



AUDIT AND GOVERNANCE COMMITTEE

Meeting: Monday, 18th March 2013 at 18.30 hours
in Meeting Room 1, North Warehouse, The Docks, Gloucester, GL1 2EP

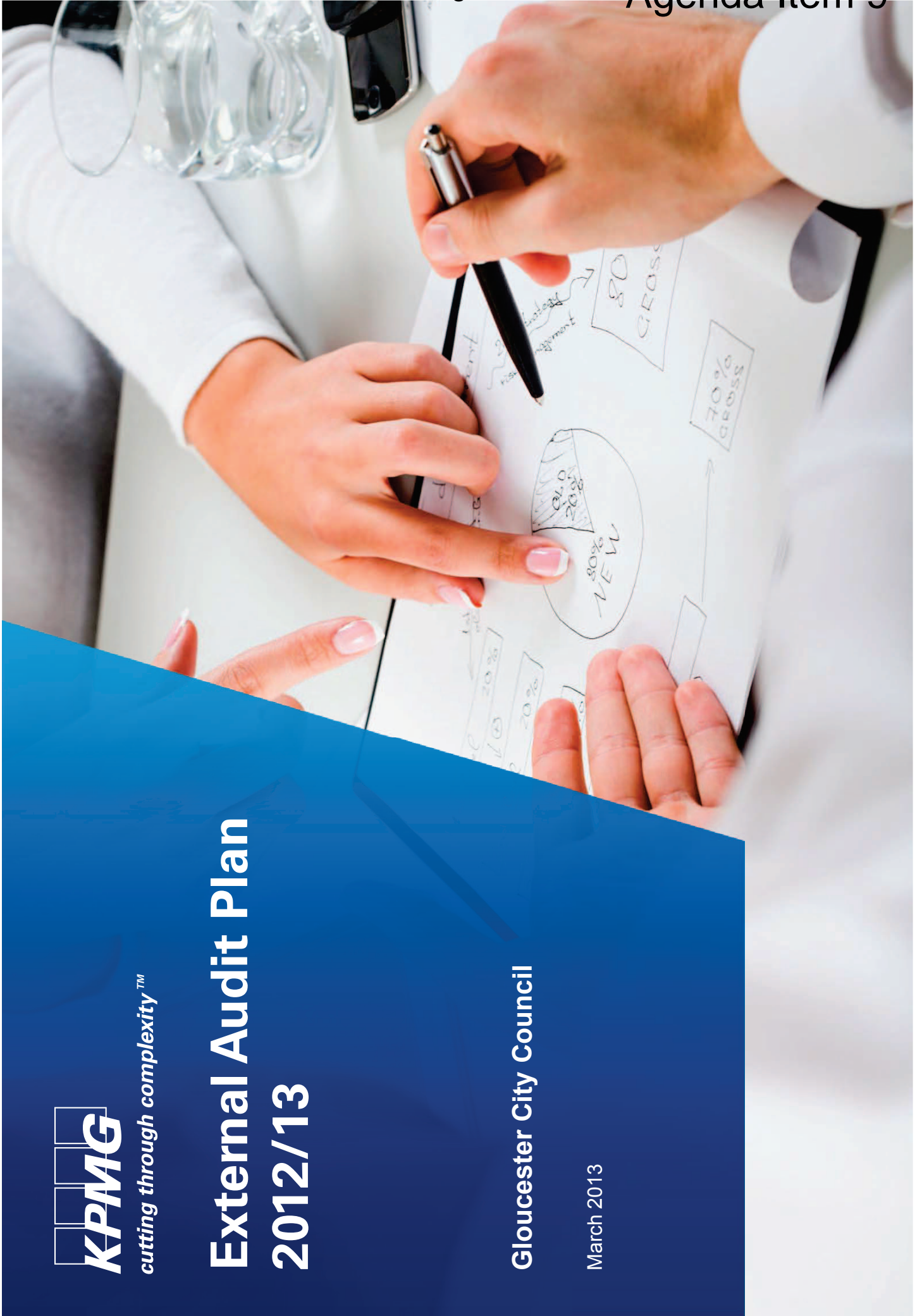
ADDENDUM

The following items although provided for on the agenda front sheet were not available at the time of dispatch:

