



Audit and Governance Committee

Meeting: Monday, 18th July 2022 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

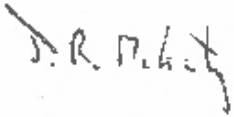
Membership:	Cllrs. Wilson (Chair), Brooker (Vice-Chair), Bowkett, Patel, Durdey, Evans, Melvin and Pullen
Contact:	Democratic and Electoral Services 01452 396126 democratic.services@gloucester.gov.uk

AGENDA

1.	APOLOGIES To receive any apologies for absence.
2.	APPOINTMENT OF CHAIR AND VICE-CHAIR To confirm the appointment made at the Annual Meeting of Council of Councillor Wilson as Chair and Councillor Gravells as Vice-Chair of the Committee.
3.	DECLARATIONS OF INTEREST To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.
4.	MINUTES (Pages 7 - 14) To approve as a correct record the minutes of the meeting held on 7 March 2022
5.	PUBLIC QUESTION TIME (15 MINUTES) The opportunity is given to members of the public to put questions to the Committee 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 13 July 2022 or telephone 01452 396203 for support.
6.	PETITIONS AND DEPUTATIONS (15 MINUTES) A period not exceeding three minutes is allowed for the presentation of a petition or

	<p>deputation provided that no such petition or deputation is in relation to:</p> <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 it to democratic.services@gloucester.gov.uk by 12pm on Wednesday 13 July or telephone 01452 396203 for support.</p>
7.	<p>ANNUAL REPORT OF THE HEAD OF AUDIT RISK AND ASSURANCE</p> <p>To consider the report concerning audit activity for 2021/22.</p>
8.	<p>DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22 (Pages 15 - 34)</p> <p>To consider the report of the Head of Audit, Risk and Assurance in respect of Governance matters in the preceding financial year.</p>
9.	<p>APPOINTMENT OF INDEPENDENT MEMBER</p> <p>To receive an update regarding the recruitment of an independent member to the Committee.</p>
10.	<p>ANNUAL RISK MANAGEMENT REPORT 2021/22 AND STRATEGIC RISK REGISTER (Pages 35 - 70)</p> <p>To consider the report of the Head of Audit Risk Assurance providing Members with an update on the Council's risk management activities from 2021/22.</p>
11.	<p>DRAFT ANNUAL REPORT OF THE CHAIR OF THE AUDIT AND GOVERNANCE COMMITTEE (Pages 71 - 84)</p> <p>To consider the Chair's annual report.</p>
12.	<p>INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2021/22 (Pages 85 - 108)</p> <p>To consider the report of the Head of ARA</p>
13.	<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>14</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>
14.	<p>IT SYSTEMS UPDATE</p> <p>To receive an update from the Director of Policy and Resources.</p>
15.	<p>AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME (Pages 109 - 112)</p>

	To consider the work programme.
16.	DATE OF NEXT MEETING Monday 12 September 2022 at 6.30pm in the Civic Suite, North Warehouse.



Jon McGinty
Managing Director

Date of Publication: Friday, 8 July 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.

Access to Information

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

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

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

Recording of meetings

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

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

FIRE / EMERGENCY EVACUATION PROCEDURE

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

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

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AUDIT AND GOVERNANCE COMMITTEE

MEETING : Monday, 7th March 2022

PRESENT : Cllrs. Wilson (Chair), Brooker (Vice-Chair), Bowkett, Evans, Melvin and Pullen

Others in Attendance

Audit Risk and Assurance Group Manager
Financial Services Manager

Accountancy Manager
Internal Auditor

Democratic and Electoral Services Officer

Also in Attendance

Councillor Norman (Ex-Officio)

APOLOGIES : Cllrs. Patel and Durdey

46. DECLARATIONS OF INTEREST

There were no declarations of interest.

47. MINUTES

47.1 Councillor Wilson pointed to the narrative outlined in minute item 33.2 of the previous meeting. He asked whether the possibility of hiring a 'kickstarter' apprentice to examine smaller VAT claims was still ongoing. The Financial Services Manager confirmed that this had not yet been followed up on, owing to more pressing priorities but could be investigated at a later date.

47.2 In response to a query from Councillor Wilson regarding minute item 35.1, the Financial Services Manager confirmed that the report for the Benefit Subsidy Audit had now been completed and that a report would come before the Audit Committee.

RESOLVED – that the minutes of the meeting held on 17 January 2022 were approved and signed as a correct record by the Chair.

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48. PUBLIC QUESTION TIME (15 MINUTES)

There were no public questions.

49. PETITIONS AND DEPUTATIONS (15 MINUTES)

50. INTERNAL AUDIT ACTIVITY PROGRESS REPORT

- 50.1 The Audit Risk and Assurance Group Manager summarised the contents of the report. The purpose of the report was to inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2021/22. She stated that she wanted to provide assurances to the Committee that since the IT Cyber Incident, work had continued and that assistance had been provided to the Finance and various other teams within the Council.
- 50.2 Councillor Pullen pointed to page 6 of the report, which referenced an investigation into an individual who was undertaking a second paid job outside the Council on top of working for the Authority. He asked what the situation was in regard to City Council staff working second jobs and whether it was a HR or Audit issue. The Internal Auditor replied that with that particular case, the reason it was highlighted as a potential fraud issue was because the employee in question was alleged to have been working a second job, whilst on full time sick leave in their capacity as an employee at the City Council.
- 50.3 In response to a further question from Councillor Pullen, the Internal Auditor confirmed that City Council employees could have a second job outside of the Council and reiterated the reasons as to why that particular case was investigated.
- 50.4 In response to a question from Councillor Wilson regarding how they were assisting Council services in response to the Cyber Incident, the Internal Auditor stated that, at the start of the Cyber Incident, work around processes were put in place, that they were currently undertaking a data exercise and that they had been liaising and working with the finance team. The Audit Risk and Assurance Group Manager added that since January, they had temporarily suspended their work due to the understanding of the position the Council was in. She added that they had been in contact with officers from Revenues and Benefits weekly.
- 50.5 Councillor Wilson stated that his concern was that the controlled environment that existed before the Cyber Incident would be compromised and confirmed that he was reassured by the points made by the Internal Auditor and Audit Risk and Assurance Group Manager. He stated that it was his assumption that dealing with the Cyber Incident was taking up a lot of officer time. He said that some items contained in the year's programme would have to rolled over into the next financial year. He stated that he believed that the Community Infrastructure Levy (CIL) and Section 106

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should be looked at as a priority. He noted that he could not see anything in relation to Recyclables in the plan.

- 50.6 The Internal Auditor noted that regarding Recyclables, a draft report had been written but it was on a drive that was currently inaccessible. He said that once access to the sever had been restored, that report would be completed.
- 50.7 In response to a question from Councillor Wilson regarding whether it was feasible that some instances of fraud would be missed owing to the fact that they could not currently benefit from biennial data matching administered by the Cabinet Office, the Audit Risk and Assurance Group Manager stated that whilst the Cabinet Office had placed some restrictions on data matching (which was currently being reviewed) they had been working directly with officers to support localised data matching where possible. She confirmed that once the Cabinet Office had lifted restrictions, full data matching could reoccur. The Internal Auditor added that the data used for data matching was historical so that it would still be there once systems were operational again.
- 50.8 In response to a further question from Councillor Wilson, the Internal Auditor confirmed that data could be retrospectively uploaded.
- 50.9 In response to a question from Councillor Pullen regarding why the Climate Change Strategy's activity status was deferred, the Internal Auditor stated that they did not believe they could complete the Climate Change Strategy plan for the year ending 21/22. This was predominantly caused by the Cyber Incident. He stated that the plan was for it to be completed by 22/23 and that he believed that the Climate Change Strategy was already being written.
- 50.10 Councillor Pullen noted that the target for the Climate Change strategy to be completed was Q3 in 22/23. He asked how they could audit a plan that did not exist. In response, the Internal Auditor stated that the targets were flexible so the report could be completed earlier. He added that discussions had taken place with officers as to what could be included in the strategy.
- 50.11 In response to a further question from Councillor Pullen, the Internal Auditor stated that he had spoken to the Climate Change Manager and that the CLS report would be used as a baseline report on which the Climate Change Strategy Report would build.

RESOLVED that: - the Audit and Governance Committee:

- (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).

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51. INTERNAL AUDIT PLAN 2022-23

- 51.1 The Audit Risk and Assurance Group Manager summarised the content of the report which provided the Committee with a summary of the draft Risk Based Internal Audit Plan 2022/23, as required by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS) 2017. She highlighted the fact that the report looked different to Internal Audit Plans of previous years, that it was more precise, concise and that they had opted to provide a high level of detail. She noted that the plan was a snapshot and that targets and priorities could change over the year. She further added that she welcomed feedback on both the content and the layout of the Internal Audit Plan compared to previous years.
- 51.2 In response to a question from Councillor Wilson in regards to the Cyber Incident Support Audit referenced in the plan, the Internal Auditor stated that the Audit could take a variety of shapes. He stated that it could be a report, or consultancy work and that he could not yet confirm whether it would take the form of a formal report.
- 51.3 In response to a question from Councillor Wilson, the Audit Risk and Assurance Group Manager stated that the Cyber Incident was not necessarily the biggest risk to delivering the Internal Audit Plan but that the incident meant that they may have to continuously adapt their work.
- 51.4 Councillor Wilson asked whether the external auditors had been kept up to date in regard to the Cyber Incident. In response, the Financial Services Manager replied that they had been having regular conversations with external auditors.
- 51.5 In response to a question from Councillor Gravells, the Internal Auditor stated that at least one of the issues on the Work Programme was suggested by a Member. The Audit Risk and Assurance Group Manager added that they valued feedback from Members and encouraged Members to contact them to discuss any questions or issues they had.

RESOLVED that: - the Audit and Governance Committee:

- (1) Agree that the Internal Audit Plan for 2022/23 reflects the risk profile of the Council; and
- (2) Approve the Internal Audit Plan 2022/23 as detailed in Appendix A.

52. TREASURY MANAGEMENT STRATEGY 2022/23

- 52.1 The Financial Services Manager summarised the content of the report. He stated that the report was the framework summarising how the Council were borrowing and investing money for the next financial year, as well as the

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limits that they were operating within. He pointed to paragraph 3.3 of the report which highlighted the fact that the 2022/23 treasury management strategy recommended to continue operating within an under-borrowing position. He noted that paragraph 3.5 of the report focused on the Council's strategy in regard to short term borrowing. He stated that section 2.1 of the strategy set out the Council's capital expenditure plans. He stated that the tables in that section of the report showed that the Council overborrowed against the Councils Capital Financing Requirement (CFR) in the financial years of 20/21 and 21/22 but that they were forecast to under borrow in 2022/23, 2023/24 and 2024/25. He highlighted paragraph 2.4 of the strategy which outlined the minimum revenue provision. He stated that the minimum revenue provision was the amount of money the Council put aside from the revenue budget to pay for capital funding. The Financial Services Manager explained that the third section of the strategy was focused on borrowing and confirmed that the reason for the Council previously overborrowing was to pay for pension pre-payments to reduce liabilities. He pointed to paragraph 3.2 of the strategy, which highlighted the limits to borrow activity by the Council from the Treasury. He said that the rest of the strategy set out the implications for future borrowing and the impact that could have on the Council.

- 52.2 Councillor Melvin asked whether the escalating situation in regard to the invasion of Ukraine created additional risk to Council finances. In response, the Financial Services Manager stated that Treasury Advisors looked at the worldwide situation and the impact that events may have on the Council's finances. He stated that the Council did not invest in anything high risk and that they were limited to investing in banks and money market funds. He stated that he would like to think that the Council was out of significant risk but that all worldwide events had an impact on costs and rates.
- 52.3 Councillor Wilson noted that he believed that the Treasury Management Strategy was prudent and risk averse, which he believed was the smartest course of action considering the wider economic/political situation.

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

53. CAPITAL STRATEGY 2022/23

- 53.1 The Financial Services Manager summarised the contents of the report. He stated that a lot of the information contained within the report had similar information as the Treasury Management Strategy. He stated that p.51 of the Capital Strategy report contained a breakdown of key projects contained within the capital programme.
- 53.2 Councillor Wilson noted that the report mentioned revenue budget implications. He stated that Capital projects had complicated depreciation values, and he asked whether there would be a potential impact whilst calculations were being done manually. In response the Financial Services Manager stated that this was something that was being looked at but prior year calculations were available to officers.

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53.3 Councillor Melvin thanked officers for their hard work in dealing with the Cyber Incident.

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

54. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED that: -

The press and public be excluded from the meeting during the following items 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 (para. 3) of the Local Government Act 1972 as amended.

55. IT SYSTEMS UPDATE

RESOLVED that: - the Audit and Governance Committee note the verbal update as per the exempt minutes.

56. EXEMPT MINUTES - 17 JANUARY 2022

RESOLVED that: - the exempt minutes of the meeting held on 17 January 2022 were approved and signed as a correct record by the Chair.

57. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

57.1 Councillor Wilson stated that the work programme only covered the next Audit meeting. He stated that there would be a work programme for the rest of the year provided at the next Committee meeting, when it became clearer where they were in regards to the Cyber Incident.

57.2 Councillor Wilson stated that in regards to the requirement to appoint an Independent Member, he understood why this had not yet happened owing to delays caused by the COVID-19 pandemic and the Cyber Incident but noted that it would soon be a requirement and that he would like to have it resolved by the next Audit Committee meeting.

57.3 The Financial Services Manager noted that the Annual Accounts should be going before the July Committee also.

57.4 Councillor Wilson noted that there was an issue with signing off Annual Accounts for auditing purposes across the country, predominantly as a result of the COVID-19 pandemic.

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57.5 In response to a query from Councillor Wilson regarding the Annual Accounts, the Financial Services Manager confirmed that he would inform the Chair of the Audit Committee when the accounts were to be signed off.

RESOLVED that: - the Audit and Governance Committee NOTE the work programme.

58. DATE OF NEXT MEETING

Monday 18 July at 6.30pm in the Civic Suite, North Warehouse

Time of commencement: 6.30 pm hours

Time of conclusion: 7.35 pm hours

Chair

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Meeting:	Audit and Governance Committee	Date:	18th July 2022
Subject:	Annual Governance Statement 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:	01452
	piyush.fatania@gloucestershire.gov.uk	328883	
Appendices:	1: Annual Governance Statement 2021/22		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To summarise Gloucester City Council’s corporate governance arrangements in place during 2021/22, via the publication of an Annual Governance Statement.

2.0 Recommendations

2.1 Audit and Governance Committee is asked to RESOLVE to:

- i. Review and approve the Annual Governance Statement 2021/22 (including the actions planned by the Council to further enhance good governance arrangements), as set out in **Appendix 1**; and
- ii. Agree that an update on actions taken by the Council to further enhance good governance arrangements will be provided to the January 2023 Audit and Governance Committee meeting.

3.0 Background and Key Issues

3.1 In April 2016, the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authorities Chief Executives (SOLACE) published ‘Delivering Good Governance in Local Government: Framework 2016’. This guidance applies to Annual Governance Statements prepared from the 2018/19 financial year. Guidance notes were also published to assist Council Leaders and Chief Executives in reviewing and testing their governance arrangements against the revised seven principles for good governance.

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

3.3 In response to the above, the Council therefore:

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

3.4 The Annual Governance Statement is signed by the Leader, Managing Director (Head of Paid Service) and the Section 151 Officer and must accompany the Annual Statement of Accounts.

4.0 Social Value Considerations

4.1 There are no Social Value implications as a result of the 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 Accounts and Audit Regulations 2015 require the Council to conduct an annual review of the effectiveness of the system of internal control and prepare an Annual Governance Statement. The Gloucester City Council Constitution confirms that it is the responsibility of the Audit and Governance Committee to review and approve the Annual Governance Statement.

8.0 Future Work and Conclusions

8.1 The improvement actions identified as part of the annual review and included within the Annual Governance Statement 2021/22 will be monitored by Senior Management and the Audit and Governance Committee during 2022/23. It is proposed that this will include an update report to Audit and Governance Committee in January 2023.

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.

