



Audit and Governance Committee

Meeting: Monday, 17th January 2022 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

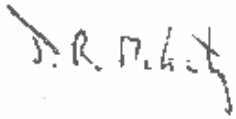
Membership:	Cllrs. Wilson (Chair), Brooker (Vice-Chair), Bowkett, Patel, Durdey, Evans, Melvin and Pullen
Contact:	Democratic and Electoral Services 01452 396126 democratic.services@gloucester.gov.uk

AGENDA

1.	APOLOGIES To receive any apologies for absence.
2.	DECLARATIONS OF INTEREST To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.
3.	MINUTES (Pages 7 - 8) To approve as a correct record the minutes of the meeting held on 15 November 2021
4.	PUBLIC QUESTION TIME (15 MINUTES) The opportunity is given to members of the public to put questions to Cabinet Members or Committee Chairs provided that a question does not relate to: <ul style="list-style-type: none">• Matters which are the subject of current or pending legal proceedings or• Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers. To ask a question at this meeting, please submit it to democratic.services@gloucester.gov.uk by 12pm on Wednesday 12 January 2022 or telephone 01452 396203 for support.
5.	PETITIONS AND DEPUTATIONS (15 MINUTES) A period not exceeding three minutes is allowed for the presentation of a petition or deputation provided that no such petition or deputation is in relation to: <ul style="list-style-type: none">• Matters relating to individual Council Officers, or• Matters relating to current or pending legal proceedings

	<p>To present a petition or deputation at this meeting, please submit democratic.services@gloucester.gov.uk by 12pm on Wednesday 12 January telephone 01452 396203 for support.</p>
6.	<p>GRANTS AUDIT REPORT</p> <p>To receive a verbal report concerning grants provided during 2021-22</p>
7.	<p>APPOINTMENT OF EXTERNAL AUDITOR (Pages 9 - 18)</p> <p>To consider the report of the Head of Policy and Resources appointing the Council's external auditor.</p>
8.	<p>APPOINTMENT OF INDEPENDENT MEMBER</p> <p>To receive an update on the process to appoint an independent Member to the Committee.</p>
9.	<p>INTERNAL AUDIT ACTIVITY PROGRESS REPORT (Pages 19 - 38)</p> <p>To consider the report of the Head of Audit, Risk and Assurance in respect of progress made against the audit plan.</p>
10.	<p>STRATEGIC RISK REGISTER UPDATE (Pages 39 - 60)</p> <p>To consider the report of the Head of Audit, Risk and Assurance providing an update on the Strategic Risk Register.</p>
11.	<p>ANNUAL GOVERNANCE STATEMENT IMPROVEMENT PLAN 2021/22 UPDATE (Pages 61 - 68)</p> <p>To receive an update on the improvement plan.</p>
12.	<p>EXCLUSION OF THE PRESS AND PUBLIC</p> <p>To RESOLVE that:</p> <p>The press and public be excluded from the meeting during the following item of business on the grounds that it is likely, in view of the nature of business to be transacted or the nature of the proceedings, that if members of the press and public are present during consideration of this item there will be disclosure to them of exempt information as defined in Schedule 12A of the Local Government Act 1972 as amended.</p> <p>Agenda Item No.</p> <p>13</p> <p>Description of Exempt Information:</p> <p>Paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information).</p>
13.	<p>IT SYSTEMS UPDATE</p> <p>To receive an update from the Head of Policy and Resources.</p>
14.	<p>AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME (Pages 69 - 70)</p>

	To consider the work programme.
15.	DATE OF NEXT MEETING 7 March 2022 at 6.30pm, Civic Suite, North Warehouse



Jon McGinty
Managing Director

Date of Publication: Friday, 7 January 2022

NOTES

Disclosable Pecuniary Interests

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

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

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

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

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

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

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Recording of meetings

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

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

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

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COMMITTEENAME

MEETING : MeetingDateLegal

PRESENT : Cllrs. MembersPresentShortRolesList

Others in Attendance

Memberinattendancerepresentingrows
publicinattendancerepresentingrows
officerinattendancerepresentingrows
secretaryinattendancerepresentingrows

APOLOGIES : Cllrs. MemberApologiesShortList

Time of commencement: MeetingActualStartTime hours

Time of conclusion: MeetingActualFinishTime hours

Chair

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Meeting:	Audit and Governance Committee	Date:	17th January 2022
	Council		27th January 2022
Subject:	Appointment of External Auditors – Opt in to Appoint Public Sector Audit Appointments (PSAA)		
Report Of:	Director of Policy & Resources		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Jon Topping – Director of Policy & Resources		
	Email:	jon.topping@gloucester.gov.uk	Tel: 01452 396242
Appendices:	1. Invitation to opt into national scheme.		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To recommend to opt in for the appointment of the Public Sector Audit Appointments (PSAA) for the appointment of the Council’s External Auditor for the period of five financial years from April 2023 and enable the Committee to recommend to Council the preferred appointment process.

2.0 Recommendations

2.1 **Audit and Governance Committee** is asked to **RESOLVE** to endorse and **RECOMMEND** to Council the option to opt-in to the Public Sector Audit Appointments Ltd (PSAA) for the appointment of the Council’s External Auditors from 2023/24.

2.2 **Council** is asked to **RESOLVE** to opt-in to the PSAA for the appointment of the Council’s External Auditors from 2023/24.

3.0 Background and Key Issues

Background

3.1 Under the Local Audit and Accountability Act 2014, the Council must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year.

3.2 These regulations cover the audit of the Statement of Accounts and of the Council’s value for money arrangements.

3.3 The Local Audit (Appointing Person) Regulations 2015 make provision for the Secretary of State to nominate a “Specified Person” to appoint auditors on behalf of Local Authorities and to set scale fees for the cost of External Audits.

- 3.4 Since the inception of these arrangements the role of the “Specific Person” has been taken on by “Public Sector Audit Appointments” (PSAA). PSAA are a not-for-profit, independent company limited by guarantee, incorporated by the Local Government Association in 2014.
- 3.5 On the 1st December 2016 the Council opted in to appoint the PSAA for the appointment of the Council’s External Auditors from 2018/19. The Council has been an opted in authority for the purposes of the PSAA arrangements and participated in the National Scheme. Over 98% of eligible bodies opted into the new arrangements when they were first introduced.
- 3.6 The Council’s current External Auditor is Deloitte LLP, this appointment having been made under a contract let by the PSAA. The appointment of the external auditor for audit of the Council’s accounts for 2023/24 must be made by the end of December 2022.
- 3.9 These arrangements are now coming to end with the final year covered being 2022/23, and the Council must now decide as to how to proceed with future auditor appointments to cover the period from April 1st 2023.

4.0 Recommended Option

- 4.1 An invitation has been received from the PSAA attached at Appendix 1, to again become an opted in authority for the next five-year period. In order to be considered as an opted in Authority for the new arrangements, the Council will have to opt in before the 11th March 2022
- 4.2 The last few years have undoubtedly been difficult for the Local Authority audit market. The combination of increasing requirements on Auditors, resourcing issues and the Covid market have led to a significant increase in numbers of audits which are not signed by the deadline in the regulations. In spite of these challenges, it has been of benefit be part of the existing National Scheme.
- 4.3 There are clear benefits to the Council again joining the national led scheme through the PSAA. The relatively small scale of the audit requirements at this Council are unlikely to generate any savings through a single authority procurement process, rather than joining a sector led scheme which will have considerable economies of scale. There are also advantages in making use of the oversight and expertise which the PSAA would bring to the process.
- 4.4 The LGA have expressed the view that the National Framework scheme remains the best option for Councils, and indeed that the reasons for Council’s to act collaboratively are more compelling then when Councils were last asked to make the choice
- 4.5 It is recommended that the Council again opt-in to the national procurement arrangements for external audit. There are clear benefits of joining a sector-led collaborative scheme. This in terms of the resourcing required for the procurement and management of the contract, as well as the expertise and opportunity that is offered by being part of an independent oversight process

5.0 Social Value Considerations

5.1 There are no Social Value considerations arising out of the recommendation made in this report.

6.0 Alternative Options Considered

6.1 The remaining two options open to the Council under the Act are not recommended as the preferred option, and are likely to incur significant costs, and not provide the benefits of opting in for audit fees.

6.2 Alternative option 1: To make a stand-alone appointment

6.2.1 In order to make a stand-alone appointment the Council will need to set up an auditor panel. The panel membership must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees. This excludes current and former elected Members (or officers) and their close families and friends. This means that elected Members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

6.3.1 Alternative option 2: Local joint procurement arrangements

The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees. Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.

7.0 Reasons for Recommendation

7.1 Opting-in to PSAA's national sector led body potentially provides the best opportunity to limit future fees or costs, in terms of both appointment of auditors and the audit by entering into a large-scale collective procurement arrangement.