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| 9. | EXTERNAL AUDIT PLAN 2012/13 (PAGES 1 - 26) To consider the report by KPMG |
| 11. | 2012/13 STATEMENT OF ACCOUNTS ACTION PLAN (PAGES 27 - 30) Report of the Corporate Director of Resources / Interim Finance Change Officer |
| 12. | INTERNAL AUDIT - QUARTERLY MONITORING REPORT (PAGES 31 - 42) To consider the report of Group Manager, Audit and Assurance |
| 13. | INTERNAL AUDIT PLAN 2013/14 (PAGES 43 - 48) To consider the report of Group Manager, Audit and Assurance |
| 14. | ANNUAL COMPLAINTS MONITORING (PAGES 49 - 70) To consider the report of the Monitoring Officer |

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Julian Wain
Chief Executive

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cutting through complexity™

External Audit Plan 2012/13

Gloucester City Council

March 2013

The contacts at KPMG in connection with this report are:

Darren Gilbert

Director

KPMG LLP (UK)

Tel: 029 2046 8205

darren.gilbert@kpmg.co.uk

Tara Westcott

Manager

KPMG LLP (UK)

Tel: 0117 905 4358

tara.westcott@kpmg.co.uk

Sarah Webster

Assistant Manager

KPMG LLP (UK)

Tel: 0117 905 4051

sarah.webster@kpmg.co.uk

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Appendices

1. Balance of internal controls and substantive testing
2. Independence and objectivity requirements
3. Quality assurance and technical capacity

This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the appointed engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, telephone (minicom) 020 7630 0421.

This document describes how we will deliver our audit work for Gloucester City Council.

Scope of this report

This document supplements our *Audit Fee Letter 2012/13* presented to the Director of Resources in December 2012. It describes how we will deliver our financial statements audit work for Gloucester City Council ('the Council'). It also sets out our approach to value for money (VFM) work for 2012/13.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998*, the *Local Government Act 1999* and the Audit Commission's *Code of Audit Practice*.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to review and report on your:

- *financial statements (including the Annual Governance Statement):* providing an opinion on your accounts; and
- *use of resources:* concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Council.

Structure of this report

This report is structured as follows:

- **Section 2** includes our headline messages, focusing on the key risks identified this year for the financial statements audit.
- **Section 3** describes the approach we take for the audit of the financial statements.
- **Section 4** provides further detail on the financial statements audit risks.
- **Section 5** explains our approach to VFM work.
- **Section 6** provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

We have identified a number of key risks that we will focus on during the audit of the 2012/13 financial statements.

These are described in more detail on pages 11 to 13.

The remainder of this document provides information on our:

- approach to the audit of the financial statements;
- approach to VFM work; and
- audit team, proposed deliverables, timescales and fees for our work.

| Area | Risk | Audit work |
|--|---|--|
| <p>Budgetary control and savings plan</p> | <p>The Council set its 2012/13 budget in December 2011 which sets out a number of assumptions. The Council needs to ensure that the budget is regularly monitored against actual, financial information being reported is accurate and that the monitoring of financial information is being appropriately documented.</p> <p>The Council currently estimates that it will need to deliver £1.5m in savings during 2012/13 to address further reductions to local authority funding and continued cost pressures.</p> <p>The Council will need to establish and manage its savings plans to secure longer term financial and operational sustainability and ensure that any related liabilities are accounted for in its 2012/13 financial statements as appropriate.</p> | <p>In conjunction with our VFM work we will critically assess the controls the Council has in place to ensure a sound financial standing and review how the Council is planning and managing its savings plans.</p> <p>We will apply professional scepticism throughout the audit but in particular when reviewing key accounting judgements made by the Council (e.g. on provisions, capitalisation of costs).</p> <p>We will also review the Council's assessment of potential liabilities and any provisions in its 2012/13 financial statements.</p> |
| <p>Fixed asset accounting</p> | <p>In previous years we have raised with you our concerns over fixed asset recording and capital accounting and a number of material capital accounting errors were identified within the financial statements.</p> <p>The Council plans to spend £10.9m on capital scheme this year which include a number of regeneration projects. Due to the nature of fixed asset accounting the Council must ensure it correctly accounts for the different phases, costs and valuations of capital expenditure during the year.</p> | <p>We will assess the controls the Council has in place around fixed asset recording and capital accounting to ensure appropriate processes are in place to monitor and regulate the Council's asset position.</p> <p>We will discuss with finance whether any capital accounting controls have been implemented during the year and whether they are working effectively.</p> <p>As part of our final accounts audit we will review the Council's treatment of any revaluation exercises undertaken in the year in line with the Code of Practice.</p> |
| <p>Control accounts</p> | <p>A number of control accounts were being used by the Council which did not reconcile correctly at the year end. After a long exercise of reviewing these accounts by the Council, a number of adjustments were made to the final accounts last year to reflect correct balances.</p> <p>The Council needs to ensure that all control accounts reconcile into the ledgers and detailed backing to ensure a repeat of the situation does not arise this year.</p> | <p>We will review the trail balance produced by finance to ensure that all control accounts agree to reconciliations and that any balances left on accounts are being investigated and cleared down promptly.</p> |

We have identified a number of key risks that we will focus on during the audit of the 2012/13 financial statements.