Contact: One Legal

E-mail: legal.services@onelegal.org.uk

Tel no: 01684 272691

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'. The Statement should also provide an accurate representation of the arrangements in place during the year and 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. 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 2021/22 (**Appendix 1**)

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ANNUAL GOVERNANCE REPORT

2021-22

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Gloucester City Council – Annual Governance Statement 2021-22

1. Scope of Responsibility

- 1.1 Gloucester City Council (the Council) is responsible for ensuring that its business is conducted lawfully and that public money is safeguarded and properly accounted for. The Council has a duty under the Local Government Act 1999 to continuously improve its functions, having regard to best practice, economy, efficiency and effectiveness.
- 1.2 In discharging this duty, the Council acknowledges its responsibility for appropriately governing its affairs, the effective exercise of its functions and the management of its risks. The Council has developed a Code of Corporate Governance (the Code) which defines the principles and practices that underpin our governance arrangements.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) produced the “Delivering Good Governance in Local Government framework (2016)”. This emphasises sustainability and the need to focus on the economic, social and environmental impacts that actions may have on future generations.
- 1.4 The Code is reviewed annually and is consistent with the seven core principles of the CIPFA-SOLACE framework.
- 1.5 The Annual Governance Statement (AGS) has been prepared in accordance with the CIPFA-SOLACE framework. For the year ended 31 March 2022, the AGS shows our compliance to the Code and the Accounts and Audit Regulations 2015, regulation 6(1).
- 1.6 The AGS describes how the effectiveness of the governance arrangements has been monitored and evaluated in 2021-22 and any changes planned for 2022-23.
- 1.7 The Council’s Statutory Officers are the Managing Director (Head of Paid Service), Director of Policy and Resources (Section 151 or S151 Officer) and the Monitoring Officer (the MO). They direct the annual reviews of the effectiveness of the Council’s governance arrangements against the Code, providing oversight and robust challenge. When completed, the findings are reported to the Audit and Governance Committee (AGC), which identifies and monitors any improvement actions.

2. The Corporate Governance Framework

- 2.1 Corporate governance refers to how the Council is led, controlled and held to account.
- 2.2 Appendix A below shows the Council’s Governance, Risk and Control Framework pictorially.
- 2.3 The Council’s governance framework aims to ensure that in conducting its business it:
 - i. Operates in a lawful, transparent, inclusive and honest manner;

- ii. Ensures that public money is safeguarded, properly accounted for and used economically, efficiently and effectively;
 - iii. Has effective arrangements for the management of risk; and
 - iv. Secures continuous improvement in the way that it operates.
- 2.4 The governance framework comprises the culture, values, systems and processes by which the Council is managed. It enables the Council to monitor its objectives and to consider whether these have led to the delivery of effective services and value for money. It enables the Council to monitor the achievement of its strategic objectives.
- 2.5 The framework brings together legislative requirements, best practice principles and management processes.
- 2.6 The system of internal control is a significant part of the framework and is designed to manage the Council's risks to a reasonable level. It cannot eliminate all risk of failure to achieve corporate objectives and can, therefore, only provide reasonable and not absolute assurance. The system of internal control helps the Council to:
- i. Operate in a lawful, transparent, inclusive and honest manner;
 - ii. Ensure that public money and assets are safeguarded from misuse, loss or fraud, are accounted for and used economically, efficiently and effectively;
 - iii. Have effective arrangements for the management of risk;
 - iv. Secure continuous improvement in the way that it operates;
 - v. Enable human, financial, environmental and other resources to be managed efficiently and effectively;
 - vi. Properly maintain records and information; and
 - vii. Ensure its values and ethical standards are met.
- 2.7 The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement [The Role of the Chief Financial Officer in Local Government](#) (2016).
- 2.8 The Code recognises that effective governance is achieved through the following seven CIPFA-SOLACE principles:
- i. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - ii. Ensuring openness and comprehensive stakeholder engagement;
 - iii. Defining outcomes in terms of sustainable economic, social and environmental benefits;
 - iv. Determining the interventions necessary to optimise the achievement of intended outcomes;

- v. Developing the Council's capacity, including the capability of its leadership and the individuals within it;
- vi. Managing risks and performance through robust internal control and strong public financial management; and
- vii. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

2.9 Key features of the Council's governance framework during 2021-22 included:

- i. Council – this is the ultimate decision-making body for all matters and approves the Council Plan, the Constitution (including Standing Orders and Financial Regulations), key policies and the budgetary framework;
- ii. Cabinet – comprises the Leader and five Cabinet Members. This is an executive body with authority to take “key” decisions. Its role is to formulate strategy and policy and make recommendations to Council;
- iii. Audit and Governance Committee – reviews the effectiveness of the internal control, risk and governance environment, receives reports from Internal and External Audit and approves the Council's statutory accounts and the Annual Governance Statement;
- iv. Committees – support the work of Cabinet and the Council. There are four main Committees (excluding the AGC). The Overview and Scrutiny Committee examines proposed policy and the Council's performance. The Planning Committee and Licencing Enforcement Committee oversee regulatory matters and the General Purposes Committee makes recommendations to Council on a range of matters including amendments to the Constitution and electoral issues;
- v. The Managing Director (MD – Head of Paid Service). The MD has delegated authority to take operational decisions within the Council's policies and budgets and overall accountability for the governance framework. The MD advises on budgetary issues and the development and implementation of Council policy;
- vi. The Director of Policy and Resources – promotes effective financial management, ensuring that public money is safeguarded and used economically, efficiently and effectively. The S151 Officer develops and maintains the Council's governance, risk and control framework and contributes to the effective management and governance of the Council;
- vii. The Monitoring Officer – ensures that the Council's decisions are lawful, fair, promote high ethical standards and comply with the Code. The MO has overall responsibility for the operation of the Confidential Reporting Procedure (Whistleblowing) and contributes to the effective management and governance of the Council;
- viii. Internal Audit – deliver a programme of risk based audit activity, counter fraud and investigation services. They provide an annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework and recommend improvements in the management of risk;

- ix. External Audit – provide an opinion on the accounts, the AGS and arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion);
- x. Management – are responsible for developing, maintaining, implementing and owning the Council’s governance, risk and control framework. They contribute to the effective management and governance of the Council;
- xi. The Council Plan – which identifies and communicates the Council’s vision, objectives and priorities;
- xii. The Strategic Risk Register – reflects the objectives of the Council Plan and identifies the implications for the Council’s governance arrangements;
- xiii. The Constitution – sets out the Council’s decision-making framework and is regularly updated. It defines the responsibilities of Members, committees, and the statutory officers (Head of the Paid Service, S151 Officer and the MO). It includes a scheme of delegation, financial regulations and contract standing orders. The Constitution defines codes of conduct for Members and officers; and
- xiv. Whistle blowing policy and process - along with the counter fraud, bribery and corruption strategy outlines the Council’s zero tolerance approach to fraud, bribery and corruption;

2.10 The Council’s governance framework has operated effectively throughout 2021-22 and up to the date of approval of the annual statement of accounts and the AGS.

2.11 The Code is consistent with the principles set out in the CIPFA-SOLACE Framework, and is reviewed on an annual basis. The table below is a summary of the Council’s compliance to the CIPFA-SOLACE Framework:

Principle A
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
<p>Behaving with Integrity</p> <p>To ensure high standards of performance, Members should follow the Code of Conduct. The MO advises on the Code.</p> <p>High standards for officer behaviour are defined in the Officers’ Code of Conduct. Leadership and staff ‘behaviours’ are embedded into the performance appraisal process. External service providers acting on behalf of the Council are required to comply with this.</p> <p>The Codes are regularly reviewed to ensure they operate effectively. The Corporate Governance Group oversees ethical conduct.</p> <p>Demonstrating Strong Commitment to Ethical Values</p> <p>Arrangements to minimise the risk of Members and officers being influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:</p> <ul style="list-style-type: none"> - Register of disclosable conflicts of interests;

- Declarations of disclosable conflicts of interests and disclosable other interests at the start of meetings; and
- Registers of gifts and hospitality.

The Council seeks to prevent fraud, corruption and irregularity and, if suspected, this is thoroughly investigated.

Respecting the Rule of Law

The [Constitution](#) sets out the decision making powers of Members, Committees and officers.

Principle B

Ensuring openness and comprehensive stakeholder engagement.

Openness

The [Gloucester City Council Plan 2017-2021 Extension](#) sets out key objectives, actions, projects, measures and targets.

[Cabinet Member decisions](#) and significant officer decisions are reported on the Council's website.

The Council publishes [an annual report on the activity of the Overview and Scrutiny Committee](#).

The Council publishes data in accordance with the [Local Government Transparency Code](#) which enables residents to contribute to local decision making.

Engaging Stakeholders Effectively

Members are democratically accountable and this provides a clear leadership role in building sustainable communities.

The Council's planning and decision-making processes include consultation with stakeholders.

Members have the opportunity to scrutinise decisions by the Administration through the 'call-in' mechanism. This enables challenge of issues before implementation.

Residents unable to attend public meetings can feedback to the Council via a free email alerts service (Have Your Say) to remain updated on relevant issues within Gloucester.

Principle C

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

Defining Outcomes

The [Joint Core Strategy](#) (JCS) is a partnership between Gloucester City, Cheltenham Borough and Tewkesbury Borough Councils, supported by Gloucestershire County Council and sets out a strategic planning framework for the three areas.

[Gloucester City Plan \(GCP\)](#): Gloucester is a transforming, growing and regeneration City. The JCS and the GCP provide a development framework for the City's growth up to 2031.

A Budget and Medium Term [Money Plan](#), Capital Programme and annual budget process direct financial resources to the Council's priorities and targets. These are overseen by the Senior Management Team, Scrutiny Committee and Cabinet.

The Council efficiency savings across its operations in a systematic and considered manner.

The Council's considers 'sustainability' (economic, social and environmental) impacts on service provision. The Council aims to make all purchases under Best Value terms.

The Council collaborates with partners if there are shared objectives and clear economic benefits from joint working.

Project management arrangements consider political, environmental, societal, technological, legislative, economic and efficiency issues, risks, opportunities and value for money.

Principle D

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

Determining Interventions

Decision makers objectively and robustly analyse a variety of options. This includes information on the risks and opportunities of various options and help to inform decisions.

Consultation with residents ensures their views are fully considered when making decisions about service changes.

The Council's [complaints](#) process enables residents to convey any concerns, which allows us to review and enhance our services.

The Council's service plans, contracts, service level and shared service agreements define outcomes, risks and measures to evaluate performance. These are aligned to the Council Plan, JCS and City Plan.

A strategic planning and performance framework and 'input to impact' methodology links service and strategic priorities. This considers the inputs, outputs and activities needed to achieve priorities, and informs key performance indicators and targets.

Optimising Achievement of Intended Outcomes

The [Money Plan](#) shows how the Council's financial resources will be deployed to deliver our priorities.

The Council considers 'social value' (how scarce resources are used) when commissioning services and service planning.

[Performance reports](#) analyse trends and budget positions which are monitored at management and committee meetings. Mitigation strategies are applied to manage risks.

Principle E

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

Developing the Council's Capacity

The Council uses benchmarking and [peer reviews](#) to help inform resource allocation and how outcomes can be achieved effectively and efficiently.

Collaborative working and alternative service delivery models are considered to meet our priorities.

The Council's workforce organisational development plan aligns to the Council's structure.

The Talent Management Programme supports succession planning. Talent is actively developed via apprenticeships and support for staff undertaking professional qualifications.

Council staff can access an Occupational Health Service that advises on health and well-being, attendance, performance and an employee assistance programme which provides counselling.

The Constitution defines the leadership roles of the Leader of the Council and the Managing Director. The Managing Director leads on implementing strategy and managing the delivery of services and other requirements set by Members.

A dedicated programme supports continued Member development.

Appraisals and talent management assess staff performance, what works well and where further development may be need. This includes leadership skills and behaviours needed to deliver key priorities, support our savings targets, and is part of our commitment to personal and professional development.

Staff training and development covers a range of core skills, leadership and management, including a bespoke programme for Senior Leaders and Team Leaders. A joint coaching offer has been successfully launched with the County Council.

Principle F

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

Managing Risk

The [Risk Management Policy and Strategy](#) defines roles and responsibilities for managing risk. It confirms that risk management is an integral part of all our business planning, option appraisal and decision making activities.

The Council's [Business Continuity plans](#) ensure critical services can be maintained and recovered during an emergency.

[The AGC](#) monitor the adequacy of risk management, and the effectiveness of the S151 Officer in ensuring an adequate internal and financial control environment within the Council.

Managing Performance

[Gloucester City Council Plan 2017-2021 Extension](#) outlines our four clear priorities: Working to create a vibrant and prosperous city, to maintain a safe and attractive city, to build strong and resilient communities and to provide great services that ensure Value for Money.

Officers hold bi-monthly performance meetings with their relevant Cabinet Portfolio Holder.

Priorities are monitored through our performance, programme and project management framework and overseen by the relevant [Committees and Cabinet](#).

Robust Internal Control

The Council takes fraud, corruption and maladministration very seriously and the [Counter Fraud and Corruption Policy Statement and Strategy](#) and [Whistleblowing Policy](#) prevent or deal with such occurrences.

Managing Data

Data is lawfully managed in accordance the [Data Protection Policy](#), [Freedom of Information Publication Scheme](#) and Information Security Incident Management Policy.

Information Sharing protocols are in place with third parties.

Policy ownership rests with the Senior Information Risk Officer (SIRO) and the Information Security Board Members who agree, monitor, promote and review Policy implementation.

Strong public financial management

Robust budget management arrangements are in place including monitoring and review by the [Overview and Scrutiny Committee and Cabinet](#).

External Audit report on the [Council's financial statements](#) and the [AGS](#). They provide an opinion on the accounts and arrangements for securing economy, efficiency and effectiveness in the use of resources (value for money).

Principle G

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

Transparency

Agenda and minutes of Council, Cabinet and Committee meetings are publicly available on the [Council's website](#).

The [Freedom of Information Act publication scheme](#) ensures residents have access to information held by the Council.

The Council regularly publishes data in line with [The Local Government Data Transparency Code](#). This includes expenditure over £500, grants to community bodies and senior salaries. This enables residents to contribute to local decision making.

Reporting

The [Annual Statement of Accounts](#) provide information on the Council's stewardship of public money for the year.

The [AGS](#) reports on the effectiveness of our governance arrangements against the key principles set out within the Code.

The [AGC review and approve the Annual Statement of Accounts and AGS](#).

Assurance and effective accountability

Accountability and decision making arrangements are clearly defined in the Council's Constitution. These include arrangements for delivering services with our key partners.

3. Review of Effectiveness

3.1 The Council has a responsibility for annually conducting a review of the effectiveness of its governance framework including the system of internal audit. The review of effectiveness is informed by the various sources below who contribute to the development and maintenance of the governance environment:

- i. Review of executive decision making by the Scrutiny Committee;
- ii. The Standards Committee monitors and reports annually on the operation of the Council's executive arrangements regarding transparency and accountability;
- iii. The Chair of the AGC formally reports on its work to Council;
- iv. Assurance statements from senior management provide evidence that key elements of the system of internal control are operating effectively;
- v. The work of Internal Audit, including the Annual Report of the Head of Internal Audit is overseen by the AGC;
- vi. The work of the External Auditor – including the annual Audit Results and further reports in relation to financial and other aspects of the Council's governance;
- vii. A comprehensive risk management process captures the Council's strategic and operational risks which are reported to senior managers and the AGC; and
- viii. Consideration of this AGS by the Section 151 Officer and the MD with reference to the wider aspects of governance;

4. Update On Governance Issues From 2020-21

4.1 In the AGS for 2020-21, the following governance issues were highlighted:

Governance Issue	Actions taken in 2021-22
<p>Future Financial Sustainability and Efficiency Savings.</p> <p>Lead Officer – The Director of Policy and Resources.</p> <p>Target Date – 31st March 2022.</p>	<p>Close monitoring of budgets and service pressures with a focus on preventative support, has been and will continue to be conducted.</p> <p>In 2022-23, the Council will continue to lobby and work with Government for additional funding. Despite the cyber incident, the Council has put in further controls while systems are restored.</p>
<p>Covid-19 Impact</p> <p>Lead Officer – The Director of Policy and Resources.</p> <p>Target Date – 31st March 2022.</p>	<p>For most of 2021-22, lockdown restrictions meant staff were required to work from home where possible. The Council continued to effectively deliver its services.</p> <p>The actions taken by the Council in response to the pandemic have been previously reported in the AGS's for 2020-21 and 2021-22.</p> <p>In May 2021, regulations allowing councils to meet remotely came to end, and the Council reverted back to in-person committee meetings.</p> <p>In late 2021-22, the government eased lockdown restrictions and staff were able to work (in a socially distanced manner) from the Council's offices.</p> <p>The Council has a system of hybrid working where staff can alternate between home and office working.</p>

5. Overall Opinion of Gloucester City Council's Governance Arrangements

- 5.1 Despite the Covid-19 pandemic and the cyber security incident, the Council has maintained effective service delivery and governance arrangements. There has been no significant detriment on the Council's ability to deliver its statutory services.
- 5.2 Risk registers will be refreshed to reflect the findings of the Review of Risk Management (see below) to ensure they accurately capture the Council's risks. These will be reviewed and regularly monitored by the SMT and be presented for scrutiny by the AGC as appropriate.
- 5.3 Council staff have embraced hybrid working patterns and the risks to cyber security, of electronic document sharing and data protection (GDPR) legislation continue to be monitored. This is supported with regular staff awareness and training programmes.