7.2 The LGA has continuously supported the approach, believing it will offer best value to Councils by reducing set-up costs and having the potential to negotiate lowest possible fees.

7.3 It is recommended that the Committee endorses the option for the appointment of External Auditors and recommends to Council to opt-in to the PSAA for the appointment of the Council's External Auditors from 2023/24.

8.0 Financial Implications

8.1 It is not possible at that stage to determine the cost of external audit under the new arrangements as the PSAA procurement process is not expected to start until February 2022. The PSAA scale fee is highly likely to be lower than any fee secured through an individual procurement process. When known, the new cost of External Audit will be included in the budget setting process for 2023/24 in the usual way.

- 8.2 Opting-in to PSAA provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement.

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

9.0 Legal Implications

- 9.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31st December in the preceding year.
- 9.2 Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
- 9.3 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 and this gives the Secretary of State the ability to enable a sector - led body to become the appointing person.
- 9.4 In July 2016 the Secretary of State specified PSAA as the appointing person. As set out in the report, the current arrangements with the PSAA come to an end at the end of this financial year and the Council has received an invitation to join the scheme for the next five years.

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

10.0 Risk and Opportunity Management Implications

- 10.1 There is no immediate risk to the Council; however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

11.0 Equality Impact Assessment (PIA):

- 11.1 An EIA is not required because there are not any specific changes to service delivery proposed within this decision.

12.0 Other Corporate Implications

Community Safety

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

Sustainability

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

Staffing & Trade Union

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

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RETENDER OF EXTERNAL AUDIT CONTRACTS

Information from the LGA for those charged with governance

The process for retendering for external audit in local authorities in England, for contracts due to start from 2023/24, is now underway and shortly the council will need to decide whether to procure its own external auditor or opt into the national procurement framework.

Legislation requires a resolution of Full Council if a local authority wishes to opt into the national arrangement. The deadline for this decision is the 11th March 2022. If the council doesn't make such a decision, the legislation assumes that the council will procure its own external audit, with all the extra work and administration that comes with it.

The national framework remains the best option councils can choose. There are many reasons for favouring the national arrangements and we think those reasons have become more compelling since 2016/17 when councils were last asked to make this choice.

The way external audit has operated over the last couple of years has been extremely disappointing. A lack of capacity in the audit market has been exacerbated by increased requirements placed on external auditors by the audit regulator. There is also a limited number of firms in the market and too few qualified auditors employed by those firms. This has led to a situation where many audits have been delayed and dozens of audit opinions remain outstanding from 2019/20 and 2020/21. Auditors have also been asking for additional fees to pay for extra work.

As the client in the contract, a council has little influence over what it is procuring. The nature and scope of the audit is determined by codes of practice and guidance and the regulation of the audit market is undertaken by a third party, currently the Financial Reporting Council. Essentially, councils find themselves operating in what amounts to a suppliers' market and the client's interest is at risk of being ignored unless we act together.

Everyone, even existing suppliers, agrees that the supply side of the market needs to be expanded, which includes encouraging bids from challenger firms. Public Sector Audit Appointments Ltd (PSAA), the body nominated by the Government to run the national arrangements, has suggested various ways this could be done, but these initiatives are much more likely to be successful if a large number councils sign up to the national scheme.

It is therefore vital that councils coordinate their efforts to ensure that the client voice is heard loud and clear. The best way of doing this across the country is to sign up to the national arrangement.

To summarise, the same arguments apply as at the time of the last procurement:

- A council procuring its own auditor or procuring through a joint arrangement means setting up an Audit Panel with an independent chair to oversee the procurement and running of the contract.
- The procurement process is an administrative burden on council staff already struggling for capacity. Contract management is an ongoing burden.
- Procuring through the appointing person (PSAA) makes it easier for councils to demonstrate independence of process.
- Procuring for yourself provides no obvious benefits:
 - The service being procured is defined by statute and by accounting and auditing codes

- Possible suppliers are limited to the small pool of registered firms with accredited Key Audit Partners (KAP).
- Since the last procurement it is now more obvious than ever that we are in a 'suppliers' market' in which the audit firms hold most of the levers.
- PSAA has now built up considerable expertise and has been working hard to address the issue that have arisen with the contracts over the last couple of years:
 - PSAA has the experience of the first national contract. The Government's selection of PSAA as the appointing person for a second cycle reflects MHCLG's confidence in them as an organisation.
 - PSAA has commissioned high quality research to understand the nature of the audit market.
 - It has worked very closely with MHCLG to enable the government to consult on changes to the fees setting arrangements to deal better with variations at national and local level, hopefully resulting in more flexible and appropriate Regulations later this year

Councils need to consider their options. we have therefore attached a list of Frequently Asked Questions relating to this issue which we hope will be useful to you in reaching this important decision.

When the LGA set up PSAA in 2015, we did so with the interests of the local government sector in mind. We continue to believe that the national arrangement is the best way for councils to influence a particularly difficult market.

If you have any questions on these issues please contact Alan Finch, Principal Adviser (Finance) (alan.finch@local.gov.uk).

PROCUREMENT OF EXTERNAL AUDIT from financial year 2023/24

FREQUENTLY ASKED QUESTIONS

“Were prices set too low in the current contract?”

It is clear that firms did submit bids that reflected what seemed at the time to be very stable market conditions. Unfortunately, a series of financial collapses in the private sector have since created a very different climate and resulted in a whole series of new regulatory pressures. It is very likely that firms thought they could make savings as a result of the new timetable, essentially finishing the accounts audits by the end of July each year. Of course, that is not what has happened.

The Government opened up the market principally on the argument that costs would reduce, and views were mixed in the sector when the first contract was being let. Some councils wanted more savings and some were worried about reduced standards.

“Has the current contract helped cause these issues?”

Since the current contract is based around the Code of Audit Practice and the local government accounting code, this is unlikely. The first year of the new contract coincided with the introduction of new standards and with the emergence of some difficult audit issues such as the [McCloud judgement](#) (a legal case which affected the valuation of pension liabilities). The second year was affected by COVID-19. This laid bare the lack of capacity in the supplier side of the market and led to considerable delays. It is hard to see how the contract could have pre-empted this, but now we are clearer about the level of uncertainty in the system, the next contract can adjust for it.

“If we let our own contract, could we have more influence over auditors?”

No. The auditors are required to be independent and are bound by the Codes and need to deliver to them in line with the regulator’s expectations or face action under the regulatory framework.

As far as delays in audits is concerned, auditors are required to allocate resources according to risk and councils that procure for themselves will find themselves in the same queue as those within the national arrangement.

“If we let our own contract, can we get the auditors to prioritise our audit over others?”

Very unlikely. Auditors are running at full capacity and have to deploy resources according to their assessment of audit risks in accordance with professional standards. It is very unlikely that auditors could give preference to some clients rather than others even if they wanted to.

“Didn’t we used to get more from our auditors?”

Yes we did. For example, auditors were often prepared to provide training to audit committees on a pro-bono basis. The fact that they used to be with us for most of the year meant officers could develop professional working relationships with auditors and they understood us better, within the boundaries required of their independent status. Auditors no longer have the capacity to do extra work and the light shone on audit independence in other sectors of the economy has reinforced the rules on the way auditors and councils work together.

“Under the national framework we have had to negotiate our own fee variations. Will that continue to be the case?”

Unfortunately, virtually all councils have had to engage in discussions with auditors about fee variations linked to new regulatory requirements and, of course, the challenges of COVID-19. SAA has worked hard with MHCLG to enable the recent consultation on changes to the fee setting regime, and the resulting regulatory change will bring scope for more issues to be settled at a national level in future.

“Can we band together in joint procurements to get most of the benefits of not going it alone?”

We understand that this is lawful. However, joint procurement partners would not be part of PSAA’s efforts on behalf of the sector to increase the number of firms competing in the market, which will therefore be less likely to succeed.

At best, joint procurement spreads the pain of procuring over a larger number of councils and at worst it introduces a new layer of bureaucracy, because someone is going to have to take the lead and bring all the members of the consortium

along. It's not altogether clear to us why a joint procurement would be better than the national contract, especially as the consortium would then have to manage the contract throughout its life (for example, the implications of changes of audit scope).



Meeting:	Audit and Governance Committee	Date:	17th January 2022
Subject:	Internal Audit Activity Progress Report 2021/22		
Report Of:	Head of Audit Risk Assurance (ARA)		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Piyush Fatania, Head of ARA		
	Email:	Tel:	
	piyush.fatania@gloucestershire.gov.uk	01452 328883	
Appendices:	A: Internal Audit Activity Progress Report 2021/22		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2021/22.