These are described in more detail on pages 11 to 13.

The remainder of this document provides information on our:

- approach to the audit of the financial statements;
- approach to VFM work; and
- audit team, proposed deliverables, timescales and fees for our work.

| Area | Risk | Audit work |
|---|--|---|
| <p>Preparation of the financial statements</p> | <p>The Council has struggled for a number of years to prepare its financial statements on time to an appropriate quality, with particular difficulties in accounting for its fixed assets. The first draft of the accounts provided for audit has historically had missing information and in particular no group accounts.</p> <p>In the prior year, the Council was unable to produce draft accounts by the required 30 June deadline and was also unable to publish its audited accounts by the 30 September deadline.</p> <p>The Council was unable to submit its Whole Government Accounts (WGA) by the required deadline of 5 October.</p> <p>The Council needs to ensure it takes appropriate steps this year to ensure that a good quality set of draft financial statements are prepared for audit.</p> | <p>We will monitor closely the progression against the interim teams closedown plan to ensure the Council is on track to deliver its group financial statements and WGA Pack against the deadlines.</p> |

Section three Our audit approach

We undertake our work on your financial statements in four key stages during 2013:

- **Planning** (March).
- **Control Evaluation** (March to April).
- **Substantive Procedures** (July to August).
- **Completion** (September).

We have summarised the four key stages of our financial statements audit process for you below:



Section three

Our audit approach - planning

During March 2013 we complete our planning work.

We assess the key risks affecting the Council's financial statements and discuss these with officers.

We assess if there are any weaknesses in respect of central processes, including the Council's IT systems, that would impact on our audit.

We determine our audit strategy and approach, and agree a protocol for the accounts audit, specifying what evidence we expect from the Council to support the financial statements.

Our planning work takes place in March 2013. This involves the following aspects:

Planning

- Update our business understanding and risk assessment.
- Assess the organisational control environment.
- Determine our audit strategy and plan the audit approach.
- Issue our *Accounts Audit Protocol*.

The Council relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations.

Audit strategy and approach

The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities.

We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of judgement and is set by the Engagement Lead.

Accounts audit protocol

At the end of our planning work we will issue our Accounts Audit Protocol. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Council to provide during our interim and final accounts visits.

Business understanding and risk assessment

We update our understanding of the Council's operations and identify any areas that will require particular attention during our audit of the Council's financial statements.

We identify the key risks affecting the Council's financial statements. These are based on our knowledge of the Council, our sector experience and our ongoing dialogue with Council staff. The risks identified to date are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Council's responsibility to adequately address these issues. We encourage the Council to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with the Director of Resources and interim finance team on a regular basis to consider issues and how they are addressed during the financial year end closedown and accounts preparation.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit. In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of the work of your internal auditors also informs our risk assessment.

Section three

Our audit approach – control evaluation

During March 2013 we will complete our interim audit work.

We assess if controls over key financial systems were effective during 2012/13. We work with your Internal Audit team to avoid duplication.

We work with your finance team to enhance the efficiency of the accounts audit.

We will present our *Interim Report* to the Audit & Assurance Committee in June.

Our interim visit on site will be completed during March 2013. During this time we will complete work in the following areas:

Control Evaluation

- Evaluate and test controls over key financial systems identified as part of our risk assessment.
- Review the work undertaken by the internal audit function on controls relevant to our risk assessment.
- Review the accounts production process.
- Review progress on critical accounting matters.

Controls over key financial systems

We update our understanding of the Council's key financial processes where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Appendix 1 illustrates how we determine the most effective balance of internal controls and substantive audit testing.

Where our audit approach is to undertake controls work on financial systems, we seek to rely on any relevant work Internal Audit have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place reliance on their work. We have a joint working protocol and we meet regularly with the Head of Internal Audit to discuss the principles and timetables for the managed audit process for 2012/13.