6. Governance Issues Requiring Attention in 2022-23

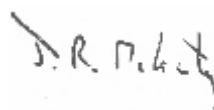
6.1 In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for attention:

Issue	Action to be taken in 2022-23
<p>Cyber Security and Resilience</p>	<p>The Council experienced a highly sophisticated cyber security incident at the end of 2021 that disrupted service delivery. The Council assessed the incident to understand the full impact.</p> <p>Council staff are to be commended for ensuring that services to residents were maintained albeit with the use of paper systems.</p> <p>Novel solutions were implemented to ensure that business operations continued. For example, manual processes were implemented to raise and approve purchase orders and to account for income from the Guildhall and museum. Manual records were maintained during this period for all business operations. These will be used to ensure all records are up to date when full IT services resume.</p> <p>Council meetings were able to be continued through this period.</p> <p>There were daily meetings of the Council's senior officers to consider business continuity, manual processes, and disaster recovery plans.</p> <p>Financial controls were maintained. For example, all expenditure required the approval of the Finance department, who acted as the second line of defence throughout this period.</p> <p>The incident happened significantly after the balance sheet date and had no material impact on the financial statements for the 2020-21 accounting period.</p> <p>The Council worked closely with the National Cyber Crime Agency to respond and recover from the incident. This work is ongoing.</p> <p>The Council has worked closely with the Information Commissioners Office (ICO) and followed their guidance in respect of data that could have been vulnerable because of the cyber incident. Internal Audit was involved in these meetings to ensure the risk-based approach applied by the Council met the requirements set out by the ICO.</p> <p>The Council demonstrated that it has robust business continuity and disaster recovery arrangements over the last two years. The Council will ensure that IT infrastructure continues to be fit for purpose.</p> <p>The Council is also exploring the wider use of cloud computing to mitigate the risk of future incidents. This would help the Council to compartmentalise any disruption should it occur and allow key operations to continue.</p>

Issue	Action to be taken in 2022-23						
Office move in 2022-23	The Council is due to move out of Shire Hall and into the Eastgate shopping centre. Business plans are in place to ensure that the move is successful. No significant disruption is expected during the move as hybrid working arrangements allow for full service delivery.						
Financial Resilience	<p>Financial resilience will need to be monitored closely, in light of the challenges posed by the volatility of inflation, utility prices and interest rates.</p> <p>The Council continues to effectively manage its finances in order to minimise the risks from financial pressures.</p> <p>The risk of the Council issuing a Section 114 notice is low.</p>						
Risk Management	<p>An independent review undertaken during 2021-22 found that there is opportunity for the Council to improve its management of risk.</p> <p>One conclusion of the Risk Management Report is that on the risk maturity scale (below), the Council is a Level 3 rather than a Level 4 as reported in previous AGS's.</p> <p>ARA will include actions to improve risk management in their Annual Report on Risk Management.</p> <p>This will include refreshing the Council's risk registers and reviewing the Risk Management Strategy and training for officers and Members.</p> <table border="1" data-bbox="477 1216 1461 1435"> <tr> <td data-bbox="477 1216 531 1435">Risk Maturity Level</td> <td data-bbox="531 1216 719 1435"> Level 1 Developing (Risk Naïve) No formal approach to risk management. </td> <td data-bbox="719 1216 908 1435"> Level 2 Progressing (Risk Aware) Consulting and planning to implement risk management. </td> <td data-bbox="908 1216 1096 1435"> Level 3 Operational (Risk Defined) Early Stages of implementation. </td> <td data-bbox="1096 1216 1284 1435"> Level 4 Embedded & Engaged (Risk Managed) Established risk management with planned extension /development. </td> <td data-bbox="1284 1216 1461 1435"> Level 5 Dynamic & Empowering (Risk Enabled) Fully established and effective risk culture at all levels. </td> </tr> </table>	Risk Maturity Level	Level 1 Developing (Risk Naïve) No formal approach to risk management.	Level 2 Progressing (Risk Aware) Consulting and planning to implement risk management.	Level 3 Operational (Risk Defined) Early Stages of implementation.	Level 4 Embedded & Engaged (Risk Managed) Established risk management with planned extension /development.	Level 5 Dynamic & Empowering (Risk Enabled) Fully established and effective risk culture at all levels.
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Hybrid working	<p>The Council has demonstrated that it can effectively deliver services with a combination of staff working in the offices and at home and has implemented hybrid working in 2022-23.</p> <p>The Council will monitor the performance of staff working remotely.</p>						
Internal Audit Reviews with Governance Themes	<p>The following ARA activities will help to strengthen governance:</p> <ul style="list-style-type: none"> • Housing Strategy; • Marketing Strategy; • Climate Change and Carbon Reduction; • Asset Management Strategy; and • City Growth Strategies. 						

7. Certification

- 7.1 To the best of our knowledge, the Council's governance arrangements and the Local Code of Corporate Governance have operated effectively throughout 2021-22.
- 7.2 The most important issue in 2021-22 was the cyber security incident. This was a highly sophisticated cyber-attack that any organisation could have succumbed to. The Council demonstrated its resilience by responding swiftly. Working with government agencies and IT experts, we promptly enhanced our IT security, and will be more resilient to such incidents in the future.
- 7.3 The Council will continue to be vigilant to IT and other risks, address these accordingly, and further enhance our governance arrangements as appropriate.
- 7.4 We will ensure that the AGS is current at the time of signing. Should a second conclusion on the adequacy of governance arrangements during this period be necessary, then any potential impacts will be highlighted in the AGS.
- 7.5 The Senior Management Team (SMT) will oversee this action plan over the coming year and report progress to the Audit Committee. SMT will ensure that governance issues continue to be promoted, addressed and monitored throughout the year.
- 7.6 We, the undersigned, are satisfied that appropriate governance arrangements are in place. We propose over the coming year to continue to review and, where appropriate, enhance our governance arrangements.



Signed:

Richard Cook
Leader of the Council

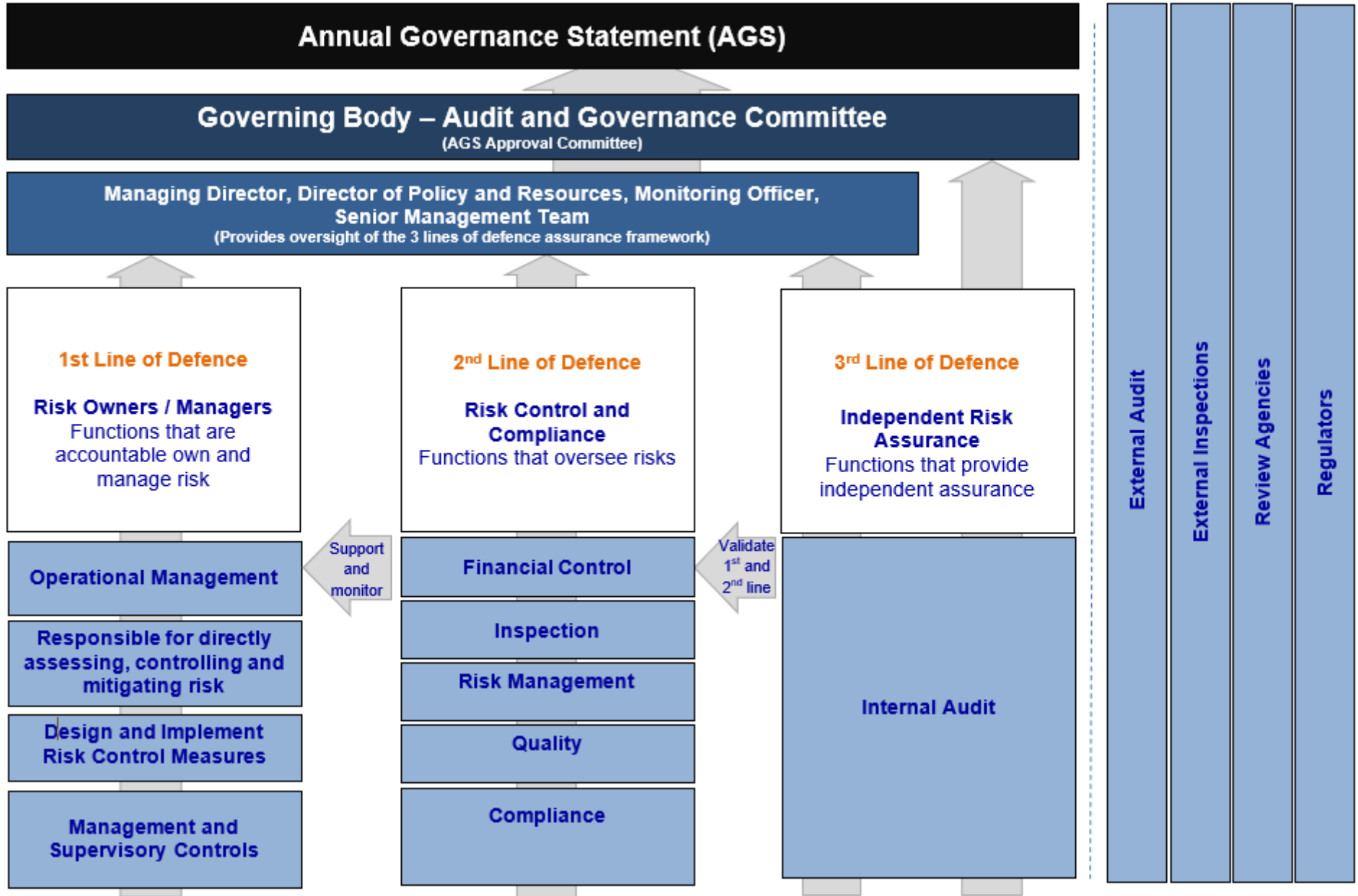
Jon McGinty
Managing Director

Date:

6th July 2022

6th July 2022

Appendix A – The Council’s Governance, Risk and Control Assurance Framework





Meeting:	Audit and Governance Committee	Date:	18th July 2022
Subject:	Risk Management Annual Report 2021/22		
Report Of:	Head of Audit Risk Assurance (ARA)		
Wards Affected:	Not applicable		
Key Decision:	No	Budget or Policy Framework:	No
Contact Officer:	Piyush Fatania, Head of ARA		
	Email:	Tel: 01452 328883	
	piyush.fatania@gloucestershire.gov.uk		
Appendices:	Appendix 1 - Risk Management Annual Report 2021/22		
	Appendix 2 - Strategic Risk Register		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 The Audit and Governance Committee’s role (as per the Constitution) includes the function to ‘monitor the adequacy and effectiveness of the Council’s governance arrangements’. This includes ‘monitoring the arrangements for the identification, monitoring and control of strategic and operational risk within the Council’.
- 1.2 This report is designed to assist the Committee in the exercise of this function. Providing Members with an update on the Council’s risk management activities from 2021/22 and future planned actions.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** to:
 - i. Note and endorse:
 - o The risk management arrangements in place for the past year (2021/22); and
 - o The planned risk management arrangements for 2022/23.
 - ii. Agree that on the basis of the information set out in this report, it can be concluded that arrangements for managing risk within the Council are sound.

3.0 Background and Key Issues

- 3.1 ‘Risk management is the culture, process and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and objectives’ – ALARM, the public risk management association.

- 3.2 The Accounts and Audit Regulations 2015 (part 2 paragraph 3) state a relevant Council 'must ensure that it has a sound system of internal control which...includes effective arrangements for the management of risk'.
- 3.3 Risk management is a key part of the Council's corporate governance framework and internal control environment. It is one of the seven core principles within the Council's Code of Corporate Governance – 'managing risks and performance through robust internal control and strong public financial management'.
- 3.4 The Council recognises the importance of effective risk management. That it is essential for good governance and sound internal control within a public body. Also, its positive contribution to the delivery of successful strategic and service level outcomes.
- 3.5 The previous Risk Management Annual Report was presented to Audit and Governance Committee in March 2021.
- 3.6 The Risk Management Annual Report 2021/22 is attached at **Appendix 1**. It supports the risk management work, advice and support (provided by ARA), delivered during the year. The report also captures the outcomes from the 2021/22 independent review of the Council's risk management processes, pulling through relevant action points into the Risk Management Action Plan 2022/23.

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.

7.0 Reasons for Recommendations

- 7.1 A Risk Management Annual Report and Action Plan are required to support the Audit and Governance Committee function to 'monitor the adequacy and effectiveness of the Council's governance arrangements'.

8.0 Future Work and Conclusions

- 8.1 A Risk Management Action Plan has been developed for 2022/23 and is included within **Appendix 1**. This includes improvement opportunities identified by the 2021/22 independent review of the Council's risk management processes. The goal of the Action Plan is to further embed and promote risk management good practice within the Council.

9.0 Financial Implications

9.1 There are no direct financial implications arising from the report recommendations.

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

10.0 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 Strategy). The framework should consider 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 Strategy assists prudent decision making. Failure to identify and manage strategic risks could lead to inappropriate decision making, unnecessary liability and costly legal challenge.

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

11.0 Risk and Opportunity Management Implications

11.1 Failure to deliver on effective risk management, particularly during periods of significant change, may have a negative effect. This may impact the achievement of potential opportunities and adversely affect the assets, reputation and objectives of the council, strategic decision making and the wellbeing of our stakeholders.

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. 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: [Accounts and Audit Regulations 2015](#)
CIPFA and Solace Delivering Good Governance in Local Government: Framework 2016 Edition
[Council's Constitution](#)
[Public Sector Internal Audit Standards 2017](#)

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RISK MANAGEMENT ANNUAL REPORT - 2021/22

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1. Background

- 1.1 It is important for councils to identify and manage their risks. This view is reinforced by public sector legislation, such as the Accounts and Audit Regulations 2015. National Standards, including ISO31000:2018 Risk Management Principles and Guidance, also explicitly reference council risk management arrangements.
- 1.2 Risk management is the systematic identification, analysis and economic control of opportunities and risks that challenge the assets, reputation and objectives of an organisation.
- 1.3 It enables Gloucester City Council (the Council) to effectively manage strategic decision making, service planning and delivery to safeguard the well-being of its stakeholders. The likelihood of achieving outcomes is also increased.
- 1.4 Effective risk management is an essential element of good management and a sound internal control system. Risk management being a key contributor to good governance and the Annual Governance Statement (AGS).
- 1.5 Risk management principles for the Council are contained within the Constitution and are further defined within the Council's Risk Management Policy Statement and Strategy 2020-2023. This includes roles, responsibilities and accountabilities for risk management across the Council, which include (but are not exclusive to):
 - i. Cabinet;
 - ii. Audit and Governance Committee;
 - iii. Corporate Directors;
 - iv. Heads of Service; and
 - v. Service Managers.
- 1.6 As part of the defined risk management approach, Audit Risk Assurance (ARA) supports the implementation and facilitation of effective risk management arrangements across the Council.

2. Frameworks

- 2.1 Details of the risk management framework are included in the Risk Management Policy Statement and Strategy 2020-2023, available on the Council intranet (GlosNet).
- 2.2 In summary, key responsibilities are as follows:
 - i. Lead Committee for risk management – the Audit and Governance Committee.
 - ii. Lead Member responsible for risk management – Chair of the Audit and Governance Committee.

- iii. Senior Management responsibilities – during 2021/22 the Senior Management Team (SMT) continued to take ownership of strategic risk management with each of the strategic risks being owned by a member of SMT. Half-yearly strategic risk management reports are provided to the Audit and Governance Committee to enable them to gain assurance that the Council’s strategic risks are being effectively managed. The Director of Policy and Resources was the SMT lead overseeing the risk management activities during 2021/22.
- iv. Operational Risk Management – the Strategy requires that all staff have a role to play in managing risk, with risk management principles embedded into all key business processes. This includes financial, performance, programme, contract and project management arrangements. Championship of risk management is undertaken by SMT, working alongside ARA and helping to embed risk management into the Council’s culture.
- v. In addition, ARA works closely with other key specialist areas of risk such as Health and Safety and Human Resources.

Risk Management and links to Good Governance and the Annual Governance Statement (AGS)

2.3 The Council acknowledges its responsibility for ensuring that there is effective governance. A Code of Corporate Governance has been developed that defines the principles and practices that underpin the governance arrangements operating within the Council.

2.4 The Code is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) guidance “Delivering Good Governance in Local Government – 2016”. One of the seven core principles of good governance states:

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

2.5 In order to gauge the effectiveness of the risk management arrangements operating within the Council, an assurance framework is in operation which underpins the statements made within the AGS. The process requires all Corporate Directors and Heads of Service to provide high level examples of compliance against the seven core principles via an Assurance Statement. This includes the risk principle above, to demonstrate that risk management is being effectively applied within each service area. The Heads of Service Composite Assurance Statements are also reviewed, challenged and countersigned by the relevant Corporate Director and Managing Director.