2.0 Recommendations

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

- (1) Accept the progress against the Internal Audit Plan 2021/22; and
- (2) Accept the assurance opinions provided in relation to the effectiveness of the Council’s control environment (comprising risk management, control and governance arrangements).

3.0 Background and Key Issues

3.1 Members approved the Internal Audit Plan 2021/22 at the 8th March 2021 Audit and Governance Committee meeting. In accordance with the Public Sector Internal Audit Standards 2017 (PSIAS), this report (through **Appendix A**) details the outcomes of Internal Audit work carried out in accordance with the approved Plan.

3.2 The Internal Audit Activity Progress Report 2021/22 at **Appendix A** summarises:

- The progress against the 2021/22 Internal Audit Plan, including the assurance opinions on the effectiveness of risk management and control processes;
- The outcomes of the 2021/22 Internal Audit activity delivered during the period November 2021 and December 2021; and
- Special investigations/counter fraud activity.

3.3 The report is the third progress report in relation to the Internal Audit Plan 2021/22.

4.0 Social Value Considerations

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

5.0 Environmental Implications

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

6.0 Alternative Options Considered

6.1 No other options have been considered. The purpose of this report is to inform the Committee of the Internal Audit work undertaken to date and the assurance opinions provided. Non-completion of Internal Audit Activity Progress Reports would lead to non-compliance with the PSIAS and the Council Constitution (see report section 7.2 and 7.3).

7.0 Reasons for Recommendations

7.1 The role of the ARA 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 the Head of ARA 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 what unresolved risks or issues it needs to address.

7.3 Consideration of reports from the Head of ARA on Internal Audit's work and performance during the year 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 as reflected within the Audit and Governance Committee work programme, Internal Audit Activity Progress Reports against the approved Internal Audit Plan 2021/22 are scheduled to be presented to the Audit and Governance Committee at the 7th March 2022 and 18th July 2022 meetings.

9.0 Financial Implications

9.1 There are no Financial implications as a result of the recommendations made in this report.

Financial Services have been consulted in the preparation this report.

10.0 Legal Implications

- 10.1 Monitoring the implementation of Internal Audit recommendations assists the Council to minimise risk areas and thereby reduce the prospects of legal challenge.

One Legal have been consulted in the preparation this report.

11.0 Risk and 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 The Internal Audit service is delivered by ARA 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 as a result of the recommendations made in this report.

14.0 Staffing and Trade Union Implications

- 14.1 There are no Staffing and Trade Union implications as a result of the recommendations made in this report.

Background Documents: [Internal Audit Plan 2021/22](#)

[PSIAS](#)

CIPFA Local Government Application Note for the UK PSIAS

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Internal Audit Activity Progress Report

2021-2022



(1) Introduction

All Councils 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 Council 'must undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

The 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. ARA carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

The guidance accompanying the Regulations recognises the Public Sector Internal Audit Standards 2017 (PSIAS) as representing 'proper Internal Audit practices'. The standards define the way in which the Internal Audit service should be established and undertake its operations.

(2) Responsibilities

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

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

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

(3) Purpose of this Report

One of the key requirements of the PSIAS is that the Head of ARA should provide progress reports on Internal Audit activity to those charged with governance. This report summarises:

- i. The progress against the 2021/22 Risk Based Internal Audit Plan, including the assurance opinions on the effectiveness of risk management and control processes;
- ii. The outcomes of the 2021/22 Internal Audit activity delivered during the period November 2021 to December 2021; and
- iii. Special investigations/counter fraud activity.

(4) Progress against the 2021/22 Internal Audit Plan, including the assurance opinions on risk and control

The schedule provided at **Attachment 1** provides the summary of 2021/22 activities which have not previously been reported to the Audit and Governance Committee.

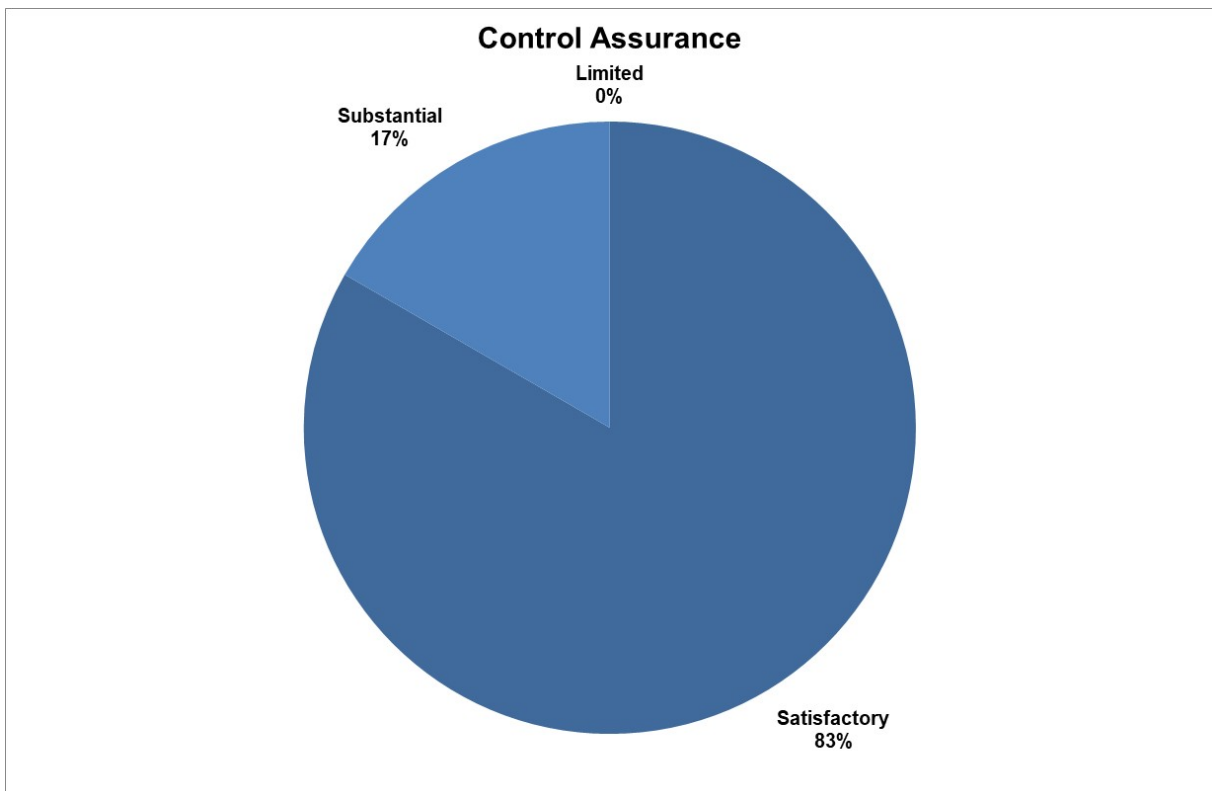
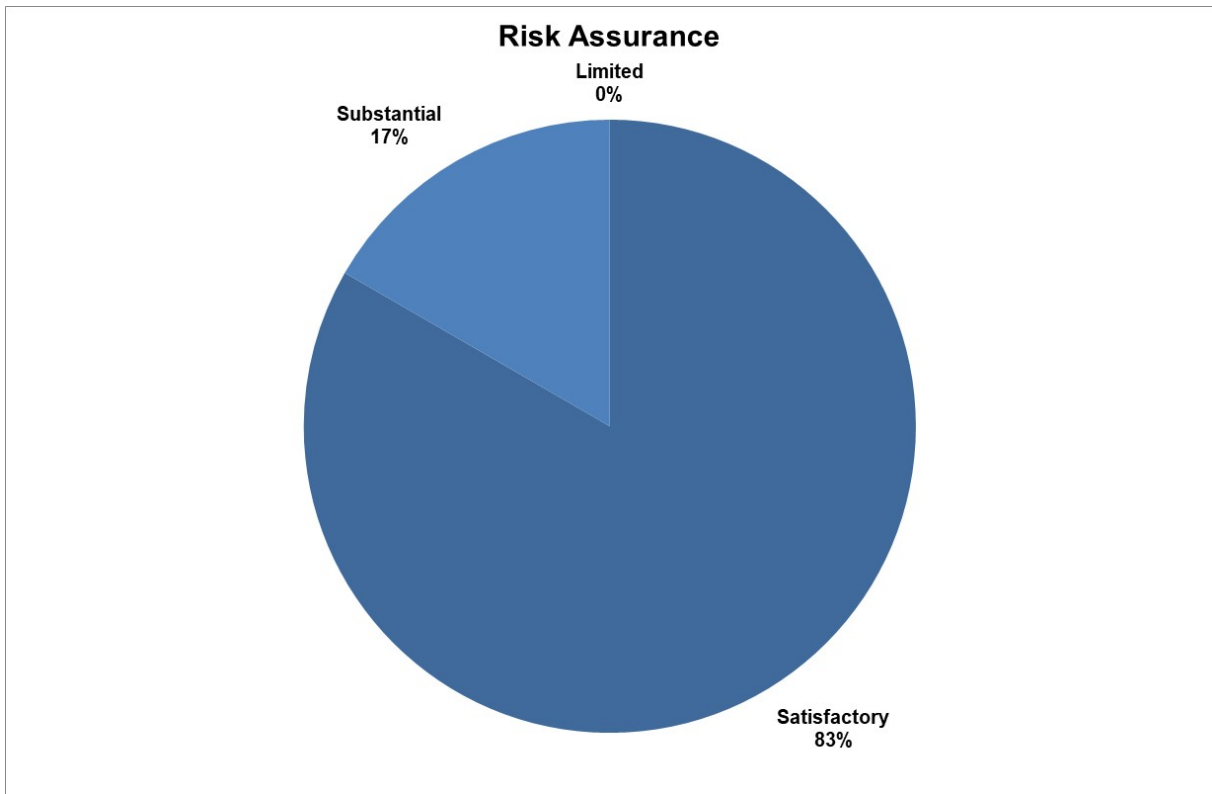
The schedule provided at **Attachment 2** contains a list of all of the 2021/22 Internal Audit Plan activity undertaken during the financial year to date. This includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activity outcomes have been presented to the Audit and Governance Committee.

