responsibilities with regard to fraud prevention, what to do if fraud is suspected and the action that will be taken by management.

4.4   The strategy is based upon five key themes: Govern, Acknowledge, Prevent, Pursue and Protect and adheres to Fighting Fraud and Corruption Locally, A strategy for the 2020s (FFCL), which is supported by the Local Government Association and the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre.

4.5   To fulfil the Council's Strategy, we need to maximise the financial resources available to us. In order to do this, we aim to reduce fraud and misappropriation to zero.

4.6   Where known, the Council's Chief Internal Auditor will ensure that the Audit and Governance Committee, the Managing Director, Chief Financial Officer and the Monitoring Officer are made aware of all irregularities and potential fraud cases. External Audit also annually assesses the effectiveness of the Council's counter fraud and corruption arrangements.

5.0   Social Value Considerations

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

6.0   Environmental Implications

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

7.0   Alternative Options Considered

7.1   There are no alternative options as the adoption of the updated Counter Fraud and Corruption Policy Statement and Strategy 2020-2023 will reaffirm an effective Counter fraud and corruption culture within the Council.

8.0   Reasons for Recommendations

    Fraud Risk Governance

8.1   In addition to the statutory requirements and guidance as noted above, the Council has responded by incorporating these requirements into the Council's Constitution, specifically within Financial Regulations – Preventing Fraud and Corruption, with the Head of Policy and Resources (Chief Financial Officer) being responsible for the development and maintenance of an Counter Fraud and Corruption Policy.

8.2   The Audit and Governance Committee's specific role regarding fraud is to monitor the adequacy and effectiveness of the arrangements in place for combating fraud and corruption.

9.0   Future Work and Conclusions

9.1   Appendix A to this report sets out the Counter Fraud Strategy and Policies, which set out the Council's required counter fraud culture and associated responses. The aims of these policies are to protect the Council's valuable resources by ensuring they are not lost through fraud but are used for improved services to Gloucester's residents and visitors.

9.2 The implementation of the fraud polices will be monitored by the Senior Management Team and the relevant assurances provided to the Audit and Governance Committee.

10.0 Financial Implications

10.1 No financial implications as a result of this report

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

11.0 Legal Implications

11.1 Nothing specific arising from the report recommendation.

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

12.0 Risk & Opportunity Management Implications

12.1 Non compliance with legislation/Codes of Practice.

12.2 Failure to fight fraud and implement an effective Counter Fraud and Corruption culture means that for every pound lost through fraud cannot be spent on providing public services.

13.0 People Impact Assessment (PIA) and Safeguarding:

13.1 A requirement of the Accounts and Audit Regulations 2015 is for the Council to 'ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.'

The implementation of the fraud strategy will ensure compliance with the Council's equality policies.

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

14.0 Community Safety Implications

14.1 There are no 'Community Safety' implications arising out of the recommendation made in this report.

15.0   Staffing & Trade Union Implications

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

Background Documents:

Accounts and Audit Regulations 2015;

Delivering Good Governance in Local Government: Framework 2016 (CIPFA/SOLACE);

Gloucester City Council's Constitution and Financial Regulations.

This page is intentionally left blank

Counter-fraud and Corruption

Policy Statement and Strategy
2020-2023

June 2020

Gloucester
City Council
Transforming Your City

Contents

Counter Fraud and Corruption Policy Statement

The Annual Fraud Indicator produced by Crowe Clark Whitehill estimated that the fraud threat to local authorities may be as high as £7.8bn in 2017 of which procurement fraud was estimated as £4.3bn. This study estimated that the total threat faced by the public sector was £40.4bn.

The Government's Economic Crime Plan 2019 states that the number of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

This statement sets out the Council's policy in relation to fraud and corruption. It has the full support of the Council, the Council's Audit and Governance Committee and Senior Management Team.

The Council takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets.

The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors, partners or service users and will take all necessary steps to investigate all allegations of fraud or corruption and pursue sanctions available in each case, including removal from office, disciplinary action, dismissal and/or prosecution. The required ethical standards are included in both our Members Code of Conduct and Employees Code of Conduct.

To fulfil the Council's Strategy, we need to maximise the financial resources available to us. In order to do this, we aim to reduce fraud and misappropriation to zero.

This policy statement is underpinned by a Counter-Fraud and Corruption Strategy, which sets out the key responsibilities with regard to fraud prevention, what to do if fraud is suspected and the action that will be taken by management.

The strategy is based upon five key themes: **Govern, Acknowledge, Prevent, Pursue and Protect** and adheres to Fighting Fraud and Corruption Locally, A strategy for the 2020s, (FFCL) which is supported by the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre.

GOVERN	ACKNOWLEDGE	PREVENT	PURSUE
Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.	Accessing and under-standing fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that it has a robust anti-fraud response. Communicating the risks to those charged with Governance .	Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture. Communicating its' activity and successes.	Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps.

PROTECTING ITSELF AND ITS RESIDENTS
Recognising the harm that fraud can cause in the community.
Protecting itself and its' residents from fraud.

Counter-Fraud and Corruption Strategy

Gloucester City Council has a **zero tolerance** stance to all forms of fraud, corruption and theft, both from within the Council and from external sources. We recognise fraud can:

- Undermine the standards of public service that the Council is attempting to achieve;

- Reduce the level of resources and services available for the residents of Gloucester; and

- Result in major consequences which reduce public confidence in the Council.