Review of internal audit

Where we intend to rely on internal audit's work in respect of the key financial systems identified as part of our risk assessment, auditing standards require us to review aspects of their work. This includes re-performing a sample of tests completed by internal audit. We will provide detailed feedback to the Head of Internal Audit and Director of Resources at the end of our interim visit.

Accounts production process

We raised a number of recommendations in our *Report to Those Charged with Governance (ISA 260 Report) 2011/12* relating to the accounts production process. The most significant of these were to:

- **Improve the process of reviewing the figures in the financial statements to reduce the number of material adjustments being identified during the audit process.**
- **Improve the quality of working papers provided to the audit team to ensure they address the requirements agreed in the *Accounts Audit Protocol*.**
- **Reduce the number of ongoing amendments to the financial statements during the audit period thus eliminating issues arising from multiple versions of the financial statements being in circulation.**

We will assess the Council's progress in addressing our recommendations and in preparing for the closedown and accounts preparation.

Critical accounting matters

We will discuss the work completed to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

Following our interim visit we will issue our *Interim Report* which will set out the findings of our planning and interim work. This will be discussed at the Audit & Assurance Committee meeting in June.

Our audit approach – substantive procedures

During July to August 2013 we will be on site for our substantive work.

We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statement for consistency with our understanding.

We will present our *ISA 260 Report* to the Audit Committee in September 2013.

Our final accounts visit on site has been provisionally scheduled for the period July to August 2013. During this time, we will complete the following work:

Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the Audit Committee. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this.

We report the findings of our final accounts work in our *ISA 260 Report*, which we will issue to Audit Committee in September 2013.

Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the Council's control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

Critical accounting matters

We conclude our testing of the key risk areas as identified at the planning stage and any additional issues that may have emerged since. We will discuss our early findings of the Council's approach to address the key risk areas with the Interim Finance Team in July 2013, prior to reporting to the Audit Committee in September 2013.

Audit adjustments

During our on site work, we will meet with the Finance team on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

In addition to the financial statements, we also audit the Council's Whole of Government Accounts pack.

We may need to undertake additional work if we receive objections to the accounts from local electors.

We will communicate with you throughout the year, both formally and informally.

Whole of government accounts (WGA)

We are required to review and issue an opinion on your WGA consolidation to confirm that this is consistent with your financial statements. The audit approach has been agreed with HM Treasury and the National Audit Office.

The Council in the previous year failed to meet the deadline of submission of the WGA Pack. It is vital this year that the Council meets the deadline and produces and submit its WGA within the required timescale.

Electoral challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit & Assurance Committee. Our deliverables are included on page 18.

Use of off-shore audit resources

During our audit work we may make use of our KPMG Global Services (KGS Audit) team in India to undertake certain basic audit tasks and functions. Use of this 'off-shore' team is one of many initiatives we employ to deliver a cost-effective audit service for our clients. Although based in India, the KGS Audit team works closely with our local audit teams to undertake certain audit procedures remotely. We have provided our UK teams with guidance on the types of audit procedures and other tasks that it is suitable and permissible to use KGS Audit for - we do not use KGS Audit for any audit procedures that involve access to personal, confidential or sensitive information. Audit tasks are then allocated by our UK-based engagement teams to dedicated teams in India, allowing local staff to control what work KGS Audit undertakes and what information is accessed. They operate to our same quality standards and all work undertaken by KGS Audit is reviewed by the UK team.

The KGS Audit team operates in a paperless environment and we apply robust processes to control how data is accessed and used:

- all work is conducted electronically;
- all data files are maintained on servers in the UK with restricted access and only viewed on screen in India. These servers are governed by established KPMG IT controls;
- policy and technology restrictions are in place to protect data, for example locked down USB ports, no external emailing, no printing;
- KGS Audit staff are based in an office with restricted access and security; and
- the team members adhere to global KPMG ethics and independence standards, along with requirements governing the non-disclosure of client information.

Our independence and objectivity responsibilities under the Code are summarised in Appendix 2. We confirm our audit team's independence and objectivity is not impaired.

Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit & Assurance Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Confirmation statement

We confirm that as of March 2013 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

For each key risk area we have outlined the impact on our audit plan.