Explanations of the meaning of the assurance opinions are shown below.

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

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

The below pie charts show the summary of the risk and control assurance opinions provided in relation to the 2021/22 audit activity undertaken up to December 2021.



(4b) Limited Control Assurance Opinions

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

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

During the period November 2021 to December 2021, no limited assurance opinions on control have been provided on completed audits from the 2021/22 Internal Audit Plan.

(4d) Satisfactory Control Assurance Opinions

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

(4e) Internal Audit Recommendations

During the 2021/22 period to December 2021, Internal Audit made **20** recommendations in total to improve the control environment. Three of these being a high priority recommendation and 17 being a medium priority recommendation.

19 (95%) of the recommendations have been accepted by management.

Management have not accepted one medium priority recommendation stemming from the Procurement Cards internal audit, as reported to Audit and Governance Committee in November 2021. The management decision was based on the wider controls in place within the process and risk appetite.

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

(4f) Risk Assurance Opinions

During the period November 2021 to December 2021, no limited assurance opinions on risk have been provided on completed audits from the 2021/22 Internal Audit Plan.

Where a limited assurance opinion is given, the Shared Service Audit/Risk Technical Officer will be provided with the Internal Audit report(s) to enable the prioritisation of risk management support.

Completed 2021/22 Internal Audit Activity during the period November 2021 to December 2021

Summary of Satisfactory Assurance Opinions on Control

Service Area: Policy and Resources

Audit Activity: Accounts Receivable

Background

Accounts Receivable is the money due to the Council for goods or services delivered and used but not paid for by customers. Management of the collection of debts outstanding is essential, to help fund the continual delivery of services. A focused project with the objective of reducing the financial value of debt outstanding has been in place this year.

Scope

The audit reviewed the processes and controls relating to Accounts Receivable and the key risk of collectability of the debt outstanding, particularly due to the additional business pressures resulting from the Covid-19 pandemic.

The total financial value of outstanding sundry debtors (including the focused project referred to in the background section) was £2.1m as at the end of October 2021.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

- i. The progress made on the specially funded project seeking to reduce the financial value of debts was reviewed. It was established that Civica staff have focused on those aged debt arrears of a higher value outstanding. The review of the debt recovery actions used confirmed that a range of appropriate procedures had been employed. The records kept by Civica showed that, since the project started, aged debt arrears had reduced by £1m as at 1st November 2021. The outcomes from the project indicate that it has been a success. A report will be provided to the Council in December 2021, indicating those arrears balances which are recommended for write-off.
- ii. Internal Audit have been made aware that the responsibility for managing Accounts Receivable will transfer from Civica to the Council during 2022. The change in operational responsibility is an ideal time to consider the staffing needs to manage the debtors service, with the objective focused on reducing the risk of non-collectability of debt.
- iii. It is essential to ensure that the operational staffing needs to manage the Accounts Receivable recovery process are adequate to facilitate collection of debt arrears on a timely basis.

- iv. A stratified sample of debt arrears totalling £309k for 60 accounts, taken from across the debt recovery process were tested with the objective of verifying the procedures and controls deployed. The results confirmed that a range of well embedded procedures and controls have been correctly used seeking to collect the arrears outstanding.
- v. Sample testing identified 14 accounts totalling £36.6k which will require consideration and authorisation for write-off of the balance outstanding. Details of the account balances for write off will be reported by Civica Revenues staff as outlined in key finding i above.
- vi. Reports are issued to service managers when debt arrears reach the “service referral” debt recovery stage. The audit review observed that where service invoices have more than one charge transaction, duplicate values of the outstanding amount can be seen. This reduces the effectiveness of the reports, making it difficult for service area managers to interpret the outstanding level of debt.

Conclusion

Internal Audit review of the Accounts Receivable control environment verified that the existing process in place is operating appropriately.

One Internal Audit recommendation has been made, which seeks to improve the existing management reports to allow for effective debt collection.

Management Actions

The recommendation has been accepted by management and has been allocated a target implementation date of 1st March 2022.

Service Area: Communities

Audit Activity: Disabled Facilities Grant

Background

Grants for disabled facilities adaptations for private residential properties are a statutory responsibility under the Housing Grants, Construction and Regeneration Act 1996.

The Disabled Facility Grant (DFG) is administered as part of the Integration and Better Care Fund managed by Gloucestershire County Council as a pooled funding arrangement, under section 31 of the Local Government Act 2003. Gloucestershire County Council is the host manager and Gloucester City Council is the pool manager.

In 2020/21 grants were awarded which totalled £660k. In 2021/22 at the date of this audit grants awarded totalled £334k.

Scope

The audit reviewed the procedures and controls in place for the DFG management arrangements to ensure the grant is used for home adaptations, so that disabled people can live independently. The principal objective was to provide assurance that grants awarded by Gloucester City Council are compliant with the legislation.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

- i. To provide assurance that grants awarded by the Council are compliant with legislation and guidance provided by the Ministry of Housing, Communities and Local Government (MHCLG), the audit programme was divided into four components; i) Policy and procedures; ii) Compliance; iii) Grant financial monitoring and reconciliation controls; and iv) Performance and monitoring.
- ii. Audit review of the existing DFG policy and procedures established that there are embedded processes and procedures which are formally documented and written in a user-friendly style. However, the review identified there is a need to refresh the existing policy for amendments due to the Covid-19 pandemic. This includes updating the Council's representative at the DFG Forum, evidencing the approval of any changes to existing procedures and to update the standard document templates issued to grant applicants.
- iii. The conclusion from assessing compliance with legislation and guidance, confirmed that the expected procedures and controls were correctly used.
- iv. With the introduction of the Uniform system to administer grants, there is a need to address staff training so that staff knowledge and skills are enhanced for operational objectives.
- v. DFG programmes that result in a specification which requires the need to use discretionary delegation powers, would benefit from introducing a business case template which documents this with appropriate authorisation. Compliance testing identified that the existing labelling of supporting documents in the Information at Work system needs to improve.
- vi. The existing control procedure monitors the financial grant at individual applicant status, however it does not use financial management information to monitor and evidence the cumulative DFG's for the year. Therefore, there is a gap in completing reconciliation controls between the Uniform system and Civica Financials (the Council financial management system).
- vii. The Uniform database will form the primary system which will be used to record and act as the key source for all managerial requirements of DFG's. The introduction of an action plan with the objective of ensuring that the data records are accurately maintained should be introduced. There is also an urgent need to formalise the performance and monitoring parameters to manage DFG's.

Conclusion

Internal Audit reviewed the DFG control environment currently in place. Appropriate assurance has been obtained that the majority of expected key controls are currently operating effectively.

Eight recommendations have been raised, with the objective of improving the existing DFG processes and ensuring the Uniform system is appropriately utilised for recording, managing, and monitoring DFGs for the Council.

The eight recommendations refer to: i) Updating DFG policy; ii) Refreshing standard grant applicant templates; iii) Identifying and documenting the staff skills gap for the Uniform IT system to be addressed by future training; iv) New discretionary DFG awards to be underpinned by an appropriate authorised business case; v) Improved labelling of grant applicant documents; vi) Quarterly financial reconciliations between the Uniform and Civica Financial systems; vii) Formalisation of the performance and monitoring parameters to manage DFG's; and viii) Introduction of a detailed action plan for the Uniform DFG system module.

Management Actions

The eight recommendations have been accepted by management with the latest target implementation date confirmed as 30th September 2022.