How well is risk managed in the Council and what is the Council’s Risk Maturity Level?

2.6 A risk maturity assessment allows the Council to understand how well risk management is embedded into business practices and how effective the arrangements are in helping to inform decisions.

2.7 For 2021/22, the Council has completed a risk maturity assessment which enabled each Service Area to reflect on their service and consider their respective level of risk maturity.

2.8 The risk maturity assessment ranges from the earliest stage and lowest risk maturity level, Developing (Level 1), and progresses to the most advanced, risk maturity level, Dynamic and Empowering (Level 5). Below is the criteria used to enable the assessment.

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

- i. Do leadership and senior management support and promote risk management?
- ii. Are there clear strategies and policies for risk?
- iii. Are people equipped and supported to manage risk well?
- iv. Are there effective arrangements for managing risk with those we work collaboratively with?
- v. Does the organisation have effective risk management processes to support the business?
- vi. Are risks managed well, and does the organisation have assurance that risk management is delivering successful outcomes and supporting considered risk taking?
- vii. Does risk management contribute to achieving outcomes?

2.10 The Gloucester City Council AGS 2021/22 assessment outcome confirmed the Council is Level 3 out of 5: Risk Defined.

2.11 In addition, the Three Lines of Defence assurance model helps Members and senior management to:

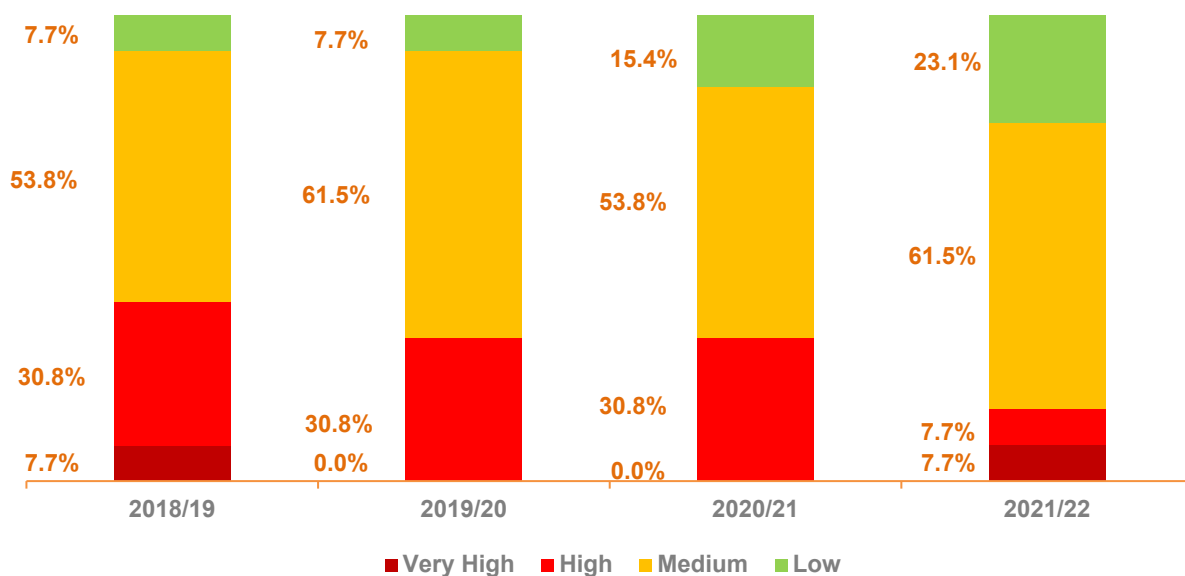
- i. Understand where risk assurances are being obtained from;
- ii. The level of reliance they place on that assurance; and
- iii. Identify potential gaps in assurance, enabling the application of relevant risk mitigation measures and/or controls accordingly.

What is the Three Lines of Defence Model?

- 2.12 Assurance can come from many sources within the Council. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance. Defining these sources into three categories as below, helps the Council understand how each contributes to the overall level of assurance and how best they can be integrated and supported.
- 2.13 The 'Three Lines of Defence' assurance model distinguishes three groups (or lines) involved in effective risk management:
- i. The first line Functions that own and manage risks;
 - ii. The second line Functions that oversee risks and ensures compliance; and
 - iii. The third line Functions that provide independent assurance.
- 2.14 Please see **Attachment A** below which summarises the Council's risk assurance framework. A framework that is based on the revised Three Lines of Defence model.

Strategic Risk Register

- 2.15 The Council's Risk Management Policy Statement and Strategy 2020-2023 requires compilation and formal review of a strategic risk register. The purpose is to identify and assess risks associated with the achievement of the Council's priorities and objectives within the Council Plan. This includes both strategic risks and emerging strategic risks.
- 2.16 At the first quarter reporting of the strategic risk register to SMT, a strategic risk benchmarking exercise was undertaken against six neighbouring and similar councils. This focussed on risk categories and types.
- 2.17 The main aim of this analysis was to evaluate whether the Council had considered and captured all key relevant risks associated with delivering the Council's objectives. Benchmarking the areas with similar councils.
- 2.18 The information was scrutinised and discussed by SMT. It was concluded that the strategic risks identified and assessed by Gloucester City Council were in line with expectation of the Council's areas of business.
- 2.19 Analysis of the strategic risk register residual risk ratings recorded over the last four years (see below) demonstrates the commitment of the Council to manage and reduce key risks.



2.20 A summary of the Council’s end-of-year 2021/22 strategic risk register is provided at **Appendix B**.

3. Risk Management links to Internal Audit

3.1 Whilst the responsibility for identifying and managing risks belongs to management, one of the key roles of Internal Audit is to provide independent assurance that those risks have been properly managed. In order to achieve this, Internal Audit within Gloucester City Council positions its work in the context of the Council’s own risk management framework. This approach is known as Risk Based Internal Auditing.

Risk Based Internal Audit Planning

3.2 All Councils must make proper provision for Internal Audit in line with the Accounts and Audit Regulations 2015. The Regulations provide 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’. Completion of annual Internal Audit activity based on the risk profile of the Council also supports the Section 151 Officer’s duty to ensure the proper administration of the Council’s financial affairs.

3.3 The guidance accompanying the Regulations recognises the Public Sector Internal Audit Standards 2017 (PSIAS 2017) as representing ‘proper Internal Audit practices’. The Standards define the way in which the Internal Audit service should be established and undertake its operations. These Standards require the Head of ARA to produce an Annual Risk Based Internal Audit Plan to determine the priorities of Internal Audit activity.

3.4 ARA develop the Internal Audit Plan in consultation with senior management and Audit and Governance Committee. The Plan is drafted to ensure the proposed activity is consistent with the Council’s priorities and objectives. This takes into account the risk management framework, risk appetite levels set by management and Internal Audit’s own judgement of risks.

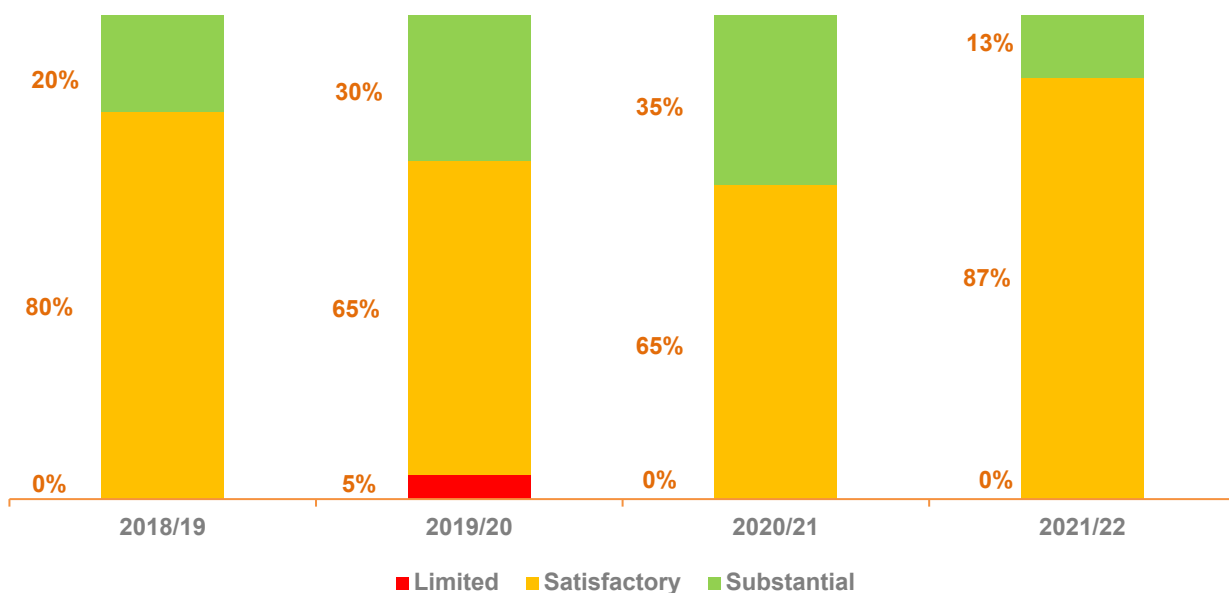
- 3.5 For the 2022/23 Internal Audit Plan, ARA enhanced the methodology to analyse and document risks. The new process is analytically driven and improves the ability to measure and compare risks more accurately. This enables Internal Audit work to be better aligned to the risks of the Council.
- 3.6 The 2022/23 Internal Audit Plan was agreed by Audit and Governance Committee on 7th March 2022.

Opinion on Risk

- 3.7 The PSIAS 2017 require Internal Audit to provide an independent opinion on the adequacy and effectiveness of the risk management processes which management have put in place within the area under review, and that a sound framework of controls is in place to sufficiently mitigate those risks.
- 3.8 These opinions feed into the Head of ARA's annual opinion on the overall adequacy and effectiveness of the Council's control environment comprising risk management, control and governance. This in turn supports the AGS.
- 3.9 On each Internal Audit report, an opinion is provided as to the adequacy of the controls operating within the area under review (which supports the requirements of the Accounts and Audit Regulations 2015). In order to further embed risk management and identify and implement innovative practice, each Internal Audit report also provides an opinion on the effectiveness of the risk management arrangements operating within the area under review.
- 3.10 For 2021/22, a statement continued to be provided on the levels of assurance (Substantial, Satisfactory, Limited) within these two areas. The assurance opinion approach will then change from 2022/23 onwards, as part of ARA's ongoing development of Internal Audit processes and reporting.

Limited Assurance Risk Opinions

- 3.11 Limited assurance risk opinions are reported to the Audit and Governance Committee. Implementation of the recommendations is owned by the relevant manager. The risk opinions also help to inform the work priorities of ARA, as limited assurance outcomes will be considered for Internal Audit follow up to ensure that recommendations have been actioned.
- 3.12 Where a limited risk assurance opinion is given, the ARA risk management specialist is provided with the Internal Audit report(s) to enable the prioritisation of risk management support.
- 3.13 The below table reflects the assurance risk opinions on Internal Audit activity between 2018/19 and 2021/22.



3.14 During 2021/22 to the point of Risk Management Annual Report (July 2022 Audit and Governance Committee), 0% of the audited areas rated the effectiveness of risk management arrangements as a limited assurance opinion. This evidences that risk management continues to be further embedded into the Council’s business activities.

4. Independent Review of Risk Management 2021/22

4.1 With the agreement of both SMT and the Committee, ARA commissioned an independent review of the Council’s risk management process within 2021/22.

4.2 The goal was to assess the Council’s position against regulation and good practice, to identify improvement opportunities and enable the Council to further embed risk management within key business processes.

4.3 The main work was completed in quarters 3 and 4 of 2021/22. This included assessment of Council documentation; circulation of a risk management questionnaire to senior managers and Members and evaluation of the results; and sample testing of the risk management system and processes in place.

4.4 The independent review concluded that in the assessors view, Gloucester City Council are at a level 3 on the risk maturity scale. Improvement opportunities were also identified in the following areas:

- i. Review and update of the Risk Management Policy Statement and Strategy, with a focus on evidencing that key principles are being undertaken and applied in practice by all stakeholders;
- ii. Application of the Risk Management Toolkit guidance, including evidencing that the defined processes are being actioned;
- iii. Assessment and update of the risk and risk management information received by Committee, including development of a risk assurance map to enable Members to have a visual presentation of the assurance framework for the whole Council;

- iv. Review and refresh of the Council's risk registers to ensure they accurately capture the Council's risks – this includes ensuring a golden thread to SMART (Specific, Measurable, Achievable, Realistic, and Timely) objectives and assessment of risk appetite (both corporately and per risk);
- v. Conduct a risk management survey of officers, to improve the understanding of risk management support needs and identify any needed future risk management actions;
- vi. Update to the ongoing risk management training offer to both officers and Members; and
- vii. Establish a wider network of Risk Management Champions.

4.5 The above opportunities have been captured within the **Attachment B** Risk Management Action Plan 2022/23.

4.6 ARA and TIAA (the review lead) would like to thank both SMT and Committee for their support and engagement in delivering the independent review of risk management.

5. Future Developments in 2022/23

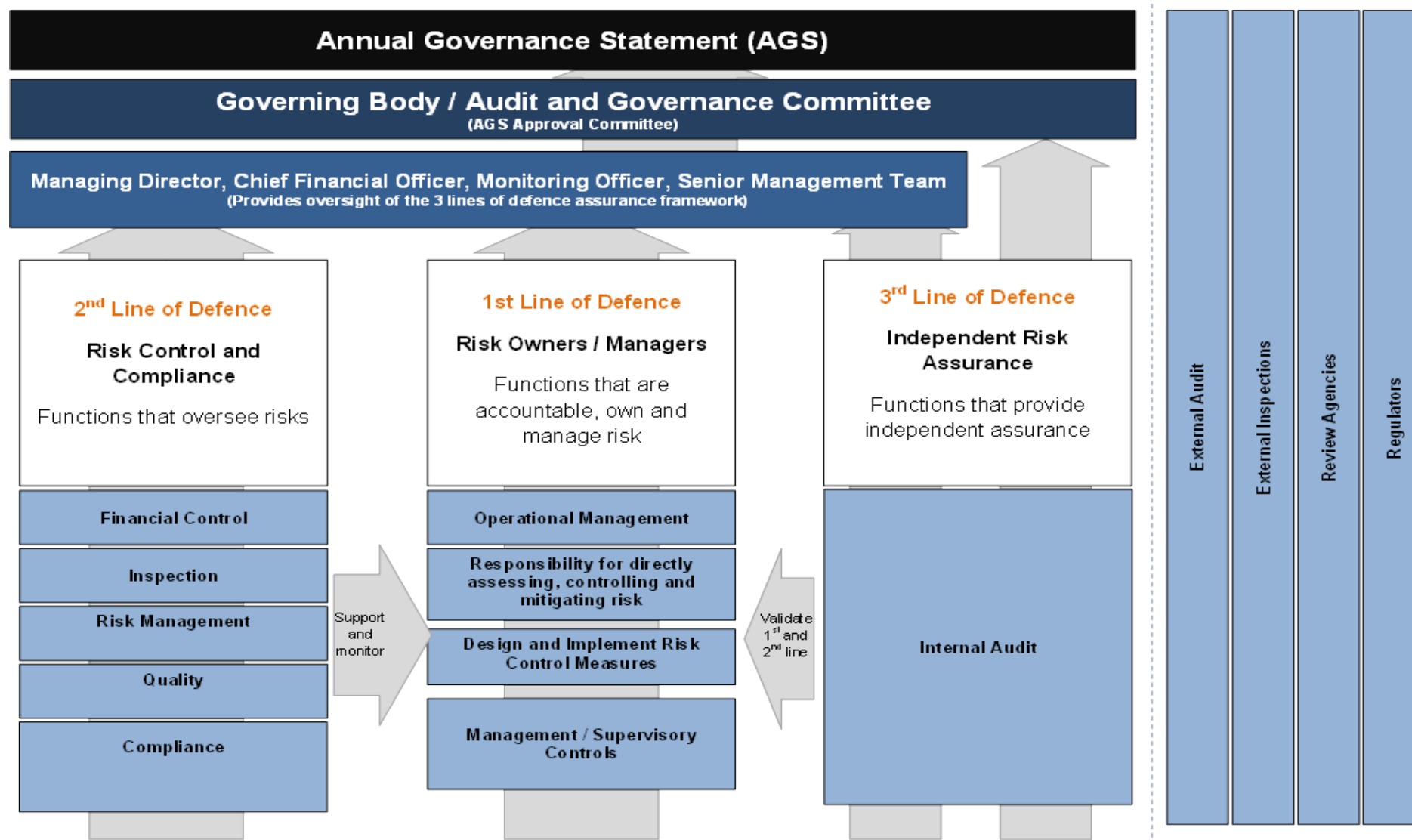
5.1 For 2022/23, ARA has produced and plans to deliver a dynamic Risk Management Action Plan (**Attachment B**). This includes improvement opportunities identified by the 2021/22 independent review of the Council's risk management processes. The goal of the Action Plan is to further embed and promote risk management good practice within the Council.