Definitions

Fraud
Fraud is defined by the Fraud Act 2006 (at UK Legislation):

The Act describes fraud as the intention to make gain or cause loss under three main headings:
- Fraud by false representation
- Fraud by failing to disclose information
- Fraud by abuse of position

There are further subheadings of fraud described including possession of articles for use in fraud, making or supplying articles for use in frauds, participating in fraudulent business and or obtaining services dishonestly.

Theft
Theft is the physical misappropriation of cash or other tangible assets. A person is guilty of "theft" if he or she dishonestly takes property belonging to another, with the intention of permanently depriving the other of it.

Corruption
Corruption is defined as the offering, giving, soliciting or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly.

The Bribery Act 2010 came into force on 1 July 2011. Bribery is defined in the Act "as giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward a person for having already done so, in order to gain personal, commercial, regulatory or contractual advantage". It is the most common form of corruption. The Council's responsibilities are set out within the Anti-Bribery Policy (Appendix 4).

Money Laundering
Money laundering is the term used for a number of offences involving concealing the proceeds of crime or terrorist funds, so that they appear they have come from a legitimate source. Money laundering involves one or more of three principal offences: concealing, arranging and acquisition / use / possession.

The burden of identifying and reporting acts of money laundering rests within the Council. Any service that receives money from an external person or body is potentially vulnerable to a money laundering operation. The need for vigilance is vital and any suspicion concerning the appropriateness of a transaction should be reported and advice sought from the Money Laundering Reporting Officer.

The Council recognises its responsibilities under the Money Laundering and Terrorist Financing (Amendment) Regulations 2019 and the Proceeds of Crime Act 2002 . These responsibilities are set out within the Council's Anti-Money Laundering Policy (Appendix 5).

Scope

This strategy applies to:

- All Gloucester City Council employees (including volunteers and agency staff);

- Councillors;

- Staff and Committee Members of council funded voluntary organisations;

- Gloucester City Council partners;

- Gloucester City Council's suppliers, contractors and consultants;

- Service Users; and

- Gloucester City residents.

What are the aims and objectives of the strategy?

We aim to:

- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used for improved services to Gloucester City residents and visitors;
- Provide a Counter Fraud Service which:
  - Ensures that the resources dedicated are sufficient and those involved are trained to deliver a professional counter fraud service to the highest standards;
  - Proactively deters, prevents and detects fraud, bribery, corruption and theft;
  - Investigates suspected or detected fraud, bribery, corruption and theft;
  - Enables the Council to apply appropriate sanctions and recover all losses. In addition wherever possible the Council seeks to recover all proven financial losses through court action or by invoicing an individual. Where an employee (or former employee) is a member of the Local Government Pension Scheme then in accordance with the provisions of this pension scheme, the Council may seek to recover any money owing as a result of that employee's criminal, negligent or fraudulent acts or omission, on his/her part in connection with that employment, from the employee's pension benefits. Alternatively and again in accordance with the provisions of those pension schemes, the Council may seek full forfeiture of that members pension benefits where applicable.
- Provides recommendations to inform policy, system, risk management and control improvements, thereby reducing the Council's exposure to fraudulent activity;
- Create an environment that enables the reporting of any genuine suspicions of fraudulent activity. However, we will not tolerate malicious or vexatious allegations or those motivated by personal gain and, if proven, we may take disciplinary or legal action; and
- Work with our partners and other investigative bodies to strengthen and continuously improve our arrangements to prevent fraud and corruption..

What is GCiC's approach to Countering Fraud?

Managing the Risk of Fraud and Corruption

- As with any risk faced by the Council, it is the responsibility of managers to ensure that fraud risk is adequately considered when preparing risk assessments in support of achieving strategic priorities, business plan, projects and programmes objectives and outcomes. In making this assessment it is important to consider the risk of fraud occurring rather than the actual incidence of fraud having occurred in the past. Once the fraud risk has been evaluated, appropriate action should be taken to mitigate those risks on an ongoing basis.

- Any changes in operations or the business environment must also be assessed to ensure any impacts, which might increase the risk or otherwise change the risk of fraud, bribery and corruption, are properly taken into account.

- Good corporate governance procedures are a strong safeguard against fraud and corruption. Adequate supervision, recruitment and selection, scrutiny and healthy scepticism must not be seen as distrust but simply as good management practice shaping attitudes and creating an environment opposed to fraudulent activity.

- Whilst all stakeholders in scope have a part to play in reducing the risk fraud, GCiC's Members, Managing Director, Corporate Directors and Management are ideally positioned to influence the ethical tone of the organisation and play a crucial role in fostering a culture of high ethical standards and integrity.

- The Council believes the best defence against fraud, corruption and bribery is to create a strong counter-fraud culture within the organisation and that a culture of honesty and openness is a key element in tackling fraud. The codes of conduct for Members and employees are based upon the seven principles of public life. In cases where Members or employees fail to adhere to these codes appropriate action will be taken against them. The seven principles of Standards in Public Life are:

  Selflessness – you must act solely in terms of the public interest and not in order to gain financial or other material benefits for yourself, family, or friends;

  Integrity – you should not place yourself under any financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties;

  Objectivity – you must make choices on merit when making decisions on appointments, contracts, or recommending rewards and benefits for individuals;

  Accountability – you are accountable for your decisions and actions to the public and you must submit yourself to whatever scrutiny is appropriate;

  Openness – you should be as open as possible about all decisions and actions that you take. You should give reasons for your decisions and restrict information only when the wider public interest clearly demands;

  Honesty – you have a duty to declare any private interests relating to your work and you need to take steps to resolve any conflicts arising in the way that protects the public interest; and

  Leadership – you should promote and support these principles by leadership and example.