Summary of Consulting Activity, Grant Certification and/or Support Delivered where no Opinions are provided

Service Area: Policy and Resources

Audit Activity: Election Accounts

Background

The Gloucester City Council, Police and Crime Commissioner (PCC), and General Elections were held 6th May 2021. The costs incurred by the Local Returning Officer for managing and administering the election which have been paid through the Council's payment systems may be claimed back from the Electoral Commission (EC).

Scope

The deadline for submission of the claim to the EC for the PCC election was 1st November 2021. This audit provided assurance that, in all significant respects, the claim for the elections (to be signed off by the Local Returning Officer) is complete, accurate and appropriately evidenced.

Key Findings

- i. The PCC election claim had been prepared by the Policy and Governance Manager on behalf of the Local Returning Officer, with a face value of £88,436.67. The maximum recoverable amount allowed by the EC was £90,353.00.
- ii. Internal Audit sample tested the expenditure within the claim to ensure that it was in accordance with the guidance provided by the EC and matched to supporting invoices. Internal Audit reviewed 100% of the polling and count accommodation and equipment; postal vote printing and postage; poll card postage and equipment; and training expenditure that was claimed for (totalling £55,039.55). This process identified minor discrepancies that were brought to the attention of the Policy and Governance Manager. The claim spreadsheet was subsequently adjusted as required.
- iii. Internal Audit also sample tested the claim of pay for electoral workers, cross-checking timesheets against extracts from the payroll system and the claim spreadsheet. The total value checked was £13,864.58 (76.4% of claimed pay for the election). It was found that £1,533.75 relating to count staff had been unaccounted for in the claim. After clarifying this with the Policy and Governance Manager, this was confirmed and corrected.
- iv. Internal Audit reviewed the payment made against the guidance for paying the Local Returning Officer. The payment included roles for all three elections, with two separate roles relating to the PCC (the Police Area Returning Officer and Local Returning Officer). As per the EC guidance for the PCC, the Returning Officer receives their fees in two instalments, 75% paid after the election and the remaining 25% after the completion of the claim to the EC.

- v. It was found that whilst the total due to be paid to the Local Returning Officer had been calculated correctly, a minor administrative error had been made during the initial payment resulting in an overpayment of £69.50. The Policy and Governance Manager confirmed that this would be deducted from the 25% Returning Officer final payment.
- vi. The Returning Officer fee is the only 'staff ' payment that attracts superannuation. This should be added to the claim at the percentage rate applicable. However, it was confirmed with the Policy and Governance Manager that the Returning Officer has opted out of pension contributions for the fees received. Internal Audit confirmed via the Returning Officers' June 2021 payslip that no superannuation had been paid.
- vii. After Internal Audit reviewed the claim and the Policy and Governance Manager agreed the required adjustments, the total amount claimed equalled £88,382.17. The adjusted amount was within the maximum recoverable amount allowed.

Conclusion

Several adjustments were required prior to submission of the claim, pending additional evidence or the remediation of manual errors identified. These were agreed and corrected by the Policy and Governance Manager before submission of the claim.

Once the adjustments highlighted to the Policy and Governance Manager were completed, Internal Audit considers with reasonable assurance that the claim to be submitted to the EC Electoral Claims Unit is a fair and accurate reflection of costs incurred in facilitating the Police and Crime Commissioner Election.

Management Actions

No management actions were required.

Summary of Special Investigations/Counter Fraud Activities

Current Status

To date in 2021/22 there have been eight new potential irregularities referred to the ARA Counter Fraud Team (CFT). Four of the eight cases have been closed and have been reported the Audit and Governance Committee previously. The outcomes of the remaining four cases will be reported to the Audit and Governance Committee on their conclusion.

There is one case remaining open from prior year that is still on going. The Council is currently liaising with One Legal to progress this case further and an independent Barrister has been appointed to progress this case.

In addition, the ARA CFT in conjunction with the Intelligent Client Officer (Revenues and Benefits) have continued to work on two cases carried forward from last year in respect of Covid-19 Government issued small business grant payments. One of these cases has now been closed and £10,000 grant funding claimed when not eligible to do so has been repaid to the Council in full.

An additional grant related case that had previously been closed has recently been reopened due to revised guidance issued by the Government. Advice has been sought from One Legal on this case due to potential complications.

Many potential attempted frauds are intercepted. This is due to a combination of local knowledge and also the credible national communications including those from the National Anti-Fraud Network (NAFN) being swiftly cascaded to teams where more national targeted frauds are shared for the purpose of prevention.

The CFT continues to provide support and guidance to Council staff in respect of Interviews Under Caution, court file preparation and taking witness statements where required.

Gloucester City Council is a supporter of International Fraud Awareness Week (IFAW). This year IFAW took place between 14th and 20th November 2021. Event articles promoting counter fraud awareness were shared with Council staff, in support of the event.

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 for the 2021/22 exercise have been uploaded to the Cabinet Office. The data matching reports were released at the end of January 2021.

The full NFI timetable can be found using the link available on GOV.UK – <https://www.gov.uk/government/publications/national-fraud-initiative-timetables>.

Examples of data sets includes 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 always investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area within the Council.

To date, the review of the matches has identified errors leading to the recovery of £8,022 together with the identification of further savings of £2,322 due to delays in updating notifications of Benefits changes in circumstances. Making a total saving of £10,344.

As a result of the frauds associated with the various Covid-19 grants, a number of new matches have been released. These include identifying bank accounts that have been used for multiple claims and cross matching claimants with other Local Authorities.

The CFT is currently working with the Council's Intelligent Client Officer (Revenues and Benefits) to establish whether the matches require further investigation. To date one case (included in the eight 2021/22 referrals stated above) has been referred to the CFT for investigation and another three potential matches are being assessed.

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Progress Report including Assurance Opinions

Department	Activity Name	Priority	Activity Status	Risk Opinion	Control Opinion	Reported to Audit and Governance Committee	Comments
Exempt	Exempt	1	Final Report Issued	Satisfactory	Satisfactory	15/11/21	Brought Forward from 20/21 plan.
Council Wide	Health and Safety Limited Assurance Second Follow Up	1	Planned				
Council Wide	Complaints Procedure	2	Review in Progress				Consultancy review based on introduction of new system.
Council Wide	Agency Staff	2	Planned				Terms of reference issued.
Council Wide	Employee Code of Conduct	1	Planned				Deferral from 20/21 agreed through the Revised Internal Audit Plan 20/21.
Council Wide	Effective use of Probationary period	2	Planned				Deferral from 20/21 agreed through the Revised Internal Audit Plan 20/21. To commence in quarter 4 21/22.
Council Wide	Patch Management	1	Final Report Issued	Substantial	Substantial	13/09/2021	Brought Forward from 20/21 plan.
Council Wide	Cyber Security	1	Audit in Progress				Brought Forward from 20/21 plan.
Council Wide	Change Management	1	Planned				New Activity. 21/22 ICT audit activity requested via Information Governance Board. To commence in quarter 4 21/22.
Council Wide	PCI DSS	2	Planned				
Council Wide	Climate Change Strategy	1	Planned				
Council Wide	Covid Recovery Scheme - Plan and Financial Pressures	1	Planned				
Council Wide	Data Breaches and Breach Reporting	2	Final Report Issued	Satisfactory	Satisfactory	15/11/2021	
Communities	Section 202 reviews	2	Planned				Deferral from 20/21 agreed through the Revised Internal Audit Plan 20/21. Terms of reference issued. Audit due to start in January 22.
Communities	Tenancy Rescue	2	Planned				Deferral from 20/21 agreed through the Revised Internal Audit Plan 20/21.
Communities	Social Values Policy	1	Final Report Issued	Not Applicable	Not Applicable	15/11/2021	
Communities	Disabled Facilities Grant	2	Final Report Issued	Satisfactory	Satisfactory	17/01/2022	
Communities	Homeless Outreach	2	Planned				Terms of reference issued.
Communities	Compliance and Enforcement Grant	1	Final Report Issued	Not Applicable	Not Applicable	13/09/2021	New Activity.
Cultural Services	Cultural Strategy Review	1	Review in Progress				Consultancy review across 21/22. Outcomes to be reported within the 21/22 Annual Report.
Cultural Services	Culture Recovery Fund	1	Final Report Issued	Not Applicable	Not Applicable	15/11/2021	New Activity.
Place	Community Infrastructure Levy (CIL) and Section 106	1	Audit in Progress				Deferral from 20/21 agreed through the Revised Internal Audit Plan 20/21. Activity planning and risk discussions completed within the Audit and Governance Committee Chair and the Cabinet Member for Planning and Housing Strategy.
Place	High Street Heritage Action Zone	2	Planned				
Place	Recycling Commodities	2	Audit in Progress				
Place	Recycling Credits	2	Audit in Progress				
Place	Planning - Processing and Performance	2	Planned				
Policy and Resources	Bank Reconciliation	1	Audit in Progress				Deferral from 20/21 agreed through the Revised Internal Audit Plan 20/21.
Policy and Resources	Cemeteries and Crematorium – compliance with GDPR	2	Planned				Deferral from 20/21 agreed through the Revised Internal Audit Plan 20/21.
Policy and Resources	Election Accounts	1	Final Report Issued	Not Applicable	Not Applicable	17/01/2022	Deferral from 20/21 agreed through the Revised Internal Audit Plan 20/21. Elections postponed to May 21.
Policy and Resources	Blackfriars Priory Turnover Certificate	1	Final Report Issued	Not Applicable	Not Applicable	13/09/2021	
Policy and Resources	Investment Portfolio Risk	1	Planned				
Policy and Resources	Technology Forge	1	Review in Progress				Consultancy review across 21/22. Outcomes to be reported within the 21/22 Annual Report.
Policy and Resources	Procurement Cards	2	Final Report Issued	Satisfactory	Satisfactory	15/11/2021	
Policy and Resources	Disposals - HKP	2	Planned				
Policy and Resources	Gloucestershire Airport	1	Planned				
Policy and Resources	Lost Sales, Fees and Charges Claim Three	1	Final Report Issued	Not Applicable	Not Applicable	13/09/2021	
Policy and Resources	Accounts Receivable	1	Final Report Issued	Satisfactory	Satisfactory	17/01/2022	