6. Conclusion

6.1 On the basis of the information set out in this report, it can be concluded that arrangements for managing risk within the Council are reasonable.

Attachment A – Three Lines of Defence Model: Governance, Risk and Control Assurance Framework

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7. The Three Lines of Defence (Assurance Model)

7.1 The Three Lines of Defence Assurance Model distinguishes among three groups (or lines) involved in effective risk management:

- i. Functions that own and manage risks;
- ii. Functions that oversee risks; and
- iii. Functions that provide independent assurance.

The first line

7.2 As the first line of defence, operational management has ownership, responsibility and accountability for directly identifying, assessing, controlling and mitigating risks.

The second line

7.3 The second line of defence consists of activities covered by several components of internal governance (compliance, risk management, IT, HR, finance and other control functions). This line monitors and facilitates the implementation of effective risk management practices by operational management. Including monitoring the adequacy and effectiveness of internal control, accuracy and completeness of reporting, compliance with laws and regulations, and timely remediation of deficiencies.

7.4 Management establishes these functions to ensure the first line of defence is properly designed, in place, and operating as intended. Each of these functions has some degree of independence from the first line, but they are by nature management functions. As management functions, they may intervene directly in modifying and developing the internal control and risk systems. Therefore, the second line of defence serves a vital purpose but cannot offer truly independent analyses to governing bodies regarding risk management and internal controls.

The third line

7.5 Internal Audit form the Council's third line of defence. An independent Internal Audit function will, through a risk based approach to its work, provide assurance to the Council's Audit and Governance Committee and senior management. This high level of independence is not available in the second line. Internal Audit assurance will cover how effectively the Council assesses and manages its risks and will include assurance on the effectiveness of the first and second lines.

External Auditors, Regulators and other External Bodies

- 7.6 In addition to the internal governance arrangements, External Auditors, Regulators, and other External Bodies reside outside the Council's structure, but have an important role in the Council's overall governance and control structure. This is particularly the case in regulated industries, such as financial services or insurance.
- 7.7 Regulators sometimes set requirements intended to strengthen the controls in a council. On other occasions, they perform an independent and objective function to assess the whole or some part of the first, second, or third lines of defence with regard to those requirements.
- 7.8 When co-ordinated effectively, External Auditors, Regulators, and other groups outside the Council can be considered as additional lines of assurance provided to the Council's stakeholders. Given the specific scope and objectives of their missions, however, the risk information gathered is generally less extensive than the scope addressed by a Council's internal three lines of defence.

Attachment B – Risk Management Action Plan 2022/23

Area	Action	Deadline/Target
Risk Management Policy Statement and Strategy (currently 2020-2023) <i>Independent review observation 1</i>	Review the Risk Management Policy and Strategy to confirm it is up to date, fit for purpose and to evidence that the statements made within it are being applied and undertaken in practice by: i. Council; ii. All Committees; iii. Audit and Governance Committee; iv. Senior Management Team; v. Respective management posts for their particular service areas; and vi. All staff	Document review to be completed by February 2023. Outcome to be reported to March 2023 Audit and Governance Committee for approval. To also consider impact on wider Council strategic documents.
Risk Management Toolkit <i>Independent review observation 2</i>	Enact and apply the guidance as described within the Risk Management Toolkit; and to evidence that the processes described are being undertaken. This should include adopting the bow tie methodology for developing the risk register.	By March 2023. Wider Action Plan themes will feed into delivery of this item (such as training and the communications plan).
Member Actions <i>Independent review observation 3</i>	The Council should review the following for the Committee: i. Regular training for Members of the Committee on risk management. To include the importance of risk management, the role it plays in the Council achieving its objectives, and the Committee’s AGS approval role; ii. The reports that should be reported to each and every Committee on risks and risk management; iii. The Members to understand the Council’s objectives (must be SMART) and thereby be able to comment upon and challenge the risks that might affect the outcome of those objectives; and iv. The development of a risk assurance map to enable Members of the Committee to have a visual presentation of the Council’s assurance framework.	By March 2023.

Area	Action	Deadline/Target
Officer risk management survey <i>Independent review observation 4</i>	Conduct a survey of managers and then all staff to understand the awareness and understanding of risk management. Including the part they play in assessing risk and in achieving objectives in the most efficient and effective way.	By December 2022.
Officer training <i>Independent review observation 5</i>	Establish ongoing risk management training for managers and staff.	By March 2023. Approach to consider survey feedback. Base training offer to be tailored to identified needs.
Risk Champions <i>Independent review observation 6</i>	Establish Risk Champions who understand the benefits of risk management, the systems involved that manage risks (risk register) and have time allocated to support others in their departments and directorates.	By March 2023. Survey approach and feedback link. Approach to be re-affirmed through the updated Policy and Strategy.
Communications Plan	A communications plan will be developed and implemented to promote the importance of continuing to embed risk management principles and practices into day to day activities and decision making processes. Plan to align to wider Action Plan themes and timelines. To also ensure that key points of risk management support are known and accessible.	To be drafted by July 2022 and then delivered throughout 2022/23.
Intranet Update	Maintenance and update of the information available on the intranet, which includes the Risk Management Policy Statement and Strategy and Risk Management Toolkit.	Throughout 2022/23.

Area	Action	Deadline/Target
Strategic Risk Register	<p>Facilitation and support of quarterly Strategic Risk Register review. To ensure alignment with strategic objectives with updates by the Senior Management Team.</p> <p>Key themes to be considered: Clarification of and golden thread to SMART objectives; Review of risk descriptions; Assessing risk appetite; Review of risk controls to distinguish between preventative and recovery controls; and use of the bow tie report tool.</p> <p>Twice-yearly reporting of the Strategic Risk Register to Audit and Governance Committee.</p>	<p>Throughout 2022/23.</p> <p>By July 2023.</p>
Strategic Risk Benchmarking	<p>To review the Council’s Strategic Risks with other peer councils, to highlight any key and emerging risks for SMT to consider.</p>	<p>By December 2022.</p>
Annual Risk Management Report	<p>2022/23 Annual Report to Audit and Governance Committee.</p>	<p>July 2023 Committee.</p>
Service Plans and Risk Registers	<p>Continued provision of guidance and support to service leads to ensure both items are documented for all Council service areas and are updated accordingly. Joint working with the Policy and Governance Team.</p> <p>Key themes to be considered: Clarification of and golden thread to SMART objectives; Review of risk descriptions; Assessing risk appetite; Review of risk controls to distinguish between preventative and recovery controls; and use of the bow tie report tool.</p>	<p>Ongoing within 2022/23.</p>
Risk management support on Council’s significant projects	<p>Provision of risk management advice, support and guidance. Support route to be highlighted through the communications plan and promoted through wider Action Plan items. Support to be provided on request (either from the service directly or through identification via the Internal Audit Plan route).</p>	<p>Ongoing within 2022/23.</p>

Strategic Risk Register - April 2022

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	*Budget setting process – including consultation; management/leadership input into savings targets; and Overview & Scrutiny and Council involvement. *Forecasting Money Plan for medium term. *Allocation of individual savings/income targets to an SMT sponsor, Cabinet Member and leading manager. *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. * Financial Services staff professionally qualified in	3	2	6			3	2	6	Director of Policy & Resources

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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
					accountancy-related disciplines. *Assurance reviews by Internal Audit to ensure 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	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
					objectives, policies and procedures. *Approved campaigns plan in place. *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	*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.	3	2	6			3	1	3	Director 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"> *Council Values and behaviours refreshed and adopted. *Development Plan and Learning & Training Plan in place. *OD Plan in place. *Talent management scheme and apprenticeship scheme in place. 									
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	<ul style="list-style-type: none"> *Central list held of all contracts and SLAs with named responsible officers and Members. *In set up of the partnerships: <ul style="list-style-type: none"> -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): <ul style="list-style-type: none"> -Documented signed SLA. -Lead contact officers assigned to each partner. -Regular performance management meetings, 	2	3	6			2	2	4	Director 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"> -with reporting to SMT/Committee. -SLAs incorporate contingency business plan approach to mitigate loss of service. -Partnership risk registers – either individually or within the service risk register. -Governance arrangements identifying where decisions are taken. -Agreement of SLA KPIs, performance standards and payments (within contract). -Ongoing negotiation with partners to review current contract contents, to ensure up to date (e.g. GDPR considerations) and fit for purpose. 									
SRR1.5	Failure to support and enable business growth within the city	3	3	9	<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). 	2	2	4			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
					*Cultural Strategy – including annual review and update. *Liaison with Business Improvement District *Regeneration and Economic Development Strategy in place. *Ongoing review and bidding for regeneration funding, with continued focus on regeneration sites.									
SRR1.6	Loss of finance, resource and reputation due to fraudulent activity	4	3	12	*The following are approved policies available to officers: -Anti-fraud and corruption strategy (including Anti-bribery policy and Anti-money laundering policy). -Whistle blowing policy. -Fraud response plan. *Financial regulations (including standing orders). *Existing internal control framework. *Internal Audit inc. Audit & Governance Committee and annual risk based internal audit plan (deterrent). *External audit presence (deterrent). *Benefit case referral to the Single Fraud Investigation Service – DWP.	3	1	3			4	1	4	Director of Policy & Resources

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					<p>*Brilliant Basics modules (fraud awareness, project management and influencing skills) available to management team.</p> <p>*Council Fraud Officer works closely with ARA – Council position reviewed monthly by S151 Officer and Chief Internal Auditor.</p>									
SRR1.7	Failure to deliver key regeneration priorities (including Kings Quarter and Blackfriars)	3	3	9	<p>Regeneration Advisory Board.</p> <p>*Capital Monitoring Steering Group & existing capital programme controls.</p> <p>*Brilliant Basics modules (project management and influencing skills) available to management team.</p> <p>*Project specific controls that should be in place:</p> <ul style="list-style-type: none"> -Project plans in place for major schemes. -Project review meetings led by experienced/qualified Members and Officers with third party links/presence (e.g. developers and associated commercial agents). 	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
					<ul style="list-style-type: none"> -Project update reporting to Cabinet and Council (in line with project plan milestones). - Re-assessment of projects at appropriate points to review objectives and deliverables. - Maintenance and review of project risk registers for each regeneration project. -Ongoing internal review and financial scrutiny of projects. 									
RR1.8	Failure to manage information in accordance with legislation	4	4	16	<ul style="list-style-type: none"> *IT Security: <ul style="list-style-type: none"> -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 – 	3	2	6			4	1	4	Director 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	
					physical in now with Indectron). -Procedures for login lockdown when IT staff leaving organisation. -Data cleansing of IT equipment prior to disposal. -Client monitoring (in-house intelligent client function) team in place. -IT risk register monthly review and update by the IT Operations Board. *Use of information: -FOI procedures; standardised approach; & FOI Champions. -Information management rules within the Constitution. -Data Protection guide 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.										

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
					*Suite of information policies in place and available on NETconsent policy management system.									
SRR1.9	Ability to respond effectively to unexpected events in support of our communities (e.g. weather/terror attack/phone system failure/other)	4	3	12	<p>*Up-to-date Emergency Response Plan, Flood Plan, Vulnerable People Plan, Pandemic Plan etc. drafted in conjunction with agencies, government departments and other local authorities.</p> <p>*Regular review and updating of Emergency Response Plan and other plans.</p> <p>*Allocated Emergency Team Leaders within the Council e.g. District Emergency Controller and Gold Officer roles.</p> <p>*Business continuity plans in place for each 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>	3	2	6	Review and refresh all service Business Continuity Plans to ensure up-to-date and appropriate content	29-Apr-2022	3	2	6	Director 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
					*Continued testing of Emergency Plan arrangements; bi annual exercises & live events (e.g. Christmas call out exercise); and use of Mutual Aid agreement. With ongoing shared learning.									
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	<ul style="list-style-type: none"> *Up to date IT asset register. *Appropriate secure physical location of the servers. *Medium term IT infrastructure investment budget agreed *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. *PSN Compliance Certificate achieved. Cyber Essentials achieved and working to Cyber Essentials plus, with IT Health check undertaken annually *ICT Business Continuity Plan review 	4	4	16	An ICT internal audit / independent review to be completed to support the ICT Action Plan	29-Apr-2022	3	2	6	Director 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
					and renewal completed (platform for DR and to be expanded for use as the platform for all GCC systems post relocation from HKP). *ICT Strategy in place. *Information Governance Board and 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	*Budget setting process – including consultation; management/leadership input into savings targets; and Overview & Scrutiny and Council involvement. *SMT and Cabinet review and approval of Money Plan savings delivery options – including commissioning and alternative delivery opportunities for savings and income generation. *Allocation of individual savings/income targets to an SMT sponsor, Cabinet Member and leading manager. *Rigorous monthly monitoring of the Council's financial position - monthly income / budget	3	2	6			3	2	6	Director 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
					monitoring at budget holder level (Finance led) and by SMT. *Engagement with GMT to ensure corporate ownership of financial challenges and need for active identification of efficiency & income opportunities for the Council									
SRR1.13	Inability of the Council to deliver the Corporate Plan to 2024	4	4	16	*Corporate Plan developed jointly by Cabinet and Senior Management Team, scrutinised and endorsed by the wider Council membership. *Corporate Plan approval completed. *Budget Strategy and Money Plan designed to appropriately resource the delivery of the Corporate Plan. *Performance management framework. *Service planning processes to ensure Corporate Plan link to Service Plans. *Appraisal processes link personal objectives and development needs to the needs of the organisation, talent development and personal well-being.	1	1	1			3	2	6	Managing Director

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
SRR1.14	Negative financial implications due to inappropriate delivery and management of the Property Investment Strategy; and a risk of political priorities diluting commercial considerations around hedging	4	4	16	<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 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</p>	4	2	8			4	2	8	Director 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
					of borrowing) and the management of the estate, with outcomes to be reported to senior officers and Members. *Legal implications ongoing review to ensure relevant local authority powers remain in place to support the Property Investment Strategy.									

Cannot group these rows by Code & Title

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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 Council	Date:	18th July 2022
Subject:	Annual Report of the Chair of the Audit and Governance Committee 2021/22		
Report Of:	Chair – Audit and Governance Committee		
Wards Affected:	Not applicable		
Key Decision:	No	Budget or Policy Framework:	No
Contact Officer:	Piyush Fatania - Head of Audit Risk Assurance (ARA)		
	Email:	Tel: 01452 328883	
	Piyush.Fatania@gloucestershire.gov.uk		
Appendices:	A: Audit and Governance Committee Annual Report 2021/22		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 The Annual Report of the Chair of the Audit and Governance Committee (the Committee) summarises the Committee’s activities during 2021/22 and sets out its plans for the next twelve months.
- 1.2 This report provides independent assurance that the Council has in place:
 - i. Adequate and effective governance, risk management and internal control frameworks;
 - ii. Internal and External Audit services; and
 - iii. Financial reporting arrangements that can be relied upon and which contribute to the high corporate governance standards that this Council expects and maintains.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to:
 - i. **RESOLVE** to agree the Audit and Governance Committee Annual Report 2021/22; and
 - ii. **RECOMMEND** to Council that the Annual Report 2021/22 be approved.

3.0 Background and Key Issues

- 3.1 Gloucester City Council (the Council) is responsible for ensuring that its business is conducted lawfully and to proper standards. This includes ensuring that public

money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this responsibility, the Council is responsible for putting in place the proper arrangements for the governance of its affairs.

- 3.2 A sound corporate governance framework involves accountability to service users, stakeholders and the wider community. Within this, the Council takes decisions and leads and controls its functions to achieve stated objectives and priorities. It thereby provides an opportunity to demonstrate the positive elements of the Council's business and promote public confidence.
- 3.3 Audit Committees are widely recognised as a core component of effective governance. Their key role is to independently oversee and assess the internal control environment (comprising governance, risk management and control) and advise the Council on the adequacy and effectiveness of these arrangements.
- 3.4 The Gloucester City Council Audit and Governance Committee was established in line with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The guidance recommends that Audit Committees should prepare an annual report to the governing body (full Council), which sets out the Committee's work on how they have discharged their responsibilities.
- 3.5 The Annual Report of the Chair of the Audit and Governance Committee 2021/22 at **Appendix A** fulfils the above requirement.

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 Consideration has been given to not producing an Annual Report, however this has been discounted due to the CIPFA requirements as stated within paragraph 3.4.