- GCiC will fulfil the responsibility to reduce fraud and protect our resources by a strategic approach consistent with that outlined in Fighting Fraud and Corruption Locally, A strategy for the 2020s.

Fighting Fraud and Corruption Locally: Govern, Acknowledge, Prevent, Pursue, Protect.

GOVERN	Arrangements and Executive Support	We have robust arrangements and executive support to ensure counter-fraud, bribery and corruption measures are embedded throughout the Council. The internal arrangements that are put in place are communicated throughout the Council and publicly available to demonstrate the culture and commitment to preventing fraud.

ACKNOWLEGE	Committing Support	The Council's commitment to tackling the threat of fraud is clear. We have strong whistleblowing procedures and support those who come forward to report suspected fraud. All reports will be treated seriously and acted upon. We will not, however, tolerate malicious or vexatious allegations.
	Assessing Risks	We will continuously assess those areas most vulnerable to the risk of fraud as part of our risk management arrangements. These risk assessments will inform our internal controls and counter fraud priorities. In addition, Internal Audit will carry out work in these high risk areas to assist management in detecting existing and new types of fraudulent activity. **Examples of fraud indicators are provided at Appendix 1 and types of fraud are provided at Appendix 2.**
	Robust Response	We will strengthen measures to prevent fraud. Internal Audit will work with our internal partners such as management, HR, Finance, policy makers and external partners including Legal, to ensure new and existing systems and policy initiatives are adequately fraud proofed.

PREVENT	Better use of Information Technology	We will make greater use of data and analytical software to prevent and detect fraudulent activity. We will look for opportunities to share data and fraud intelligence to increase our capability to uncover potential and actual fraud.
	Counter-Fraud Culture	We will promote and develop a strong counter fraud culture, raise awareness, provide a fraud e-learning tool and provide information on all aspects of our counter fraud work. This will include publicising the results of all proactive work, fraud investigations, successful sanctions and any recovery of losses due to fraud.

PURSUE	Fraud Recovery	A crucial element of our response to tackling fraud is recovering any monies lost through fraud. This is an important part of our strategy and will be rigorously pursued, where possible.
	Punishing Fraudsters	We will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This may include legal action, criminal and/or disciplinary action, where appropriate.
	Enforcement	Appropriately trained investigators will investigate any fraud detected through the planned proactive work; cases of suspected fraud referred from internal or external stakeholders, or received via the confidential reporting procedure (whistleblowing). We will also work with relevant internal and external partners/external agencies/organisations.

PROTECT	Recognise the harm	We will recognise and protect the organisation against serious and organised crime.
	Protect itself	We will protect public funds, protect the organisation from fraud and cybercrime and also monitor and protect the organisation from future fraud risks.
	Protect its' residents	We will endeavour to protect individuals from becoming victims of crime and protect against the harm that fraud can do to the community.

Responsibilities

Stakeholder	Specific Responsibilities
Managing Director	Accountable for the effectiveness of the Council's arrangements for countering fraud and corruption by: • Ensuring that the Council has a trained counter fraud resource in the Council or has access to one; and • Providing the Audit and Governance Committee with regular reports on the work of those leading on fraud.
Monitoring Officer	To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Conduct/Practice. Overall responsibility for the maintenance and operation of the Confidential Reporting Procedure for Employees (Whistleblowing) and ensuring that: • Members, Audit and Governance Committee and portfolio leads are aware of counter fraud activity and that training is available to them; and • The fraud team is independent of process and it produces reports to relevant committees that are scrutinised by members.
Head of Policy and Resources (Section 151 Officer)	To ensure the Council has adopted and implemented an appropriate Counter Fraud and Corruption Policy/Strategy and that the Council has an adequately resourced and effective Internal Audit service to deliver "counter fraud" activity by ensuring that the: • Chief Internal Auditor is assessing counter fraud resources, capability and has sufficient internal unfettered access; • Counter Fraud Team produce regular reports on activity, success and future plans; • Council participates fully in the bi-annual National Fraud Initiative (NFI) exercise and reports outcomes accordingly; and • Council is measuring itself against the FFCL checklist.
Audit and Governance Committee	To monitor the adequacy and effectiveness of the arrangements in place for combating fraud and corruption by: • Receiving a report quarterly on the counter fraud activity which includes proactive and reactive work; • Proactively supporting and challenging counter fraud activity; and • Monitoring the adequacy and effectiveness of the arrangements in place for combating fraud and corruption.

Members	To comply with the Members Code of Conduct and related Council policies and procedures, to be aware of the possibility of fraud, corruption, bribery and theft, and to report any genuine concerns accordingly.
External Audit	Statutory duty to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud, corruption, bribery and theft.
Internal Audit	Responsible for developing and promoting to the Council the requirements of the Counter Fraud and Corruption Strategy and monitoring and/or undertaking the investigation of any reported issues.

To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this strategy and that action is identified to improve controls and reduce the risk of recurrence.