We will provide an update on how the Council is managing these risks in our *Interim Audit Report*.

| Key audit risks | Impact on audit |
|---|--|
| <div style="text-align: center;"> <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ General Fund and reserve balances ■ Key accounting judgements (provision, capital) </div> | <p>Risk</p> <p>In the prior year the Council was not been able to demonstrate that the reporting of financial information to senior management and Members took place. The Council was also unable to demonstrate (through documentation) that it was performing detailed budget monitoring and whether they were able to deliver on their savings plan.</p> <p>The Council is forecasting that it will deliver its 2012/13 budget, maintaining a general fund balance at £1.6m . This includes savings totalling £1.5m. In this context, it is important that budget monitoring is taking place, that savings can be identified and delivered, and that these arrangements are robust and evidenced.</p> <p>The Council currently estimates that another £1.7m in savings will need to be achieved during 2013/14 to address the further reductions to local authority funding. It will become more and more difficult to deliver these savings in a way that secures longer term financial and operational sustainability.</p> <p>Our audit work</p> <p>In conjunction with our VFM work we will critically assess the controls the Council has in place to ensure a sound financial standing, specifically that its Medium Term Financial Plan has duly taken into consideration the potential funding reductions and that it is sufficiently robust to ensure that the Council can continue to provide services effectively. We will also review how the Council is planning and managing its savings plans.</p> <p>As part of our final accounts audit we will review the Council's assessment of any potential liabilities arising from its savings plans against the Code. If applicable, we will review the Council's provisions, including the methodology, assumptions and calculations.</p> <p>We will apply professional scepticism throughout the audit but in particular when reviewing key accounting judgements made by the Council (e.g. on provisions, capitalisation of costs).</p> <p>We highlighted in our <i>Report to Those Charged with Governance ISA 260 2011/12</i> that we had concerns over budgetary control in the prior year. We will review this process to ensure it is operating effectively in the current financial year.</p> |

Key financial statements audit risks (continued)

For each key risk area we have outlined the impact on our audit plan.

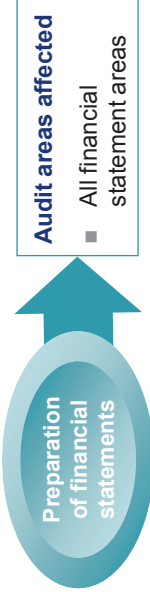
We will provide an update on how the Council is managing these risks in our *Interim Audit Report*.

| Key audit risks | Impact on audit |
|--|--|
| <div style="text-align: center;"> </div> | <p>Risk</p> <p>We have reported to you in previous audits our concerns over certain reporting and record keeping of areas in the financial systems, in particular the controls around fixed asset recording and capital accounting. In the previous year we identified a number of control weaknesses around fixed asset accounting which led to a number of material capital accounting errors within the financial statements.</p> <p>The Council's capital budget for 2012/13 amounts to £10.9m and this includes a number of regeneration projects including Kings Square and other city projects. The Council must ensure they correctly account for the different phases and costs in the relation to capital programmes during the year.</p> <p>Our audit work</p> <p>We are aware that the interim finance team have been reviewing the controls around capital recording and monitoring. As part of our interim work we will assess the controls the Council has in place around fixed asset recording and capital accounting to ensure appropriate processes are in place to monitor and regulate the Council's asset position.</p> <p>As part of our final accounts audit we will review the Council's treatment of any revaluation exercises undertaken in the year in line with the Code of Practice.</p> |
| <div style="text-align: center;"> </div> | <p>Risk</p> <p>A number of issues were identified in the previous year in relation to control accounts which had not been appropriately maintained by the Council. This resulted in large reconciliation exercises between the accounts and a number of material misstatements in the financial statements were identified.</p> <p>Our audit work</p> <p>We will review the process for maintaining and clearing control accounts as part of our interim audit visit. We will review the Councils trail balance to ensure that no suspense or holding accounts are being used.</p> <p>As part of our final accounts audit we will substantively test any balances remaining in the control accounts to ensure they are appropriate.</p> |

Key financial statements audit risks (continued)

For each key risk area we have outlined the impact on our audit plan.

We will provide an update on how the Council is managing these risks in our *Interim Audit Report*.

| Key audit risks | Impact on audit |
|--|---|
|  <p>Audit areas affected</p> <ul style="list-style-type: none"> All financial statement areas | <p>Risk</p> <p>Over the last few years the Council has struggled to close down its accounts and prepare timely and accurate financial statements within the statutory timetable. This has resulted in multiple versions of the financial statements being presented to the audit team.</p> <p>In addition our audits have identified many material and significant errors and disclosure issues. There were also a number of Code changes and LAAP Bulletin updates during 2011/12 which were highlighted to Finance as part of our <i>Accounts Audit Protocol</i> but were not reflected in the draft accounts.</p> <p>The Council's financial reporting team has been weakened by staff changes in the prior year, and the Council continues to rely on an Interim Finance team to resource and prepare the financial statements.</p> <p>Our audit work</p> <p>We will monitor closely the Council's closedown plan and discuss with the Interim Finance team how both the preparation of the financial statements and the support of our audit will be delivered. We will also consider the progress the Council has made to prepare and report its draft financial statements within the required 30 June deadline.</p> |

Our approach to VFM work follows guidance provided by the Audit Commission.