7.0 Reasons for Recommendations

- 7.1 The Audit and Governance Committee's terms of reference includes the accountability arrangement to provide an annual report to Council. The report should capture the Committee's performance in relation to the terms of reference criteria and confirm that the Council's systems of governance are operating effectively.
- 7.2 The approach assists in Audit and Governance Committee independence from the executive and scrutiny functions. In addition, it provides status and clarity to the Committee's role.

8.0 Future Work and Conclusions

8.1 In accordance with CIPFA guidance, the Audit and Governance Committee will continue to present an Annual Report to the full Council.

8.2 The Committee's work programme is dynamic. The programme will continue to be reviewed to ensure the Committee maximise its contribution to the governance and control framework, while managing agendas to ensure that all meetings are focused on the Council's key risks and issues.

9.0 Financial Implications

9.1 None directly arising from this report.

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

10.0 Legal Implications

10.1 None directly arising from this report.

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

11.0 Risk and Opportunity Management Implications

11.1 Audit Committees are a key component of a council's governance framework. The Annual Report of the Chair of the Audit and Governance Committee is part of the overall internal control arrangements and risk management process.

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. 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:

Audit and Governance Committee meeting papers and minutes 2021/22
Constitution: Audit and Governance Committee Terms of Reference

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ANNUAL REPORT OF THE CHAIR OF THE AUDIT AND GOVERNANCE COMMITTEE

2021-22

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Foreword

As Chair of the Audit and Governance Committee, I am pleased to present this report on our contribution to the Council's oversight of risk and governance for 2021-22.

Effective management and governance are important to ensure that the Council successfully delivers crucial services to our community, improves performance and reduces the risk of not achieving our objectives.

The Audit and Governance Committee (the Committee) is a core component of effective governance. Our role is to independently oversee and assess the internal control, governance and risk management environment and to constructively advise the Council on the adequacy and effectiveness of these arrangements.

The Committee considers and monitors internal and external reports, and recommends actions to the Council to address any deficiencies.

We undertake a substantial range of activities and work closely with the Director of Policy and Resources (Section 151 Officer), the Monitoring Officer, Internal and External Audit.

Our work programme is structured around the Committee's main areas of responsibility. It is reviewed and agreed at each meeting to enable key tasks to be considered and delivered.

Through our work programme we have provided independent assurance on the adequacy of the governance, risk management and control environment. This includes assurance on the Council's performance where this affects exposure to risk and weakens the control environment. We have also overseen the statutory financial reporting process.

In addition to this, Members have requested additional detailed reports from officers on particular areas where we felt this to be helpful for assurance purposes.

The External Auditor are due to provide an unqualified opinion on the 2020-21 annual accounts. They are also due to state that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The work of the Committee has contributed to this conclusion.

The biggest issue faced by the Council in 2021-22 has been the cyber incident. The Committee questioned management regarding the Council's reaction and scrutinised responses. We will continue to monitor IT and other risks to ensure the Council mitigates against these.

This report is to inform Council of the Committee's work in 2021-22 and to note our opinion on the standard of governance, risk management and audit arrangements in place.

The Committee has made a positive contribution to the Council's overall governance, control and risk management and has been successful in fulfilling its terms of reference. I am satisfied that the Council has maintained an adequate and effective internal control framework through the period covered by this report.

Councillor Declan Wilson

Chair of the Audit and Governance Committee

1. Background

- 1.1 Gloucester City Council (the Council) is responsible for ensuring that its business is conducted lawfully and to proper standards. This includes ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this responsibility, the Council must ensure that it has proper arrangements for the governance of its affairs in place.
- 1.2 A sound corporate governance framework involves accountability to service users, stakeholders and the wider community. Within this, the Council takes decisions, leads and controls its functions to achieve stated objectives and priorities. It thereby provides an opportunity to demonstrate the positive elements of the Council's business and promote public confidence. Audit Committees are widely recognised as a core component of effective governance.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) confirm that "Audit Committees are a vital part of any organisation". The Council's Audit and Governance Committee (the Committee) is responsible for overseeing corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement (AGS). The Committee's specific powers and duties are set out in the Council's Constitution.
- 1.4 The key benefits of the Audit and Governance Committee are:
 - i. Maintaining public confidence in the objectivity and fairness of financial and other reporting. This includes providing a focus on financial reporting throughout the year, leading to confidence in the objectivity and fairness of the financial governance arrangements operating within the Council;
 - ii. Reinforcing the importance and independence of Internal and External Audit and any other similar review process;
 - iii. Considering assurance from various sources and holding management to account;
 - iv. Providing assurance through a process of independent and objective review, via the Internal Audit service, provided by Audit Risk Assurance (ARA);
 - v. Raising the Council's awareness of the need for governance, ethical behaviour, internal control and the implementation of audit recommendations; and
 - vi. Providing assurance on the adequacy of the Council's risk management arrangements, including the risk of fraud and irregularity.
- 1.5 The Committee is established in accordance with CIPFA's "Audit Committees – Practical Guidance for Local Authorities and Police – 2018". It has a direct reporting line to Full Council, and the Chair also has direct access to the Managing Director and the Leader, as required.
- 1.6 Despite the challenges faced by the Council in 2021-22, the Committee maintained a detailed work programme for its main areas of activity which it considered and updated at each meeting.

1.7 The Committee met five times during the year and each meeting had a full and wide-ranging agenda, reflecting its broad role.

2. Committee Role and Responsibilities

2.1 The core functions of the Committee are incorporated in its [terms of reference](#). They are presented under the main areas of activity, which are to oversee:

- i. Audit activity (Internal, External and any Inspections);
- ii. Regulatory framework; and
- iii. The Statutory Accounts and AGS.

2.2 The Committee raises awareness of the need for sound internal control and risk management arrangements. The Committee's presence and effective operation provide assurance to the Council and stakeholders about these important aspects of governance.

3. Audit Committee Membership

3.1 The Committee's membership of nine elected Councillors for 2021-22 was:

- i. Councillor Wilson (Chair);
- ii. Councillor Brooker (Deputy Chair);
- iii. Councillor Bowkett;
- iv. Councillor Durdey;
- v. Councillor Evans;
- vi. Councillor Patel;
- vii. Councillor Pullen;
- viii. Councillor Melvin; and
- ix. Councillor Norman (ex-Officio).

3.2 The Council's officers and External Auditors (Deloitte) support the Committee. Key officer engagement is principally via the Director of Policy and Resources (S151 Officer), the Monitoring Officer and the Head of ARA.

4. 2021-22 Committee Achievements

4.1 The Council entered the new financial year still being in the midst of the COVID-19 pandemic. The Council continued to follow government guidance, which included allowing staff to continue to work flexibly either from home or in a socially distanced, safe office environment.

4.2 The biggest issue faced by the Council in 2021-22 has been the cyber incident. The Council experienced some disruption to IT systems and service delivery, and has worked hard to address the position and minimise the impact on customers.

4.3 The Committee received regular updates on the cyber incident and the Council's recovery position, to ensure understanding of the risks and the relevant action plan.

- 4.4 The Committee asked questions of management regarding the Council's response to the incident and scrutinised these.
- 4.5 The IT position necessitated an update to the Internal Audit Annual Plan for 2021-22 which was overseen and agreed by the Committee.
- 4.6 The Committee will continue to oversee the Council's recovery from the incident and to ensure that mitigating actions minimise the likelihood of a reoccurrence.
- 4.7 The Committee has continued throughout the pandemic to oversee the Council's work on risk management, treasury management and anti-fraud. The Committee held in-person meetings from May 2021 onwards.
- 4.8 The outcomes of the Committee's work in relation to its core functions are summarised below.
- 4.9 **Internal Audit** – the Council's Internal Audit service is provided by Audit Risk Assurance (ARA). The Committee reviewed and considered:
- i. The Internal Audit Annual Plan for 2021-22. The Committee contributed towards the formulation of the Internal Audit Plan. The plan helps Internal Audit to target resources to those areas considered to be the highest risks, or which contribute most to the achievement of the Council's corporate objectives;
 - ii. The Head of ARA's Annual Report and opinion for 2020-21. This provided a Satisfactory opinion on the effectiveness of the Council's internal control environment and summarised the activity upon which that opinion was based. The Committee can therefore take reasonable assurance that there is a sound system of internal control in place at the Council;
 - iii. Internal Audit reports – this included receiving responses from officers and Members;
 - iv. Reports on Internal Audit's progress against the Annual Audit Plan through regular update reports presented by the Head of ARA;
 - v. Information on the ARA Improvement Journey, including updates on working and reporting arrangements. This positively builds on the successful outcomes from the 2020-21 External Quality Assessment of the Effectiveness of Internal Audit;
 - vi. Amendments to the Internal Audit Plan 2021-22, following the cyber incident and the relevant prioritised actions delivered by the Council. The Committee received regular management updates on the incident and the Council's recovery position to date, to ensure understanding of the risks and the relevant action plan;
 - vii. Management progress to address control weaknesses identified in Internal Audit reports where a limited opinion on the control environment has been provided; and
 - viii. The outcomes of special investigations undertaken by the Internal Audit Counter Fraud team. This included progress made in the investigation of queries arising as a result of the National Fraud Initiative (NFI) data matching exercise.

- 4.10 **External Audit** – the Local Audit and Accountability Act 2014 confirms that a Council must appoint an External Auditor to audit the Council’s annual Statement of Accounts and value for money arrangements. Under the Public Sector Audit Appointments (PSAA), Deloitte LLP were the appointed External Auditor for Gloucester City Council for the financial years 2018-19 to 2022-23.
- 4.11 The Committee (or the Chair via delegated responsibility) have monitored the work of the External Auditor and have:
- i. Considered the Internal Audit and External Audit joint working arrangements;
 - ii. Received and considered regular External Audit progress reports;
 - iii. Considered and accepted the Audit Results Report;
 - iv. Considered and approved the Letter of Representation; and
 - v. Considered and accepted the External Auditor’s Plan for 2022-22.
- 4.12 The Council’s Statutory Annual Accounts for 2020-21 are due to be considered and approved by the Committee in July 2022.
- 4.13 The term of the current External Auditor ends on 31st March 2023. A report on External Auditor procurement was submitted to the Committee. Following consideration, the Committee recommended that the Council opt-in to the PSAA for the appointment of the Council’s External Auditors from 2023-24. Council approved the above recommendation on 27th January 2022.
- 4.14 **Risk Management** – the Committee:
- i. Received regular risk management update reports (including the review of the Strategic Risk Register); and
 - ii. Considered risk and opportunity management implications within Internal Audit reports.
- 4.15 Risk management is a key component of effective governance. The Committee and senior management supported an independent review of the Council’s risk management arrangements. This will ensure that risk management continues to be embedded within the Council’s key business processes.
- 4.16 The review’s outcomes are included in the Risk Management Annual Report 2021-22, with key areas included within the Risk Management Action Plan 2022-23. The report was presented to the Committee in July 2022.

4.17 **Regulatory and Governance** – the Committee:

- i. Reviewed and approved the Council's 2020-21 Local Code of Governance (the Code) and AGS. The Code will be kept under review and be subject to Internal Audit inspection to verify supporting evidence;
- ii. Reviewed the progress made by management to address the required actions identified in the 2020-21 AGS Improvement Plan; and
- iii. Considered updates on key areas including the Appointment of an Independent Member (an action from the most recent self-assessment of the effectiveness of the Committee); and the Council's ICT position.

4.18 CIPFA are due to issue refreshed Audit Committee guidance in 2022-23. The Committee will ensure robust self-assessment against the new guidance and identify improvement actions as required.

4.19 **Treasury Management** – is a key area for the Committee to monitor. The Committee considers and recommends approval by Full Council of amendments to the investment strategy in response to changing market conditions. The Committee has:

- i. Approved the half yearly Treasury Management activity reports; and
- ii. Considered and recommended to Full Council for approval the Treasury Management Strategy, the Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2022/23 (through the March 22 Committee meeting). These reports set the Council's prudential indicators and the treasury strategy for the respective periods. This is a key area for the Committee to monitor, consider and recommend to Full Council for approval amendments to the investment strategy in response to constantly changing market conditions.

4.20 **Annual Statement of Accounts and the AGS** – the Committee:

- i. Held a meeting to scrutinise the draft annual Statement of Accounts for 2020-21;
- ii. Ensured appropriate accounting policies had been followed and considered whether there were any concerns that needed the attention of Council. Following scrutiny, the Committee approved the annual Statement of Accounts; and
- iii. Considered and approved the AGS for 2020-21.

5. **Work Programme**

5.1 The Audit Committee can report that the majority of governance functions and processes are well-controlled and delivered.

5.2 Where Internal Audit reports revealed risks of concern, the Committee have asked questions to management to explain their plans to rectify any areas of weakness.

5.3 Recent reports to the Committee have indicated that further work is needed on some areas around anti-fraud and risk management arrangements.

6. Training

- 6.1 A breadth of training opportunities were offered to all Members within 2021-22.
- 6.2 In addition to the above, the following training was specifically made available to members of the Committee to support them in discharging their responsibilities:
 - i. Role of Internal and External Audit;
 - ii. Role of the Audit Committee in relation to the Annual Statement of Accounts;
 - iii. Role of the Audit Committee in relation to governance, risk and control;
 - iv. The Committee's standards role; and
 - v. How breaches of the Code of Conduct are dealt with.

7. Conclusions

- 7.1 The Committee has been successful in maintaining oversight of the Council's governance, risk management and internal control framework throughout 2021-22 and providing constructive challenge.
- 7.2 The Committee's work programme is dynamic. The programme is regularly reviewed to ensure the Committee maximises its contribution to the governance and control framework, while ensuring that the agenda for meetings are focused on key issues.
- 7.3 The Committee is committed to ensuring high governance standards are maintained.
- 7.4 During 2022-23, the Committee will continue to be an important source of assurance over the Council's risk management and control environments, and the financial and performance reporting arrangements.
- 7.5 In particular, the Committee will continue to:
 - i. Support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations;
 - ii. Monitor actions arising from the AGS Action Plan for 2021-22, to ensure the Council's governance arrangements are effective; and
 - iii. Monitor actions arising from the Risk Management Annual Report 2021-22 Action Plan and support their implementation.

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Meeting:	Audit and Governance Committee	Date:	18th July 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 and final position on the approved Internal Audit Plan 2021/22.

2.0 Recommendations

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

- i. Accept the progress and final position on the Internal Audit Plan 2021/22; and
- ii. 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:

- i. The progress and final position on the Internal Audit Plan 2021/22, including the assurance opinions on the effectiveness of risk management and control processes;
- ii. The outcomes of the delivered Internal Audit Plan 2021/22 activity; and
- iii. Special investigations/counter fraud activity.

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

3.4 The Internal Audit Progress Report 2021/22 content directly supports the Annual Report of the Head of ARA 2021/22, due to be presented to the 18th July 2022 Audit and Governance Committee.

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. This is to enable 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 Internal Audit Activity Progress Reports against the 2022/23 Risk Based Internal Audit Plan are scheduled to be presented to the Audit and Governance Committee within 2022/23. This is in accordance with the PSIAS and as reflected within the Audit and Governance Committee work programme.

8.2 The first Internal Audit Progress Report 2022/23 will be presented to the 12th September 2022 Audit and Governance Committee.

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. 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. This states Council's 'must undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes. This should take 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.

The Internal Audit service is delivered in conformance with the International Standards for the Professional Practice of Internal Auditing.

(2) Changes within 2022

ARA recognise the challenges facing the Council and local government more widely, to deliver high quality services and to meet the expectations of residents and other stakeholders.

ARA are committed to helping the Council and its officers to manage their risks, to deliver services and to be successful in achieving objectives.

Therefore, ARA have reviewed how we work and how we can best help the Council to meet its challenges. We have commenced a journey to initiate improvements in a number of areas and, by doing so, improve the service that we provide to the Council.

The Committee are asked to note the following changes that are taking place within 2022. These include:

- i. Changing the format of ARA activity reports. Our reports will be more focussed, concise and dynamic, clearly highlighting the areas that need to be addressed by management.
- ii. The risks identified in ARA reports will be rated using a High, Medium and Low categorisation.
- iii. The style of reporting to the Committee will also change for 2022/23 ARA activities. In particular, the Internal Audit Progress Report will be split into two. Firstly, the summaries of Internal Audit reports will be more concise highlighting just the salient points. Secondly the summary of Internal Audit activity will be red, amber or green (RAG) rated to show the progress of individual audits:

- Red will indicate an audit that is unlikely to be completed in-year;
 - Amber will indicate a delay to the start of an audit; and
 - Green will indicate that an audit is due to commence in the quarter stated in the Internal Audit Plan.
- iv. ARA will introduce Recommendation Progress Monitoring reports. Internal Audit will issue these ahead of the Committee, to the management responsible for implementing the recommendations. Management will then specify the progress made in implementing the recommendations, for example implemented, in progress or that more time is required.
 - v. The Recommendation Progress Monitoring reports will help management and the Committee to monitor progress on recommendation implementation across the Council, and to see that Internal Audit reports are being actioned.
 - vi. The Head of ARA's Annual Report, the Annual Report of the Chair of the Audit and Governance Committee, and the Annual Governance Statement will be reviewed and updated to be more focussed and concise. It is noted that this action has already commenced through the 2021/22 year end reports, presented to Audit and Governance Committee on 18th July 2022.