Present the Counter-Fraud and Corruption Policy Statement and Strategy to Cabinet for approval and annually to the Audit and Governance Committee, to support the Committee to fulfil their role. **Please see Appendix 3 – Fraud Response Plan.** |
Heads of Service / Managers	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to the Monitoring Officer and/or the Chief Internal Auditor. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption, bribery and theft and to reduce these risks by implementing strong internal controls.
Staff	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption, bribery and theft, and to report any genuine concerts to management, the Monitoring Officer, Chief Internal Auditor or via the Whistleblowing procedure.
Public, Service Users, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns / suspicions.

Reporting, Advice and Support

The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. If you believe that someone is committing a fraud or you suspect corrupt practices, these concerns should be raised, in the first instance, directly with your Head of Service.

Alternatively, you may raise any concern with the Council's Monitoring Officer, or the Council's Chief Internal Auditor in accordance with the Council's confidential reporting procedure (whistleblowing).

Internal Audit also provide a 24 hour Whistleblowing hotline answerphone service available on 01452 427052 for individuals to report any concerns.

We will treat all concerns or suspicions with discretion and in confidence. The whistleblowing policy can be found on the Council's internal and [external](#) websites.

Employees

Employees who wish to raise a serious concern, require advice and/or support, should do so verbally or in writing (marked 'Confidential') to either of the following:

Role	Officer Name/Co.	Tel. No.	E-mail Address
Monitoring Officer	Jonathan Lund	01452 396276	Jonathan.Lund@gloucester.gov.uk
Head of Policy and Resources (Section 151 Officer)	Jon Topping	01452 396242	jon.topping@gloucester.gov.uk
GCiC's Chief Internal Auditor	Theresa Mortimer	01452 328883	theresa.mortimer@gloucester.gov.uk
External Auditors	Deloitte LLP (UK)	029 20460000	www.deloitte.co.uk
Protect	(Independent whistleblowing charity)	Helpline: (020) 3117 2520	E-mail: whistle@protect-advice.org.uk Website: https://protect-advice.org.uk/

Members of the Public / External Providers / Partners

If the informant is a member of the public, external contractor or partner they should contact the Council's Chief Internal Auditor to report any concerns of fraudulent activity.

Housing Benefit Fraud

Allegations relating to Housing Benefit fraud will be passed to the Civica Benefits Team for initial investigation. Under the Single Fraud Investigation Service (SFIS), the investigation of Benefit fraud is undertaken by the Department of Work and Pensions (DWP). If this initial investigation carried out identifies that a benefit claim maybe fraudulent, then it will be passed to the DWP for formal investigation.

All concerns in relation to possible financial impropriety will be reported to the Head of Policy and Resources (S151 Officer) and/or the Chief Internal Auditor.

Further Information

Further information on relevant Council policy and practice and relevant publications can be found in the following documents:

- The Constitution includes Financial Regulations, Members Code of Conduct and Contract Standing Orders;

- Fraud Response Plan (Appendix 3);

- Anti Bribery Policy (Appendix 4);

- Anti Money Laundering Policy (Appendix 5);

- Confidential Reporting Procedure (Whistleblowing)

- Risk Management Policy Statement and Strategy;

- Internal Audit Charter;

- Information Security Policy;

- Members Code of Conduct;

- Employee Code of Conduct:

- The Local Government Transparency Code 2015 (at Gov.uk);

- National Fraud Initiative (NFI) (at Gov.uk);

- Fighting Fraud and Corruption Locally, A strategy for the 2020s (at the Chartered Institute of Public Finance & Accountancy); and

Strategy Review

The Head of Policy and Resources and the Audit and Governance Committee will ensure the continuous review and amendment of this strategy and the relevant associated policies as necessary to ensure that it remains compliant with good practice, national public sector Codes of Practice and meets the needs of the Council.

Responsible Officer: Chief Internal Auditor

Review date: Frequency as required by legislative changes / May 2021

Strategy Review

Appendix 1: Key Fraud Indicators

A number of frauds can come to light because of suspicions aroused by, for instance, the behaviour of certain individuals. It is impossible to give a definitive list of fraud indicators or warning signs. However, the following are indicators that may, either alone or cumulatively with other factors, suggest the possibility of fraud and may therefore warrant further investigation or enquiry.

- **Unusual employee behaviour**: Refusal to comply with normal rules and practices, fails to take leave, refusing promotion, managers by-passing subordinates, subordinates by-passing managers, living beyond means, regularly working long hours, job dissatisfaction / unhappy employee, secretiveness or undue defensiveness.

- **Financial irregularities**: Key documents missing (e.g. invoices, contracts); absence of controls and audit trails; missing expenditure vouchers and official records; general ledger out of balance; bank and ledger reconciliations are not maintained or cannot be balanced; excessive movements of cash or transactions between accounts; numerous adjustments or exceptions; constant overdue pay or expense advances; duplicate payments; ghost employees on the payroll; large payments to individuals; excessive variations to budgets or contracts.

- **Poor procurement practice**: Too close a relationship with suppliers/contractors; suppliers / contractors who insist on dealing with only one particular member of staff; unjustified disqualification of any bidder; lowest tenders or quotes passed over with minimal explanation recorded; defining needs in ways that can be met only by specific contractors; single vendors; vague specifications; splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval.

- **Disorganisation**: Understaffing in key control areas; consistent failures to correct major weaknesses in internal control; inadequate or no segregation of duties.