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Meeting:	Audit and Governance Committee	Date:	17th January 2022
Subject:	Strategic Risk Register Update		
Report Of:	Head of Audit Risk Assurance (ARA)		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Piyush Fatania, Head of Audit Risk Assurance		
	Email:	Tel:	
	piyush.fatania@gloucestershire.gov.uk	01452 328883	
Appendices:	1. Strategic Risk Register as at 19th October 2021		

FOR GENERAL RELEASE

1. Purpose of Report

- 1.1 To present the Gloucester City Council Strategic Risk Register (SRR) as agreed by Senior Management Team (SMT) on 19th October 2021 to Members for their awareness and consideration.

2. Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** to note and endorse the Strategic Risk Register.

3. Background and Key Issues

Risk Management - Taking Managed Risks and Maximising Opportunities

- 3.1 It has always been important for Council's to identify and manage their risks. Public sector legislation has reinforced this view. The Accounts and Audit Regulations 2015 state '*A relevant authority must 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.*'
- 3.2 In addition, the Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE 2016) notes seven key principles to enable the development of good governance within public services. One of which states that good governance is '*managing risks and performance through robust internal control and strong public financial management.*'

Strategic Risk Register

- 3.3 The Council's Risk Management Policy Statement and Strategy provides the framework for the effective management of risks and opportunities within the Council. It supports decision making at all levels and aids delivery of the Council Plan values, key actions and projects. The Strategy also includes the process for monitoring and reporting of strategic risks. Members reviewed the Risk Management Policy Statement and Strategy 2020/23 on 20th January 2020, with Cabinet endorsing the Strategy on 12th February 2020.
- 3.4 The Risk Management Policy Statement and Strategy requires the Council to assess risks at a strategic level through documentation and management of the Strategic Risk Register. SMT owns the Strategic Risk Register and strategic risk owners are at SMT level. The SRR is reviewed and updated quarterly by SMT.
- 3.5 Audit and Governance Committee endorsement of the SRR is completed twice a year and by Cabinet at year end. This is to enable Member awareness of the strategic risks, the mitigation measures put in place to manage them and the impact on decisions facing the Council.
- 3.6 This report is the first Strategic Risk Register update to Members within 2021/22, presenting the Strategic Risk Register as reviewed and agreed by SMT on 19th October 2021.
- 3.7 As at 19th October 2021, three of the strategic risks had high current risk scores. These relate to business continuity management (both operational and ICT), and ongoing maintenance of the Property Investment Strategy. SMT closely monitor the three risks however given their strategic importance to the Council, have confirmed that they remain high risk areas.
- 3.8 The below table confirms the risk score direction of travel within 2021/22 for the three high current risk score strategic risks.

Risk No.	Risk Description	Original Risk Score	Current Risk Score Quarter 1 2021/22	Current Risk Score Quarter 2 2021/22
1.9	Ability to respond effectively to unexpected events in support of our communities (e.g., weather/terror attack/phone system failure/other).	12	9	9
1.10	Council services loss for a significant period, due to technology failure (leading to other financial, reputational and information governance risks).	16	8	8

Risk No.	Risk Description	Original Risk Score	Current Risk Score Quarter 1 2021/22	Current Risk Score Quarter 2 2021/22
1.14	Negative financial implications due to inappropriate delivery and management of the Property Investment Strategy; and a risk of political priorities diluting commercial considerations around hedging.	16	8	8

- 3.8 Audit Risk Assurance (ARA) engaged in a strategic risk benchmarking exercise within 2021/22, against six neighbouring and similar local authorities. The main aim of the benchmarking analysis was to review the categories and types of risk recorded within the strategic risk registers. To evaluate whether Gloucester City Council had considered and captured all relevant key risks associated with delivering the Council's objectives.
- 3.9 SMT scrutiny and consideration of the benchmarking information concluded that the strategic risks identified and assessed by Gloucester City Council were in line with expectations of the Council's areas of business and other similar authorities.
- 3.10 At the request of SMT, this benchmarking exercise will be undertaken annually at the first quarter of the financial year.
- 3.11 During quarter two of 2021/22, one emerging strategic risk area has been regularly discussed and considered by SMT: Failure to meet the Council's Net Carbon Zero target by 2045. The current position is that this risk has not been included on the Strategic Risk Register as at 19th October 2021. The decision of SMT was to note the risk area and reconsider the position at the Quarter three review.
- 3.13 During 2021/22 to date, no additional risks or removal of risks have occurred within the Strategic Risk Register.

4. Social Value Considerations

- 4.1 There are no 'Social Value' considerations arising out of the recommendations in this report.

5. Environmental Implications

- 5.1 There are no 'Environmental' implications arising out of the recommendations in this report.

6. Alternative Options Considered

- 6.1 The alternative option is not to present the Strategic Risk Register to Members. This option is not compliant with the CIPFA: Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition) and does not support strategic risk awareness or informed prudent decision making.

7. Reasons for Recommendations

- 7.1 The CIPFA: Audit Committees Practical Guidance for Local Authorities and Police (2018) confirms that the role of an Audit Committee includes keeping up to date with the risk profile of a Council through regular review of the risk profile and areas of strategic risk.
- 7.2 The Gloucester City Council Constitution confirms the role of the Audit and Governance Committee. This includes the function to 'monitor the adequacy and effectiveness of the Council's governance arrangements' including 'monitoring the arrangements for the identification, monitoring and control of strategic and operational risk within the Council'.

8. Future Work and Conclusions

- 8.1 An embedded risk management approach helps to support the challenges that the Council may face. Allowing it to react dynamically to changing circumstances by enabling the Council to handle risk effectively and deliver successful outcomes.
- 8.2 A review of the Council's Risk Management Framework is currently being undertaken and the outcomes will be reported to Audit and Governance Committee in due course. The findings of this review could lead to a re-evaluation of the Strategic Risk Register.
- 8.3 The Strategic Risk Register will continue to be formally reviewed and updated quarterly by SMT, being presented to the Audit and Governance Committee twice a year and Cabinet at financial year-end.

9. Financial Implications

- 9.1 There are no direct financial implications arising from the report recommendations. However, there are several risks within the Strategic Risk Register which, if not managed, have the potential to expose the Council to financial costs not provided for within existing budgets. The documented current controls and mitigating actions aim to manage the risk of Council exposure to these costs.
- 9.2 Financial Services were consulted during the preparation of this report.

10. Legal Implications

- 10.1 None specifically arising from the report recommendations.
- 10.2 It is fundamental that the Council has an embedded risk management framework (including a Risk Management Policy Statement and Strategy). This considers the identification, recording and management of risks to the Council in the delivery of its priorities and objectives.
- 10.3 The existence and application of an effective Risk Management Policy Statement and Strategy (including Member review of the Strategic Risk Register and awareness of strategic risks) assists prudent decision making.

Failure to identify and manage strategic risks could lead to inappropriate decision making, unnecessary liability and costly legal challenge.

10.4 One Legal were consulted during the preparation of this report.

11. Risk and Opportunity Management Implications

11.1 Failure to deliver on effective risk management, particularly during periods of significant change, may have a detrimental effect on the achievement of the potential opportunities and adverse effects that challenge the assets, reputation and objectives of the Council, strategic decision making and the wellbeing of our stakeholders.