(3) 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.

(4) 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 and final position on the Internal Audit Plan 2021/22, including the assurance opinions on the effectiveness of risk management and control processes;
- ii. The outcomes of the delivered Internal Audit Plan 2021/22 activity; and
- iii. Special investigations/counter fraud activity.

(5) 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. This includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks. Attachment 2 also reflects when activity outcomes have been presented to the Audit and Governance Committee.

Explanations of the meaning of the assurance opinions provided up to February 2022 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, customers, 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, customers, 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, customers, 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.

ARA activity reports have changed from March 2022 and the assurance opinion approach has been updated.

One assurance opinion only is provided per activity. Four opinion outcomes are possible: Substantial; Acceptable; Limited; and No Assurance.

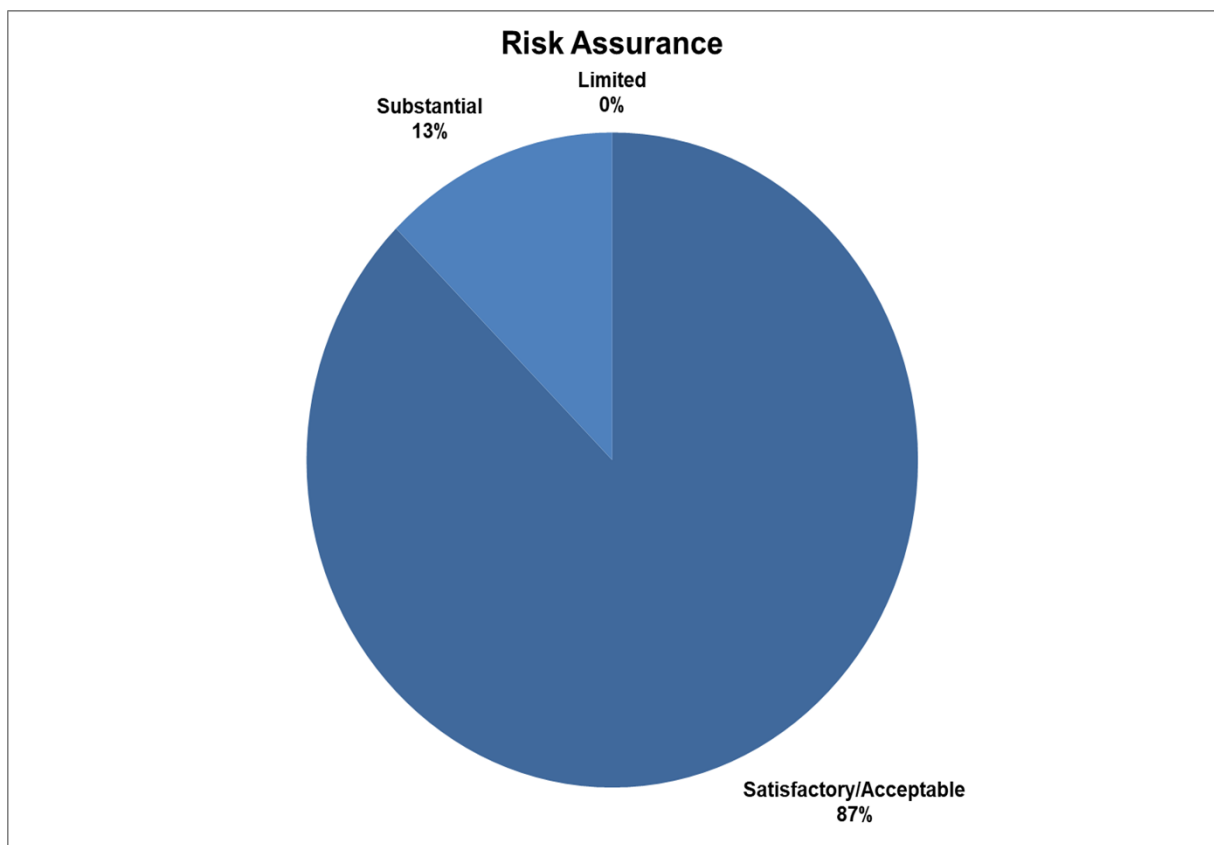
The following criteria are used:

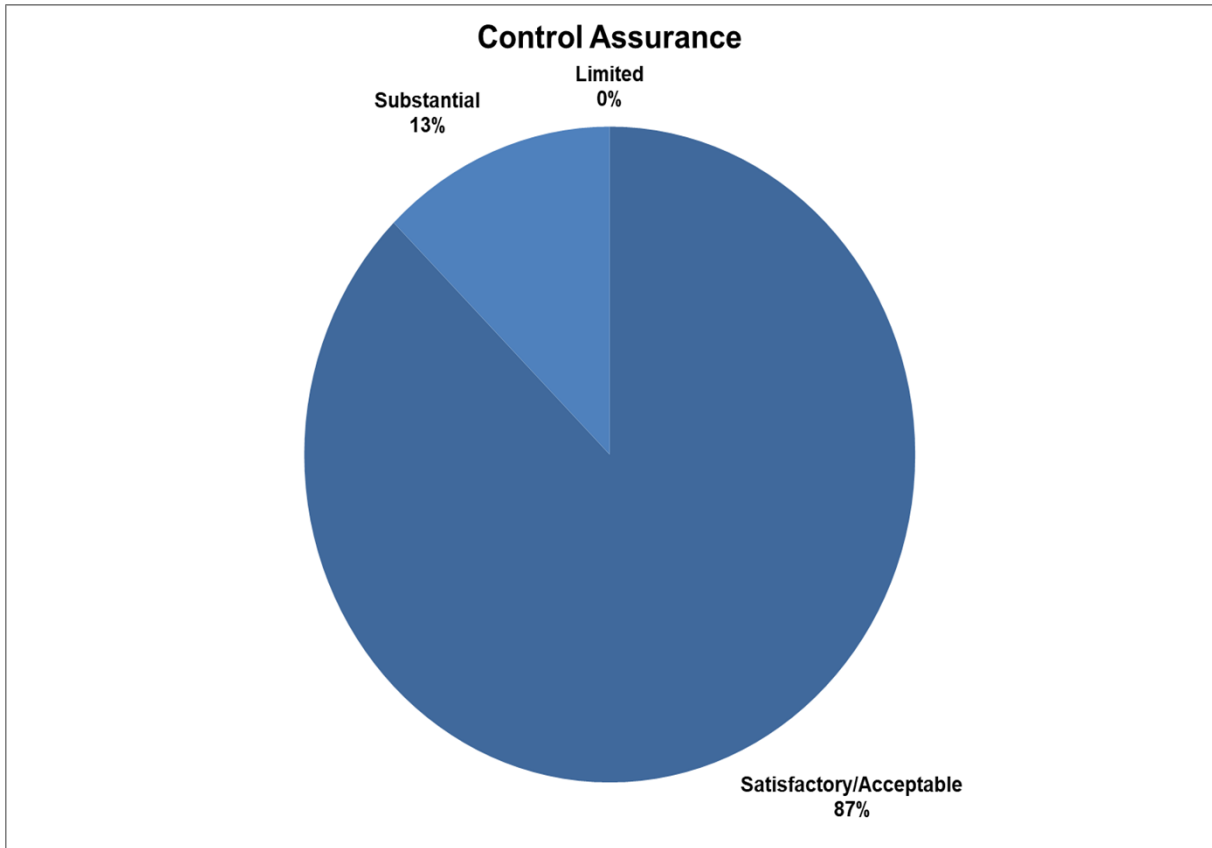
- i. Substantial assurance – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;
- ii. Acceptable assurance – all key controls are in place and working but there are some reservations in connection with the operational effectiveness of some key controls. The Council has a medium to low exposure to business risk;
- iii. Limited assurance – not all key controls are in place or are working effectively. The Council has a high to medium exposure to business risk;
- iv. No assurance – no key controls are in place or no key controls are working effectively. The Council has a high exposure to business risk.

Due to the timing of change, the ARA outcomes in **Attachment 2** will reflect both types of assurance approach within 2021/22.

(5a) 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 completed Internal Audit Plan 2021/22 activity.





For the purpose of the pie charts, the two assurance approaches within 2021/22 have been amalgamated. There were nil 'No assurance' opinions in 2021/22.

(5b) 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.

No limited assurance opinions on control have been provided for the completed Internal Audit Plan 2021/22 activities.

(5c) Audit Activity where a Limited Assurance Opinion has been provided on Control

No limited assurance opinions on control have been provided for the completed Internal Audit Plan 2021/22 activities.

(5d) Satisfactory Control Assurance Opinions

Where Internal Audit activities record that a satisfactory assurance opinion on control and recommendations have been made, the Committee can take assurance that improvement actions have been agreed with management.

(5e) Internal Audit Recommendations

For the completed Internal Audit Plan 2021/22 activities, Internal Audit made 25 recommendations in total to improve the control environment. Five of these being a high priority recommendation and 20 being a medium priority recommendation.

24 (96%) 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.

(5f) Risk Assurance Opinions

No limited assurance opinions on risk have been provided for the completed Internal Audit Plan 2021/22 activities.

Concluded Internal Audit Plan 2021/22 Activity during the period March 2022 to July 2022

Summary of Satisfactory / Acceptable Assurance Opinions

Service Area: Council Wide

Audit Activity: Health and Safety Limited Assurance Second Follow-Up

Background

Health and Safety of staff, service users and members of the public is a requirement of the Management of Health and Safety at Work Regulations 1999.

The Internal Audit report dated 14th May 2020, concluded that there were four recommendations which required full implementation.

Scope

The follow-up audit reviewed the four original recommendation themes. This included review of procedures, controls and supporting documentation for: i) staff training; ii) guidance, completion and recording of annual risk assessments; and iii) for Council buildings determining the Health and Safety responsibilities shared with partners and service users and documenting this in a user manual.

Assurance Opinion – Acceptable (equivalent to the Satisfactory assurance opinion)

Key Findings

- i. Review of Council's processes for the Health and Safety of staff and service users, has demonstrated incremental improvement in how it meets the challenges to safeguard wellbeing. Two of the four original recommendations have been implemented.
- ii. Since the last review in May 2020 there has been good progress made in providing Health and Safety training interventions to staff to facilitate improvement of awareness and understanding. One of the training outcome objectives is in managing potential risks such as corporate damage to credibility and reputation.
- iii. Overseeing service responsibility for Health and Safety is an experienced Community Wellbeing Officer, who demonstrated that they are well educated in this subject area.
- iv. Staff in need of Health and Safety training received this intervention in March 2022.
- v. Service area annual risk assessments of Health and Safety were completed in 2021. Evidence reviewed showed that the risk assessments had not been consistently recorded with details of the author's name and completion date.

- vi. This oversight in completing the risk assessment, leads to lack of transparency and identifying the relevant member of staff responsible for completion.
- vii. The corporate project utilising Techforge systems as a buildings database, which would include documenting Health and Safety responsibilities for the Council, partners and tenants needs to move forward in its implementation.
- viii. Enquiries established that additional staff resource would be required to populate the Techforge database with the buildings data to aid providing clarity on responsibilities for Health and Safety.
- ix. As a result of the above project pause, the potential inherent risk to Council reputation with its stakeholders for Health and Safety is still present.

Conclusion

From a review of the systems and processes, it is evident that there has been positive progress against the original ARA recommendations. With two recommendations fully implemented and two in progress, pending further action (the completeness of risk assessment activity and division of relevant Health and Safety responsibilities).

The follow-up review has re-freshed the two outstanding recommendations, with the objective of improving the existing Health and Safety processes and control environment.

The two recommendations refer to: i) improved evidencing of the service risk assessments; and ii) progressing the Techforge project so that improved clarity and understanding for Health and Safety responsibilities are identified.

Management Actions

Both recommendations have been agreed by management. The latest date for implementation is 31st July 2022.

Service Area: Communities

Audit Activity: Section 202 Reviews

Background

Section 202 of the Housing Act 1996 states that an applicant has the right to request a review of the housing officer's decision. The Homelessness Reduction Act 2017 places a legal duty on the Council to provide more support to a wider range of people who are homeless or threatened with homelessness and to intervene earlier.

The Homelessness Reduction Act 2017 expands the list of decisions that can be reviewed to include the prevention and relief duties. The Homelessness Review Regulations 2018 provide clarity on the process to apply.

Scope

This audit reviewed the procedures, controls and supporting documentation to provide assurance that the process used is compliant with statutory legislation.

Note:

During the audit, Internal Audit were informed by management that a change in operational arrangements for Section 202 reviews would take place from Quarter 4 2021/22. Due to the impact of Section 202 review long-term staff sickness, the emergency decision was taken to outsource this service for twelve months.

In agreement with officers, the audit review was completed based on the original audit scope and in-house Section 202 service provision delivered to the point of audit. The ARA observations and recommendations remain relevant to the updated service provision model.

Assurance Opinion – Acceptable (equivalent to the Satisfactory assurance opinion)

Key Findings

- i. Audit review of the Council's processes for administering Section 202 requests from people who are homeless or in temporary accommodation, has found that a robust approach is adopted. Council procedures are compliant with legislation.
- ii. An experienced Housing Officer or the Housing Review Company who is independent of the original allocated member of staff, completes the Section 202 review, based on the contents of the request.
- iii. A sample of six reviews covering the period April 2020 to November 2021 was completed to assess the procedures, controls and supporting Housing Locata system documentation records in place.
- iv. The evidence inspected verified that the reviews were materially complete. This demonstrated: i) case details from inception to completion of the process; ii) the members of staff responsible for procedures and actions; and iii) the resulting review requestor housing outcomes.
- v. The Council's website page for Homelessness and Section 202 reviews does correctly document the approach which should be used by staff. However, there is a need for greater clarity at the beginning of the page to document that The Homelessness Review Regulations 2018 influence how the review will be completed.

- vi. As a result of a complex housing case, the Council requested an independent Section 202 review of the case which was carried out by a specialist company.
- vii. The synopsis completed by the review company, found that the Council should have invited the review requestor to an oral hearing or interview so that additional information of their personal circumstances and wellbeing could have been collected. The information collected would have helped to inform the review decision and confirming letter.
- viii. As a result of these findings, a recommendation has been made for future reviews to introduce a procedure to consider the need for an oral hearing or interview with the review requestor. With the outcome to be documented.
- ix. From the sample of six cases reviewed; i) one housing plan was not attached on the Locata record; ii) one review request was not retained in its original format; and iii) one Locata Housing review request was not correctly completed. Future Section 202 reviews should ensure that the three points are rectified and subsequently documented correctly on the Locata records.
- x. Business Continuity arrangements were assessed. Enquiries made, and evidence reviewed confirmed that a service level agreement with a specialist Housing Review company is in place until December 2022.

Conclusion

From a review of the systems and processes, ARA conclude that the existing procedures and controls provide an Acceptable Assurance level in meeting the control objectives.

Three recommendations have been raised, with the objective of improving the existing Housing processes and control environment.

The three recommendations refer to: i) improved clarity on the Council's website Housing page for the legislation that is applicable; ii) per case, to consider and document whether there are gaps in knowledge of the review requestor's circumstances and if so, request an oral hearing or interview to gather information; and iii) implementing control checks to ensure complete case detail documentation on the Locata Housing system.

Management Actions

The Housing Innovation Manager and Housing Operational Lead Manager have accepted the three recommendations, with the objective of adding value to the existing robust control environment. The management actions for the three recommendations will be completed by 31st October 2022.

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

Service Area: Cultural Services

Audit Activity: Cultural Strategy Review

Background

The Council developed a ten year (2016 to 2026) cultural plan as a positive statement of the Council's ambition to develop culture in the City. The Cultural Vision and Strategy is at its midway point and therefore it has been recently reviewed and revised.

The revised strategy has added two more objectives (now eight) and details the revised actions that will deliver each objective. The strategy states that success will be measured through a range of key performance indicators.

Scope

The audit review process was that of a critical friend, assessing and advising on the further development of the performance management processes and the performance measures proposed. The review assisted with the assessment of the existing arrangements and the performance indicators currently operating. It also considered the opportunity for further performance measures (indicators, milestones, outputs, and outcomes) that could enable the tracking of actions that have been designed to deliver each objective.