- **Inadequate supervision**: Policies not being followed; lack of senior management oversight; inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation); low staff morale, weak or inconsistent management.

- **Lax corporate culture**: Management frequently override internal control; climate of fear or a corporate culture; employees under stress without excessive workloads; new employees resigning quickly; crisis management coupled with a pressured business environment; high employee turnover rates in key controlling functions.

- **Poor work practices**: Lack of common sense controls; work is left until the employee returns from leave; post office boxes as shipping addresses; documentation that is photocopied or lacking essential information; lack of rotation of duties; unauthorised changes to systems or work practices.

Appendix 2: Types of Fraud

Local authorities have reported a wide range of fraud types. The main areas of fraud that were previously reported in continue to feature as significant risks. However, there are also new fraud types emerging and some of these are more prevalent in particular parts of the country. It is clear that a one size fits all approach is not appropriate and therefore the Council needs to remain vigilant and be aware of these types of fraud risks.

Known Fraud Risks Remaining Significant

Council tax – Discounts and exemptions, council tax support.

Grants – Work not carried out, funds diverted, ineligibility not declared.

Identity fraud – False identity / fictitious persons applying for services / payments.

Internal fraud – Diverting Council monies to a personal account; accepting bribes; stealing cash; misallocating social housing for personal gain; working elsewhere while claiming to be off sick; false overtime claims; selling Council property for personal gain; wrongfully claiming benefit while working.

Payroll – False employees, overtime claims, expenses.

Pensions – Deceased pensioner, overpayments, entitlement overstated.

Procurement – Tendering issues, split contracts, double invoicing.

Tenancy – Fraudulent applications for housing or successions of tenancy, and subletting of the property.

Recruitment – Failing to disclose convictions or gaps in employment, misstating of qualifications and experience, and nepotism.

Emerging / Increasing Fraud Risks

Business rates – Fraudulent applications for exemptions and reliefs, unlisted properties.

Commissioning of services – Including joint commissioning, third sector partnerships – conflicts of interest, collusion.

Cyber dependent crime and cyber enabled fraud – Enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.

Disabled Facility Grants – Fraudulent applications for adaptions to homes aimed at the disabled.

Immigration – Including sham marriages. False entitlement to services and payments.

Insurance Fraud – False claims including slips and trips.

Local Enterprise Partnerships – Voluntary partnerships between local authorities and businesses. Procurement fraud, grant fraud.
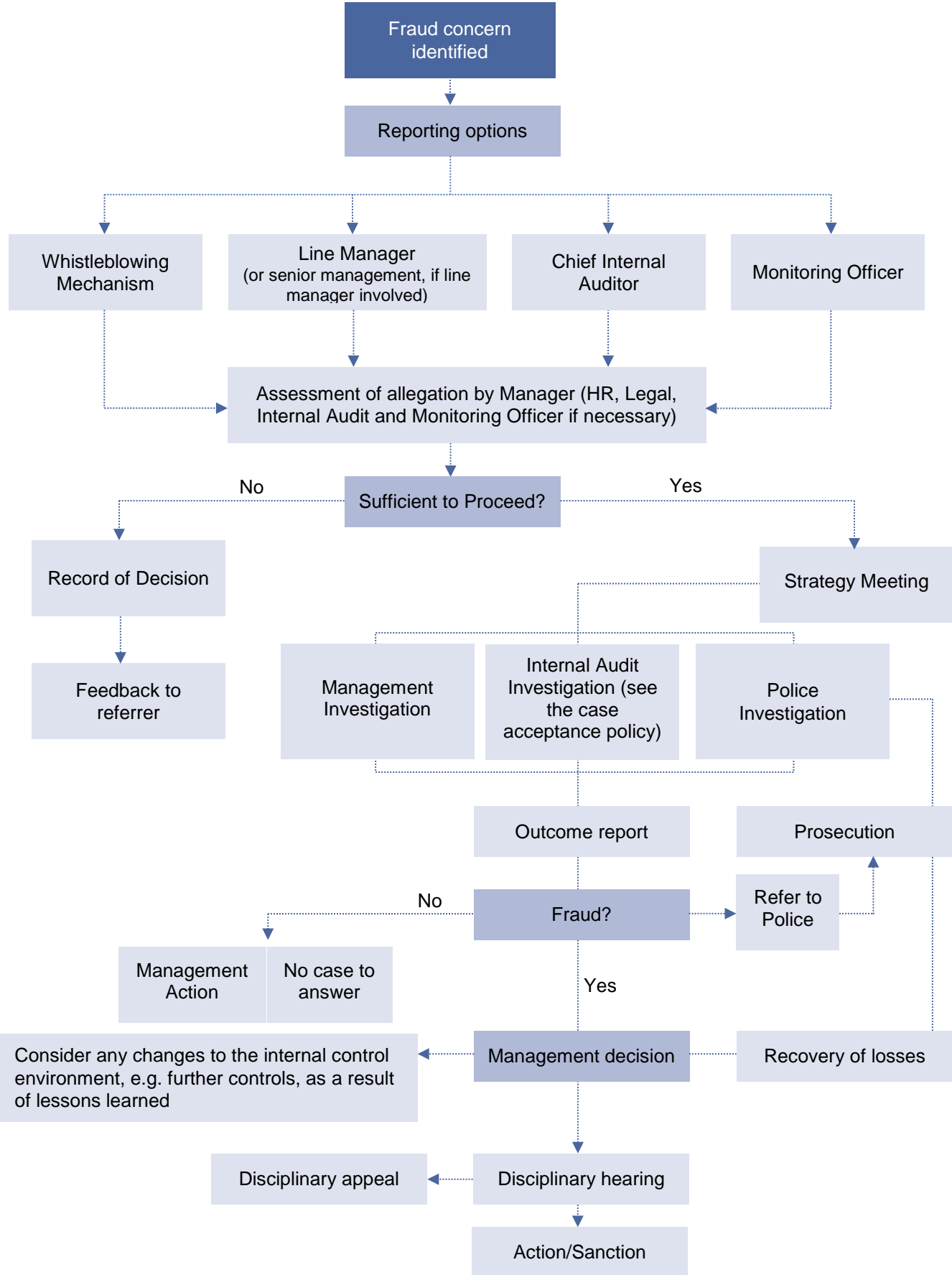
New Responsibilities – Areas that have transferred to local authority responsibility e.g. Public Health grants, contracts.