12. People Impact Assessment (PIA) and Safeguarding

12.1 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.'*

12.2 Adoption of the Risk Management Policy Statement and Strategy and the associated framework support and ensure compliance with the Council's equality policies.

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

13. Community Safety Implications

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

14. Staffing and Trade Union Implications

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

Background Documents:

- i. Accounts and Audit Regulations 2015;
- ii. Delivering Good Governance in Local Government: Framework 2016 (CIPFA/SOLACE);
- iii. Risk Management Policy Statement and Strategy 2020-2023; and
- iv. CIPFA: Audit Committees Practical Guidance for Local Authorities and Police (2018).

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Strategic Risk Register Report

SRR1 Strategic Risk Register

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
SRR1.1	Non achievement of the Money Plan – including the annual savings / income targets and the result of a balanced budget	4	4	16	<p>*Budget setting process – including consultation; management/leadership input into savings targets; and Overview & Scrutiny and Council involvement.</p> <p>*Forecasting Money Plan for medium term.</p> <p>*Allocation of individual savings/income targets to an SMT sponsor, Cabinet Member and leading manager.</p> <p>*Rigorous monthly monitoring of the Council’s financial position - monthly budget monitoring (including budget savings programme lines) at budget holder level (Finance led) and by SMT.</p> <p>* Financial Services staff professionally qualified in accountancy-related disciplines.</p> <p>*Assurance reviews by Internal Audit to ensure</p>	3	2	6			3	2	6	Head of Policy & Resources

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					compliance with approved policies and procedures. *Service Plans aligned with resources and subject to regular review.									
SRR1.2	Adverse public and media relations	3	3	9	*Dedicated communications and marketing resource with defined service scope – service delivery by County Council (SLA). *Regular monitoring of press coverage. *Formal route for media press contact (controlled approach). *Standardised FOI approach with FOI Champions. *Dedicated support for key consultations. *Communication Strategy on key campaigns, including performance measures. *Internal Communications Channel Plan. *Complaints policy / monitoring. *Digital communications team in place – including objectives, policies and procedures. *Approved campaigns plan in place.	3	2	6			2	2	4	Managing Director

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					*Release of new Council website.									
SRR1.3	Lack of competence, staff engagement, probity and professionalism, workforce planning, succession planning, recruitment and retention within the authority leading to diminished performance, inappropriate behaviour, and failure to comply with governance.	3	3	9	<ul style="list-style-type: none"> *Dedicated HR resource with defined service scope – service delivery by County Council (s101 agreement). *Adherence to best practice recruitment and selection procedures and principles. *Member and staff training. *Complaints monitoring. *Member role descriptors. *Codes of conduct for members and officers. *Defined officer roles. *Staff 1:1s and performance appraisals. *Disciplinary procedure. *Adherence to health and safety Policy and procedures. *Staff survey. *Staff engagement activities. *Governance Group bi-monthly meetings. *Council Values and behaviours refreshed and adopted. *Development Plan and Learning & Training Plan in place. 	3	2	6			3	1	3	Head of Policy & Resources

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					*OD Plan in place. *Talent management scheme and apprenticeship scheme in place.									
SRR1.4	Failure to effectively manage contracts and SLAs with key partners / other significant bodies, including: Urbasser, Civica, Aspire, Gloucestershire Airport, VCS organisations, Gloucestershire County Council shared services	3	3	9	*Central list held of all contracts and SLAs with named responsible officers and Members. *In set up of the partnerships: -Corporate procurement strategy and procedures; Contract Standing Orders; Constitution requirements; and Availability of advice from legal, finance & procurement. -Documentation on the Council contracts register. *Partnership specific controls required (for each partner): -Documented signed SLA. -Lead contact officers assigned to each partner. -Regular performance management meetings, with reporting to SMT/Committee. -SLAs incorporate contingency business plan approach to mitigate loss of service.	2	2	4			2	2	4	Head of Policy & Resources

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					<ul style="list-style-type: none"> -Partnership risk registers – either individually or within the service risk register. -Governance arrangements identifying where decisions are taken. -Agreement of SLA KPIs, performance standards and payments (within contract). -Ongoing negotiation with partners to review current contract contents, to ensure up to date (e.g. GDPR considerations) and fit for purpose. 									
SRR1.5	Failure to support and enable business growth within the city	3	3	9	<ul style="list-style-type: none"> *Support local businesses both start up and new - 'Better Business For All'. *Partnership support for skills/jobs and attraction of inward investment. *Council's promotion of city through links with GFirst LEP;; and with adjacent authorities (e.g. JCS). *Cultural Strategy – including 6 monthly review and update. *Liaison with Business Improvement District *Regeneration and Economic Development 	3	2	6			2	2	4	Head of Place

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

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					*Council Fraud Officer works closely with ARA – Council position reviewed monthly by S151 Officer and Chief Internal Auditor.									
SRR1.7	Failure to deliver key regeneration priorities (including Kings Quarter and Blackfriars)	3	3	9	Regeneration Advisory Board. *Capital Monitoring Steering Group & existing capital programme controls. *Brilliant Basics modules (project management and influencing skills) available to management team. *Project specific controls that should be in place: -Project plans in place for major schemes. -Project review meetings led by experienced/qualified Members and Officers with third party links/presence (e.g. developers and associated commercial agents). -Project update reporting to Cabinet and Council (in line with project plan milestones). - Re-assessment of projects at appropriate	3	2	6			2	2	4	Head of Place

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					points to review objectives and deliverables. - Maintenance and review of project risk registers for each regeneration project. -Ongoing internal review and financial scrutiny of projects.									
SRR1.8	Failure to manage information in accordance with legislation	4	4	16	*IT Security: -Civica ITO contract includes key IT security control continued delivery with ongoing client monitoring required. -Virus protection (desktop, server, email, attachments etc) and fire wall controls. -Monitoring of internet access and restriction on sites permitted to access -E-mail content scanning (incl. Forcepoint). -Physical security and protection of IT suite (access list only – physical in now with Indectron). -Procedures for login lockdown when IT staff leaving organisation. -Data cleansing of IT equipment prior to disposal.	3	2	6			4	1	4	Head of Policy & Resources

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					-Client monitoring (in-house intelligent client function) team in place. -IT risk register monthly review and update by the IT Operations Board. *Use of information: -FOI procedures; standardised approach; & FOI Champions. -Information management rules within the Constitution. -Data Protection guide and GDPR implementation/training action plan. -Staff training and induction to confirm appropriate management of information. *Info stored / accessed - Building access controls. *SIRO role allocated. *Information Governance Board and ICT Strategy Board in place. *Suite of information policies in place and available on NETconsent policy management system.									
SRR1.9	Ability to respond effectively to	4	3	12	*Up-to-date Emergency Response Plan, Flood Plan, Vulnerable	3	3	9	Review and refresh all service Business Continuity Plans to ensure up-to-date and appropriate content	29-Apr-2022	3	2	6	Head of Communities

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner	
	unexpected events in support of our communities (e.g. weather/terror attack/phone system failure/other)				<p>People Plan, Pandemic Plan etc. drafted in conjunction with agencies, government departments and other local authorities.</p> <p>*Regular review and updating of Emergency Response Plan and other plans.</p> <p>*Allocated Emergency Team Leaders within the Council e.g. District Emergency Controller and Gold Officer roles.</p> <p>*Business continuity plans in place for each Service.</p> <p>*Bad weather policy and communications.</p> <p>*Climate change strategy supported by Local Resilience Forums.</p> <p>*Emergency Contacts list updated every quarter.</p> <p>*Defined Mutual Aid Agreement including all Gloucestershire local authorities.</p> <p>*Continued testing of Emergency Plan arrangements; bi annual exercises & live events (e.g. Christmas call out exercise); and use of Mutual Aid agreement. With ongoing shared</p>										

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					learning.									
SRR1.10	Council services loss for a significant period, due to failure and limited capacity of IT infrastructure (leading to other financial, reputational and information governance risks)	4	4	16	<p>*Up to date IT asset register.</p> <p>*Appropriate secure physical location of the servers.</p> <p>*Medium term IT infrastructure investment budget agreed</p> <p>*Infrastructure/network topology (mapping) with action plan for regular review and update including identification, risk assessment, costing and priority ranking of IT infrastructure options for investment.</p> <p>*PSN Compliance Certificate achieved. Cyber Essentials achieved and working to Cyber Essentials plus, with IT Health check undertaken annually</p> <p>*ICT Business Continuity Plan review and renewal completed (platform for DR and to be expanded for use as the platform for all GCC systems post relocation from HKP).</p> <p>*ICT Strategy in place.</p> <p>*Information Governance Board and</p>	4	2	8	An ICT internal audit to be completed to support the ICT Action Plan	29-Apr-2022	3	2	6	Head of Policy & Resources