Key Findings

Internal Audit worked with the Head of Culture to develop the performance framework of the Cultural Strategy. This included:

- i. Reviewing Key Performance Indicators (KPIs) to ensure they encourage the desired outcome of a given objective;
- ii. Ensuring that there are appropriate KPIs to cover all elements of a given objective set out in the Cultural Strategy, using multiple KPIs per objective where required;
- iii. The use of qualitative measures to give further insight into the performance against the objective as well as giving details on why actions have been successful or not;
- iv. The difference between efficiency indicators and effectiveness indicators in measuring performance;
- v. Ensuring that KPIs captured the success of the outcomes from actions undertaken and not just the number of actions completed against a given objective;

- vi. Ensuring that financial measures are not the sole measure of performance in any given area; and
- vii. Providing ideas of how data, especially qualitative data can be gathered to gain further insight into performance.

Conclusion

Management took onboard the advice from Internal Audit as part of the review and is using this to update and refresh the Culture Strategy Delivery Tracker and subsequent performance reports.

Management Actions

As per the conclusion section.

Service Area: Cultural Services

Audit Activity: Culture Recovery Fund - Round Two

Background

Responding to the coronavirus pandemic and the unprecedented challenges it brought to culture and creativity across the UK, the government announced a series of measures in March 2020 to help save these sectors.

The grant funding from the Arts Council aimed to support significant organisations which were financially sustainable before Covid-19, but were at imminent risk of failure and had exhausted all other options for increasing their resilience.

Scope

To review the Culture Recovery Fund Round Two income and expenditure to provide assurance that the Final Activity Report is accurate.

As a result, a statement of income and expenditure for the activity can be certified by an independent qualified accountant.

Key Findings

- i. The Council applied and was subsequently approved for £50,000 grant funding under the Culture Recovery Fund Round Two to support and develop services provided by the Guildhall and Museum of Gloucester. This funding was to be spent or committed from 1st April 2021 to 31st December 2021.
- ii. Expenditure recorded against the grant totalled £50,302 (excluding VAT). Internal Audit selected and reviewed a sample of transactions covering £21,439 (42.6%) to ensure that the expenditure was in line with the grant guidance and could be evidenced by supporting invoices.

- iii. It was confirmed that all sampled expenditure was in accordance with the relevant grant conditions, with appropriate supporting evidence maintained by the Council to confirm the money had been spent.
- iv. Internal Audit was provided with the income figures relating to the Culture Recovery Fund Round Two by the Visitor Experience Manager. Internal Audit reviewed and confirmed the income figures corresponded to the till operating system and manual room hire record. Due to the cyber incident, the Council did not have access to the Financial Management System (general ledger) and therefore records could not be agreed to this. The Arts Council confirmed the use of manual records was acceptable.
- v. The Council are required to complete a Final Activity Report which shows the actual income and expenditure against the budgeted figures for the relevant grant areas (Guildhall and Museum of Gloucester). Audit review of the Final Activity Report confirmed that the quoted income and expenditure figures were in line with the documentation sighted for this period for the Guildhall and the Museum of Gloucester.

Conclusion

ARA have completed review of the available records maintained by the Council for the income and expenditure related to the Culture Recovery Fund Round Two. Reasonable assurance has been gained that the conditions of the grant have been fulfilled and as such the declaration has been signed and submitted to the Arts Council.

Management Actions

No management actions required.

Service Area: Cultural Services

Audit Activity: Culture Recovery Fund - Round Three

Background

Responding to the coronavirus pandemic and the unprecedented challenges it brought to culture and creativity across the UK, the government announced a series of measures in March 2020 to help save these sectors.

The grant funding from the Arts Council aimed to support significant organisations which were financially sustainable before Covid-19, but were at imminent risk of failure and had exhausted all other options for increasing their resilience.

Scope

To review the Culture Recovery Fund Round Three income and expenditure to provide assurance that the Final Activity Report is accurate.

As a result, a statement of income and expenditure for the activity can be certified by an independent qualified accountant.

Key Findings

- i. The Council applied and was subsequently approved for £50,000 of funding under the Culture Recovery Fund Round Three to support and develop services provided by the Guildhall and Museum of Gloucester. This funding was to be spent or committed to support the period 1st November 2021 to 31st January 2022.
- ii. Expenditure recorded against the grant totalled £49,980 (excluding VAT). Internal Audit selected and reviewed a sample of transactions covering £14,480 (29%) to ensure that the expenditure was in line with the grant guidance and could be evidenced by a supporting invoice.
- iii. It was confirmed that all sampled expenditure was in accordance with the relevant grant conditions, with appropriate supporting evidence maintained by the Council to confirm the money had been spent.
- iv. Due to the overlap in funding round dates, ARA testing also considered whether the expenditure claimed had been duplicated between funding rounds. No instances of expenditure duplication were identified.
- v. Internal Audit was provided with income figures relating to the Culture Recovery Fund Round Three by the Visitor Experience Manager. ARA reviewed and confirmed the income figures corresponded to the till operating system, donation records and manual room hire records. Due to the cyber incident, the Council did not have access to the Financial Management System at this time and therefore records could not be confirmed to this. The Arts Council confirmed this was acceptable.
- vi. The Council are required to complete a Final Activity Report which shows the actual income and expenditure against the budgeted figures for the relevant grant areas (Guildhall and Museum of Gloucester). Audit review of the Final Activity Report confirmed that the quoted income and expenditure figures were in line with the documentation sighted for this period for the Guildhall and the Museum of Gloucester.

Conclusion

ARA have completed review of the available records maintained by the Council for the income and expenditure related to the Culture Recovery Fund Round Three. Reasonable assurance has been gained that the conditions of the grant have been fulfilled and as such the declaration has been signed and submitted to the Arts Council.

Management Actions

No Management actions required.

Summary of Special Investigations and Counter Fraud Activities 2021/22

Current Status

In 2021/22 there were nine new potential irregularities referred to the ARA Counter Fraud Team (CFT). Six of the nine cases have been closed and five have previously been reported the Audit and Governance Committee.

The recently closed case related to an employee's non-compliance with the Council's ICT policy. The Council completed an internal review and have taken action with the employee. There was no evidence to suggest that the non-compliance had in any way compromised the Council's ICT. The Council's robust internal controls prevented any issues occurring.

The outcomes of the remaining three cases will be reported to the Audit and Governance Committee on their conclusion.

In addition, a non-grant related case from prior year is still ongoing. An independent Barrister has been appointed to progress this area and the case has been provisionally listed at Cirencester Magistrate Court.

It should be noted that the Council's ICT position has impacted on the progression of the above cases.

For Committee awareness, to date in 2022/23 there have been no new irregularities referred to the ARA CFT.



Many potential attempted frauds are intercepted. This is due to a combination of local knowledge and 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, guidance and training to Council staff in respect of Interviews Under Caution, court file preparation and taking witness statements where required.

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 were uploaded to the Cabinet Office in October 2020 with the data matching reports released for review from January 2021 onwards.

The full NFI timetable can be found using the link available on [GOV.UK](https://www.gov.uk/government/publications/national-fraud-initiative-timetables) – <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 identified errors leading to the recovery of £39,904. 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 £42,226 (of which £31,883 is Small Business Grant Fund related).

ICT issues at the Council have impeded the Council's ability to review the volume matches. The NFI and Cabinet Office were kept apprised of the situation. To assist the Council, the CFT assisted with uploading the pre-payment Covid-19 grant applications data. This enabled the NFI to undertake bank verification checks using the business names and bank details on the applications. This action mitigated the risk of grants being issued to individuals not meeting the set criteria.

The CFT continues to work with the Council's Intelligent Client Officer (Revenues and Benefits) where it is identified that further investigation is required.

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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	15/11/2021	Brought Forward from 20/21 plan.
Council Wide	Health and Safety Limited Assurance Second Follow Up	1	Final Report Issued	Acceptable		18/07/2022	New ARA assurance opinion approach applied. 'Acceptable' opinion is equivalent to 'Satisfactory'.
Council Wide	Complaints Procedure	2	Cancelled				Activity cancelled based on updated in year risk assessment. Position agreed through review and approval of the Internal Audit Plan 22/23.
Council Wide	Agency Staff	2	Deferred				Following an initial start in 21/22, audit deferred to the approved Internal Audit Plan 22/23 due to the impact of the City ICT position. Risk position to be reassessed with senior management within 22/23.
Council Wide	Employee Code of Conduct	1	Cancelled				Activity cancelled based on updated in year risk assessment. Position agreed through review and approval of the Internal Audit Plan 22/23.
Council Wide	Effective use of Probationary period	2	Cancelled				Activity cancelled based on updated in year risk assessment. Position agreed through review and approval of the Internal Audit Plan 22/23.
Council Wide	Patch Management	1	Final Report Issued	Substantial	Substantial	13/09/2021	Brought Forward from 20/21 plan.
Council Wide	Cyber Security	1	Cancelled				Activity progressed within 21/22 (up to October 21). Risk and outcome position then superseded by the City ICT incident and position. Activity cancelled and initial findings reported to the Information Governance Board.
Council Wide	Change Management	1	Deferred				Audit deferred to the approved Internal Audit Plan 22/23, due to the impact of the City ICT position. ICT risk themes and audit activities to be re-assessed with senior management in Q2 22/23. Change management will be considered as part of this exercise.
Council Wide	PCI DSS	2	Deferred				Audit deferred to the approved Internal Audit Plan 22/23, due to the impact of the City ICT position. ICT risk themes and audit activities to be re-assessed with senior management in Q2 22/23. PCI DSS will be considered as part of this exercise.
Council Wide	Climate Change Strategy	1	Deferred				Audit deferred to the approved Internal Audit Plan 22/23, due to the impact of the City ICT position. Based on updated in year risk assessment, 22/23 activity scope adjusted to 'Climate / Carbon Reduction'.
Council Wide	Covid Recovery Scheme - Plan and Financial Pressures	1	Cancelled				Activity cancelled based on updated in year risk assessment. Position agreed through review and approval of the Internal Audit Plan 22/23.
Council Wide	Data Breaches and Breach Reporting	2	Final Report Issued	Satisfactory	Satisfactory	15/11/2021	
Communities	Section 202 reviews	2	Final Report Issued	Acceptable		18/07/2022	New ARA assurance opinion approach applied. 'Acceptable' opinion is equivalent to 'Satisfactory'.
Communities	Tenancy Rescue	2	Cancelled				Activity cancelled based on updated in year risk assessment. Position agreed through review and approval of the Internal Audit Plan 22/23.
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	Cancelled				Activity cancelled based on updated in year risk assessment. Position agreed through review and approval of the Internal Audit Plan 22/23. The Internal Audit Plan 22/23 Plan includes a Homeless Pathway review.
Communities	Compliance and Enforcement Grant	1	Final Report Issued	Not Applicable	Not Applicable	13/09/2021	New Activity.
Cultural Services	Cultural Strategy Review	1	Consultancy	Not Applicable	Not Applicable	18/07/2022	Consultancy review across 21/22. Outcomes reported within the 21/22 Annual Report.
Cultural Services	Culture Recovery Fund - Round One	1	Final Report Issued	Not Applicable	Not Applicable	15/11/2021	New Activity.
Cultural Services	Culture Recovery Fund - Round Two	1	Final Report Issued	Not Applicable	Not Applicable	18/07/2022	New Activity.
Cultural Services	Culture Recovery Fund - Round Three	1	Final Report Issued	Not Applicable	Not Applicable	18/07/2022	New Activity.
Place	Community Infrastructure Levy (CIL) and Section 106	1	Deferred				Following an initial start in 21/22, audit deferred to the approved Internal Audit Plan 22/23 due to the impact of the City ICT position. 22/23 risk position re-assessed with senior management. Terms of reference updated and issued in May 22. Audit commenced in June 22.

Progress Report including Assurance Opinions

Department	Activity Name	Priority	Activity Status	Risk Opinion	Control Opinion	Reported to Audit and Governance Committee	Comments
Place	High Street Heritage Action Zone	2	Deferred				Audit deferred to the approved Internal Audit Plan 22/23, due to the impact of the City ICT position. The activity commenced in June 22.
Place	Recycling Commodities	2	Draft Report Issued				Conclusion of activity impacted by the City ICT position. Joint Recycling Credits and Recycling Commodities summary outcome drafted in June 22. To be finalised by August 22.
Place	Recycling Credits	2	Draft Report Issued				Conclusion of activity impacted by the City ICT position. Joint Recycling Credits and Recycling Commodities summary outcome drafted in June 22. To be finalised by August 22.
Place	Planning - Processing and Performance	2	Deferred				Audit deferred to the approved Internal Audit Plan 22/23, due to the impact of the City ICT position. Based on updated in year risk assessment, 22/23 activity scope adjusted to 'Planning - Performance and Income'.
Policy and Resources	Bank Reconciliation	1	Cancelled				Following an initial start in 21/22, audit cancelled due to the impact of the City ICT position and the understanding that year end bank reconciliation review will be captured through the Statement of Accounts 21/22 external audit.
Policy and Resources	Cemeteries and Crematorium – compliance with GDPR	2	Cancelled				Activity cancelled based on updated in year risk assessment. Position agreed through review and approval of the Internal Audit Plan 22/23.
Policy and Resources	Election Accounts	1	Final Report Issued	Not Applicable	Not Applicable	17/01/2022	Elections postponed to May 21. Deferral from 20/21 agreed through the Revised Internal Audit Plan 20/21.
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	Cancelled				Activity cancelled based on updated in year risk assessment. Position agreed through review and approval of the Internal Audit Plan 22/23.
Policy and Resources	Technology Forge	1	Consultancy	Not Applicable	Not Applicable	18/07/2022	Internal Audit activity adapted to consultancy support input in year, via the Principal Auditor linking into the wider Tech Forge (property and asset management) implementation programme. Summary paragraph not required.
Policy and Resources	Procurement Cards	2	Final Report Issued	Satisfactory	Satisfactory	15/11/2021	
Policy and Resources	Disposals - HKP	2	Cancelled				Activity cancelled based on updated in year risk assessment. Position agreed through review and approval of the Internal Audit Plan 22/23. The Internal Audit Plan 22/23 Plan includes a Key Financial Controls (Capital Accounting, including disposals) review.
Policy and Resources	Gloucestershire Airport	1	Draft Report Issued				
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	
Policy and Resources	Risk Management - Independent Review	1	Final Report Issued	Not Applicable	Not Applicable	18/07/2022	With agreement from SMT and the Audit & Governance Committee, the independent review was commissioned by ARA in 21/22. The outcomes are captured through the Risk Management Annual Report 21/22.

Gloucester City Council
Audit and Governance Committee Work Programme 2022-23
Updated 1 July 2022

Item	Format	Committees	Lead Officer	Notes
18th July 2022				
1. Draft Annual Governance Statement 2021-22	Written Report	Audit and Gov	Head of ARA Shared Service	Part of the Committee's annual programme of work
2. Appointment of independent Member	Update	Audit and Gov	Director of Policy and Resources	Part of the Committee's annual programme of work
3. Annual Risk Management Report 2021/22 and Strategic Risk Register	Written Report	Audit and Gov	Head of ARA Shared Service	Part of the Committee's annual programme of work
4. Draft Annual Report of the Chair of the Audit and Governance Committee	Written Report	Audit and Gov Council	Head of ARA Shared Service	Part of the Committee's annual programme of work
5. Annual Report of the Head of Audit Risk Assurance	Written Report	Audit and Gov	Head of ARA Shared Service	Part of the Committee's annual programme of work
6. Annual Internal Audit Activity 2021/22	Written Report	Audit and Gov	Head of ARA Shared Service	Part of the Committee's annual programme of work

7. Treasury Management Annual Report 2021/22	Written Report	Audit and Gov	Director of Policy and Resources	Part of the Committee's annual programme of work
8. Audit and Governance Committee Work Programme	--	--	--	Standing item
12th September 2022				
1. Internal Audit Activity 2022/23 – Progress Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
2. Statement of Accounts 2021-22	Written Report	Audit and Gov	Director of Policy and Resources	Part of the Committee's annual programme of work
3. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
15th November 2022				
1. Annual Audit Letter 2022/23	Written Report	Audit and Gov	Deloitte	Part of the Committee's annual programme of work
2. Treasury Management Performance 2022/23 Six Monthly Update	Written Report	Audit and Gov Cabinet	Director of Policy and Resources	Part of the Committee's annual programme of work
3. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
17th January 2023				

1. Internal Audit Plan 2022/23 – Monitoring Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
2. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
7th March 2023				
1. Annual Risk Management Report 2022/23	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
2. Internal Audit Activity 2022/23 – progress report.	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
3. Internal Audit Plan 2023-24	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
4. Strategic Risk Register	Written Report	Audit and Gov	Risk and ARA	Part of the Committee's annual programme of work
5. Annual Report of the Audit and Governance Committee	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
6. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item

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