Money laundering – Exposure to suspect transactions.

No recourse to public funds – Fraudulent claim of eligibility.

Right to buy – Fraudulent applications under the right to buy/acquire scheme.

Appendix 3: GCiC's Fraud Response Plan

```
                        ┌──────────────────┐
                        │  Fraud concern   │
                        │    identified    │
                        └────────┬─────────┘
                                 │
                        ┌────────▼─────────┐
                        │ Reporting options│
                        └────────┬─────────┘
```

Whistleblowing Mechanism	Line Manager (or senior management, if line manager involved)	Chief Internal Auditor	Monitoring Officer

Assessment of allegation by Manager (HR, Legal, Internal Audit and Monitoring Officer if necessary)

Sufficient to Proceed? — No → **Record of Decision** → **Feedback to referrer**

Yes → **Strategy Meeting**

Management Investigation	Internal Audit Investigation (see the case acceptance policy)	Police Investigation

Outcome report

Prosecution

Fraud? — No → **Management Action** / **No case to answer**

Refer to Police

Yes → **Management decision**

Recovery of losses

Consider any changes to the internal control environment, e.g. further controls, as a result of lessons learned

Disciplinary hearing → **Disciplinary appeal**

Action/Sanction

Appendix 4: Anti-Bribery Policy

Introduction

The Council is committed to implementing and enforcing effective systems to counter bribery. Therefore, it is the Council's policy to conduct all aspects of its business in an honest and ethical manner at all times.

Bribery Act 2010

The Bribery Act 2010 came into force in the UK on 1st July 2011. It amends and reforms the UK criminal law and provides a modern legal framework to combat bribery in the UK and internationally. Staff need to be aware of their obligations under this Act, which sets out the criminality of accepting and giving of bribes. This applies to both individual staff and the Council corporately. The Bribery Act creates the following offences:

- Active bribery: promising or giving a financial or other advantage;

- Passive bribery: agreeing to receive or accepting a financial or other advantage;

- Bribery of foreign public officials; and

- The failure of commercial organisations to prevent bribery by an associated person (corporate offence).

The penalty under the Bribery Act is an unlimited fine and/or imprisonment up to a maximum of 10 years.

Full details of the Act can be found at: http://www.legislation.gov.uk/ukpga/2010/23/contents

Policy

The aim of this policy is to help the Council act in accordance with the Bribery Act 2010, maintain the highest possible standards of business practice, and advise individuals of the Council's 'zero-tolerance' to bribery.

This policy applies to all councillors, permanent and fixed-term staff employed by the Council, and any contractors, consultants or other persons acting within or on behalf of the Council.

The Council will not:

- Make contributions of any kind with the purpose of gaining any commercial advantage;

- Provide gifts or hospitality with the intention of persuading anyone to act improperly, or to influence a public official in the performance of their duties; and
- Make, or accept, inducements of any kind.

Council Responsibility

The Council will:

- Keep appropriate internal records that will evidence the business reason for making any payments to third parties;

- Encourage employees to raise concerns about any issue or suspicion of malpractice at the earliest possible stage; and

- Ensure that anyone raising a concern about bribery will not suffer any detriment as a result, even if their concerns are not validated, providing there is no malicious intent.

Employee Responsibility

In line with the relevant code of conduct, Employees must not:

- Accept any financial or other reward from any person in return for providing some favour;

- Request a financial or other reward from any person in return for providing some favour; and

- Offer any financial or other reward to any person in return for providing some favour.

Non Compliance

All employees have a role to play in enforcing the policy and are required to report any suspected breach in accordance with the Council's whistleblowing policy.

The Council will not tolerate bribery or corruption by its councillors, employees, suppliers, contractors, partners or service users and will take all necessary steps to investigate all allegations of bribery or corruption and pursue sanctions available in each case, including removal from office, disciplinary action, dismissal and/or prosecution under the Bribery Act 2010.

Appendix 5: Anti-Money Laundering Policy

Introduction

The Proceeds of Crime Act (POCA) 2002 (amended by the Criminal Finances Act 2017),Money Laundering, Terrorist Financing and Transfer of Funds (Information of the Payer) Regulations 2017 and the Terrorism Act 2000 place obligations on the Council and its employees with respect to suspected money laundering. These obligations impact on certain areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering. This Policy sets out how any concerns should be raised.