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					ICT Security Board in place.									
SRR1.11	Inability of the council to identify viable plans to achieve efficiencies and/or income generation.	4	4	16	<p>*Budget setting process – including consultation; management/leadership input into savings targets; and Overview & Scrutiny and Council involvement.</p> <p>*SMT and Cabinet review and approval of Money Plan savings delivery options – including commissioning and alternative delivery opportunities for savings and income generation.</p> <p>*Allocation of individual savings/income targets to an SMT sponsor, Cabinet Member and leading manager.</p> <p>*Rigorous monthly monitoring of the Council's financial position - monthly income / budget monitoring at budget holder level (Finance led) and by SMT.</p> <p>*Engagement with GMT to ensure corporate ownership of financial challenges and need for active identification of efficiency & income opportunities for the</p>	3	2	6			3	2	6	Head of Policy & Resources

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					Council									
SRR1.13	Inability of the Council to deliver the Corporate Plan to 2024	4	4	16	<p>*Corporate Plan developed jointly by Cabinet and Senior Management Team, scrutinised and endorsed by the wider Council membership.</p> <p>*Corporate Plan approval completed.</p> <p>*Budget Strategy and Money Plan designed to appropriately resource the delivery of the Corporate Plan.</p> <p>*Performance management framework.</p> <p>*Service planning processes to ensure Corporate Plan link to Service Plans.</p> <p>*Appraisal processes link personal objectives and development needs to the needs of the organisation, talent development and personal well being.</p>	1	1	1			3	2	6	Managing Director
SRR1.14	Negative financial implications due to inappropriate delivery and management of the Property Investment Strategy; and a risk of political	4	4	16	<p>*Property Investment Strategy (including risk management considerations) endorsed by Cabinet and approved by Council.</p> <p>*Property Investment Board set up with a defined Terms of</p>	4	2	8			4	2	8	Head of Policy & Resources

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner	
	priorities diluting commercial considerations around hedging				<p>Reference to oversee the investment of the £80m fund.</p> <p>*Council approved delegation of authority to the Council Solicitor to conclude documents (in line with senior officer agreed heads of terms) to enable completion of each acquisition.</p> <p>*Property Investment Board to receive investment prospectus and officer evaluations of potential property acquisitions; to make recommendations to the s151 Officer with regards to investment; and to oversee the due diligence and acquisition process in accordance with the Property Investment Strategy.</p> <p>*Property Investment Board to monitor fund position (including cost of borrowing) and the management of the estate, with outcomes to be reported to senior officers and Members.</p> <p>*Legal implications ongoing review to ensure relevant local authority powers remain in place to support the</p>										

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					Property Investment Strategy.									

Cannot group these rows by Code & Title

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
SRR1	Strategic Risk Register													Senior Management Team

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Meeting:	Audit and Governance Committee	Date:	January 2022
Subject:	Annual Governance Statement 2020/21 Improvement Plan – Progress Report		
Report Of:	Head of Audit Risk Assurance (ARA)		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Piyush Fatania, Head of ARA		
	Email:	Tel:	01452 328883
	piyush.fatania@gloucestershire.gov.uk		
Appendices:	1: Annual Governance Statement 2020/21		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To provide assurance to the Committee that the improvement areas and associated actions identified as part of the annual review of governance arrangements operating within the Council, have been or are being addressed.

2.0 Recommendations

2.1 Audit and Governance Committee is asked to RESOLVE to review and consider the actions taken to address the governance improvement areas identified.

3.0 Background and Key Issues

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

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

3.3 Members approved the Council’s Annual Governance Statement 2020-21 (including the Annual Governance Statement 2020-21 Improvement Plan) at the July 2021 Audit and Governance Committee meeting.

3.4 This report updates Members on the Council’s progress (detailed in Appendix A) against agreed actions from the Annual Governance Statement 2020-21 Improvement Plan.

4.0 Social Value Considerations

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

5.0 Environmental Implications

5.1 There are no Environmental implications as a result of the recommendations 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 Council is required to produce an Annual Governance Statement under the Accounts and Audit Regulations 2015. Through the Council's Constitution, the Audit and Governance Committee has responsibility for review and approval of the Statement (including relevant Improvement Plans).

8.0 Future Work and Conclusions

8.1 The improvement actions identified as part of the annual review and included within the Annual Governance Statement 2020/21 will be monitored by Senior Management and the Audit and Governance Committee during 2021/22. It is proposed that this will include an update report to Audit and Governance Committee in January 2022.

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 and 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 Annual Governance Statement 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 recommendations made in this report.

14.0 Staffing and Trade Union Implications

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

Background Documents: Council website links to supporting reports and documentation are made within the Annual Governance Statement 2020/21 (**Appendix 1**)

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Appendix A

Gloucester City Council Annual Governance Statement (AGS) 2020-21 Improvement Plan – Progress Report

Governance matter identified	Position as at December 2020	Target Date and Lead Officer
<p>Future Financial Sustainability / Efficiency Savings / Covid-19 Impact: Close monitoring of budgets has been and will continue to be carried out in each financial year. Continuous monitoring of service pressures and ongoing focus on preventative support will continue.</p> <p>The Council during 2020/21 continued to lobby and work with Government for additional Covid funding and will continue to do so.</p>	<p>Budget Monitoring during 21/22 has continued to ensure that the financial position of the Council is known. Quarterly Financial and Performance monitoring reports are being provided to Scrutiny Cabinet.</p> <p>The Council has continued to compete all COVID returns for government to ensure all income and expenditure is highlighted.</p>	<p>31st March 2022</p> <p>Head of Policy and Resources</p>
<p>An eight-strand Recovery Plan was adopted to return (restart suspended services), retain (keep and sustain any improved new ways of working), resist (resist the temptation to simply return to doing things as before) and reimagine (consider new ways of delivering services after the pandemic) Council Services. All eight strands have been subject to Overview and Scrutiny.</p> <p>A review of corporate risk management is being undertaken. This will assess risk management processes within the Council and review these against current guidance and best practice requirements. This review is an opportunity to benchmark the Council's risk management approach and support a positive direction of travel on the area.</p> <p>The Council's Corporate Directors will both leave their posts in early</p>	<p>The progress on the recovery plan was presented to the Council Overview & Scrutiny Committee between 6th July 2020 and 30th November 2020 to update on the various strands.</p> <p>A further update on progress and future plans was provided to committee on 1st November 2021.</p> <p>This work is in progress with progress report expected before the end of the financial year.</p> <p>New senior management structure in place from 01 January 2022</p>	<p>31st March 2022</p> <p>Head of Policy and Resources</p>

<p>2021/22 – one due to retirement and the other to pursue a different career path. The Council can be assured that effective leadership, continuity and resilience continues to be provided by the senior management team. Additional interim resource has been secured to provide further resilience and Monitoring Officer duties while the outcome of any review of senior management is undertaken and recruitment is completed.</p> <p>The local elections were postponed in 2020. These took place in May 2021 and has seen quite a high volume of new Members in 2021. The Council established and is delivering a robust program of induction of Member training, development and support.</p> <p>It is also pleasing that, given the tremendous challenges of the last year, there have been no Limited Assurance outcomes have been reported to date for 2020/21 from ARA activity. Furthermore, no diminution of service or governance has been reported in assurance statements completed by management.</p>	<p>New councillor induction and training programme delivered in 2021 with ongoing member development training ongoing.</p>	
<p>There are planned audits in 2021-22 Internal Audit Plan that will further enhance the Council’s governance arrangements. In particular:</p> <ul style="list-style-type: none"> • Climate Change Strategy – With the objective of the Council to be Carbon Neutral by 2030. This will have governance impacts throughout the Council. • Investment Portfolio Risk – The investments into the regeneration of the City underpin the vision set out by the Council. These have a strategic significance in the Council meeting its objectives. 	<p>The two audits listed were planned to be completed within quarter four of the financial year and had been progressing as expected. However due to recent events that have impacted the Council’s ICT, Internal Audit alongside the Section 151 Officer, will review the best use of Internal Audit resources in quarter four.</p>	<p>31st March 2022</p> <p>Head of Policy and Resources</p>

With both of the above, governance arrangements surrounding them will be looked at and advised upon to ensure they are suitable and are happening as intended.		

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Gloucester City Council
Audit and Governance Committee Work Programme 2021-22
Updated 7 January 2022

Item	Format	Committees	Lead Officer	Notes
7th March 2022				
1. Appointment of independent Member	Written Report	Audit and Gov	Head of Policy and Resources	Part of the Committee's annual programme of work
2. Annual Risk Management Report 2021/22 and Strategic Risk Register	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
3. Internal Audit Activity 2021-22 Progress Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
4. Internal Audit Plan 2022-23	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
5. Annual Report of the Audit and Governance Committee	Written Report	Audit and Gov Council	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
6. Audit and Governance Committee Work Programme	Timetable	-	-	-

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