Whilst the majority of money laundering activity in the UK falls outside of the public sector, vigilance by employees of the Council can help identify those who are or may be perpetrating crimes relating to the financing of terrorism and money laundering.

Scope of the Policy

This Policy applies to all employees of the Council and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures which must be followed (for example the reporting of suspicions of money laundering activity) to enable the Council to comply with its legal obligations.

Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Policy and Procedure.

What is Money Laundering?

Money laundering is the generic term used to describe the process by which criminals disguise the original ownership and control of the proceeds of criminal conduct by making such proceeds appear to have derived from a legitimate source. In other words, the process of changing 'bad' money into 'good' money in order to hide the fact that the money originated from criminal activity. Formally, the following acts constitute money laundering:

- Concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the Proceeds of Crime Act 2002);
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328);
- Acquiring, using or possessing criminal property (section 329);
- Becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property (section 18 of the Terrorism Act 2000);
- Tax evasion (Part 3 sections 45 and 46 the Criminal Finances Act 2017); and
- Gross human rights abuse and violation (Part 5 of POCA 2002, section 241 amended by the Criminal Finances Act 2017).

These are the primary money laundering offences and thus prohibited acts under the legislation. There are also two secondary offences: failure to disclose any of the primary offences and tipping off. Tipping off is where someone informs a person or people who are, or are suspected of being involved in money laundering, in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation.

Potentially any member of staff could be implicated by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it.

Failure to disclose (section 330)

A person commits an offence if each of the following three conditions are satisfied;
- they know or have reasonable grounds to suspect that another person is engaged in money laundering;
- the information or knowledge in which they have grounds for suspicion is received in the course of business in the regulated sector; and
- the required disclosure is not made as soon as is practicable after the information comes to them.

A person does not commit an offence under this section if:
- there is a reasonable excuse for not disclosing this information or other matter;
- they provide professional legal advice and the information came to them in privileged circumstances; and
- they do not know or suspect money laundering, or have not been provided with such training as specified by the Secretary of State.

Whilst the risk to the Council of contravening the legislation is low, *it is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation.*

What are the Obligations on the Council?

Organisations conducting "relevant business" must:
- appoint a Money Laundering Reporting Officer ("MLRO") to receive disclosures from employees of money laundering activity (their own or anyone else's);
- implement a procedure to enable the reporting of suspicions of money laundering;
- maintain client identification procedures in certain circumstances; and
- maintain record keeping procedures.

Not all of the Council's business is "relevant" for the purposes of the legislation. It is mainly the accountancy and audit services carried out by the financial service functions within the Council and financial and property transactions undertaken by legal services.

However, the safest way to ensure compliance with the law is to apply it to all areas of work undertaken by the Council; therefore, all staff are required to comply with the reporting procedure set out in the Disclosure Procedure section below.

The Money Laundering Reporting Officer (MLRO)

The officer nominated to receive disclosures about money laundering activity within the Council is the Head of Policy and Resources (S151 Officer) Contact details are provided below:

Jon Topping, Head of Policy and Resources (S151 Officer),
Gloucester City Council,
Shire Hall,
Westgate Street,
Gloucester,
Gloucestershire.
GL1 2TG

Email: Jon.Topping@gloucester.gov.uk
Telephone: 01452 396242 (direct line)

In the absence of the MLRO, the Monitoring Officer is authorised to deputise.

Disclosure Procedure

Cash Payments:

No payment to the Council will be accepted in cash (including notes, coins or travellers cheques in any currency) if it exceeds £5,000. Cash payments in excess of £10,000 received in more than one transaction within a twelve month period must also be treated as suspicious.

Even if the cash value is less than £5,000 and there is suspicion that the monies are from proceeds of crime then it should still be reported to the MLRO.

Any officer involved in a transaction of this kind should ensure that the person(s) provide satisfactory evidence of their personal identity.

Reporting to the Money Laundering Reporting Officer

Where you know or suspect that money laundering activity is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under the legislation, you must disclose this as soon as practicable to the MLRO.

Your disclosure should be made to the MLRO. The report must include as much detail as possible.

The employee must follow any subsequent directions from the MLRO or deputy and must not make any further enquiries themselves into the matter. Additionally, they must not take any further steps in the transaction without authorisation from the MLRO or deputy.

The employee must not disclose or otherwise indicate their suspicions to the person(s) suspected of money laundering otherwise you may commit a criminal offence of "tipping off". They must not discuss the matter with others or note on a file that a report has been made to the MLRO in case this results in the suspect becoming aware of the suspicion, through a request to see their file. The MLRO will keep the appropriate records in a confidential manner.

Full details of the people involved (including you, if relevant), e.g. name, date of birth, address, company names, directorships, phone numbers, etc. will be required. If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327 - 329 of the 2002 Act, then your report must include all relevant details, as you will need consent from the National Crime Agency (NCA) via the MLRO, to take any further part in the transaction - this is the case even if the client gives instructions for the matter to proceed before such consent is given.

You should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline;

Once you have reported the matter to the MLRO you must follow any directions he may give you. You must not make any further enquiries into the matter yourself: any necessary investigation will be undertaken by the NCA. Simply report your suspicions to the MLRO who will refer the matter on to the Serious Organised Crime Agency (SOCA) if appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

Client Identification Procedure (Customer Due Diligence)

Where the Council is carrying out relevant business (e.g. accountancy, audit and certain legal services) regulation 27 of the Money Laundering Regulations states that an organisation must apply customer due diligence measures:

a) when you establish a business relationship;

b) when you carry out an 'occasional transaction' worth €15,000 (approximately £13,000) or more, whether the transaction is carried out in a single operation or several operations which appear to be linked;

c) when you suspect money laundering or terrorist financing;

d) when you have doubts about a customer's identification information that you obtained previously; and

e) when it's necessary for existing customers - for example if their circumstances change.

A business relationship is one that you enter into with a customer where both of you expect that the relationship will be ongoing. It can be a formal or an informal arrangement.

When a new business relationship is established the Council needs to obtain information on:

- the purpose of the relationship;
- the intended nature of the relationship - for example where funds will come from, the purpose of transactions, and so on.

The type of information that you need to obtain may include:

- details of your customer's business or employment;
- the source and origin of funds that the customer will be using in the relationship;
- copies of recent and current financial statements;
- details of the relationships between signatories and any underlying beneficial owners;
- the expected level and type of activity that will take place in the relationship.

Please note that unlike the reporting procedure, the client identification procedure is restricted to those operating relevant business, i.e. Financial and Legal Services.

In the above circumstances, staff in the relevant unit of the Council must obtain satisfactory evidence of the identity of the prospective client, as soon as practicable after instructions are received (unless evidence of the client has already been obtained). This applies to existing clients, as well as new ones, but identification evidence is not required for matters entered into prior to 1 March 2004.

Once instructions to provide relevant business have been received, and it has been established that any of paragraphs (a) to (e) apply, evidence of identity should be obtained.

With instructions from new clients, or further instructions from a client not well known to you, you may wish to seek additional evidence of the identity of key individuals in the organisation and of the organisation itself.

In all cases, the evidence should be retained for at least five years from the **end** of the business relationship or transaction(s).

If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further.

Record Keeping Procedures

The MLRO should retain records of all referrals made to them and of any action taken. The precise nature of these records is not set out in law but should be capable of providing an audit trail during any subsequent investigation.

All records should be retained for at least five years. This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering.

Guidance and Training

In support of this policy, the Council will:
- make staff aware of the requirements and obligations under the anti-money laundering policy legislation; and
- provide training to those most likely to encounter money laundering.

Conclusion

The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This Policy has been written to support the Council to meet the legal requirements in a way which is proportionate to the very low risk to the Council of contravening the legislation.

Should you have any concerns whatsoever regarding any transactions then you should contact the MLRO.

Further Information

Further information relating to the anti-money laundering policy can be found at the following links:
- National Crime Agency (NCA)
- The Money Laundering and Terrorist Financing (Amendment) Regulations 2019
- Terrorism Act 2002 - Code of Practice
- CIPFA Guidance on Money Laundering
- Proceeds of Crime Act 2002
- Money Laundering Disclosure Form
- Guidance for MLRO
- Criminal Finances Act 2017

**Counter-Fraud
and Corruption**
Policy Statement and Strategy
2020-2023

June 2020

Gloucester
Gloucestershire
COUNTY COUNCIL

Gloucester City Council
Audit and Governance Work Programme 2020-2021
(Updated 02 July 2020)

Item	Format	Committees	Lead Officer	Comments
20 July 2020				
1. Internal Audit - External Quality Assessment	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
2. Deloitte External Audit Report 2019/20 (ISA 260 to those charged with Governance)	Written Report	Audit and Gov	Head of Policy and Resources	Part of Committee's annual work programme
3. Statement of Accounts	Written report	Audit and Gov	Head of Policy and Resources	Part of the Committee's annual work programme
4. Treasury Management Annual Report 2019/20	Written Report	Audit and Gov	Head of Policy and Resources/Accountancy Manager	Part of the Committee's annual work programme
5. Annual Report on Internal Audit Activity 2019/20	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
6. Annual Governance Statement, Local Code of Corporate Governance and Council Wide Assurance Map 2019/20	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
7. Counter Fraud and Corruption Policy and Strategy	Written Report	Audit and Gov	Head of IA&RM Shared Service	Policy documents
8. The Guildhall and Blackfriars Priory – Income received from events limited assurance management update	Written Report	Audit and Gov	Head of IA&RM Shared Service	Management Update
9. IT Disaster Recovery and Business Continuity limited assurance management update	Written Report	Audit and Gov	Head of IA&RM Shared Service	Management Update

10. Audit and Governance Committee Work Programme	Timetable	--------------	---------------	Standing Agenda Item
14th September 2020				
1. Internal Audit Activity 2020/21 – Progress Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
2. Local Government Ombudsman, annual standards and complaints monitoring report	Written Report	Audit and Gov	Monitoring Officer	Part of the Committee's annual work programme
3. Audit and Governance Committee Work Programme	Timetable	--------------	---------------	Standing Agenda Item
16th November 2020				
1. Annual Audit Letter 2020/21	Written Report	Audit and Gov	Deloitte	Part of the Committee's annual work programme
2. Treasury Management Performance 2020/21 Six Monthly Update	Written Report	Audit and Gov Cabinet	Head of Policy and Resources	Part of the Committee's annual work programme
3. Audit and Governance Committee Work Programme	Timetable	--------------	--------------	Standing Agenda Item