Background to approach to VFM work

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

The approach is structured under two themes, as summarised below.

| Specified criteria for VFM conclusion | Focus of the criteria | Sub-sections |
|--|--|---|
| The organisation has proper arrangements in place for securing financial resilience . | The organisation has robust systems and processes to: <ul style="list-style-type: none"> ■ manage effectively financial risks and opportunities; and ■ secure a stable financial position that enables it to continue to operate for the foreseeable future. | <ul style="list-style-type: none"> ■ Financial governance ■ Financial planning ■ Financial control |
| The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness . | The organisation is prioritising its resources within tighter budgets, for example by: <ul style="list-style-type: none"> ■ achieving cost reductions; and ■ improving efficiency and productivity. | <ul style="list-style-type: none"> ■ Prioritising resources ■ Improving efficiency and productivity |

Section five VFM audit approach (continued)

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



Each of these stages are summarised further below.

| VFM audit stage | Audit approach |
|----------------------------------|---|
| VFM audit risk assessment | <p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Council. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ the Council's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ information from the Audit Commission's VFM profile tool and financial ratios tool; ■ evidence gained from previous audit work, including the response to that work; and ■ the work of the Audit Commission, other inspectorates and review agencies. |

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit.

We will then form an assessment of residual audit risk to identify if there are any areas where more detailed VFM audit work is required.

| VFM audit stage | Audit approach |
|---|---|
| <p>Linkages with financial statements and other audit work</p> | <p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Council's organisational control environment, including the Council's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p> |
| <p>Assessment of residual audit risk</p> | <p>It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria.</p> <p>Such work may involve interviews with relevant officers and /or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the Council may prepare against the characteristics.</p> <p>To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion.</p> <p>At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.</p> |
| <p>Identification of specific VFM audit work</p> | <p>If we identify residual audit risks, then we will highlight the risk to the Council and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ considering the results of work by the Council, the Audit Commission, other inspectorates and review agencies; and ■ carrying out local risk-based work to form a view on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. |

Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

We will report on the results of the VFM audit through our *Interim Audit Report* and our *Report to those charged with governance*.

| VFM audit stage | Audit approach |
|--|---|
| <p>Delivery of local risk based work</p> | <p>Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as:</p> <ul style="list-style-type: none"> ■ local savings review guides based on selected previous Audit Commission national studies; and ■ update briefings for previous Audit Commission studies. <p>The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.</p> |
| <p>Concluding on VFM arrangements</p> | <p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p> |
| <p>Reporting</p> | <p>We will report on the results of the VFM audit through our <i>Interim Audit Report</i> and our <i>Report to those charged with governance</i>. These reports will summarise our progress in delivering the VFM audit, the results of the risk assessment and any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Council's arrangements for securing VFM), which forms part of our audit report.</p> <p>If considered appropriate, we may produce a separate report on the VFM audit, either overall or for any specific reviews that we may undertake.</p> |

At the end of each stage of our audit we issue certain deliverables, including reports and opinions. Our key deliverables will be delivered to a high standard and on time. We will discuss and agree each report with the Council's officers prior to publication.

| Deliverable | Purpose | Committee dates |
|---|---|-----------------------|
| Planning | | |
| External Audit Plan | <ul style="list-style-type: none"> Outline audit approach. Identify areas of audit focus and planned procedures. | March 2013 |
| Control evaluation | | |
| Interim Report | <ul style="list-style-type: none"> Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. | June 2013 |
| Substantive procedures | | |
| Report to Those Charged with Governance (ISA 260 Report) | <ul style="list-style-type: none"> Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements. | September 2013 |
| Completion | | |
| Auditor's report | <ul style="list-style-type: none"> Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion). | September 2013 |
| Annual Audit Letter | <ul style="list-style-type: none"> Summarises the outcomes and the key issues arising from our audit work for the year. | November 2013 |

We will be in continuous dialogue with you throughout the audit.

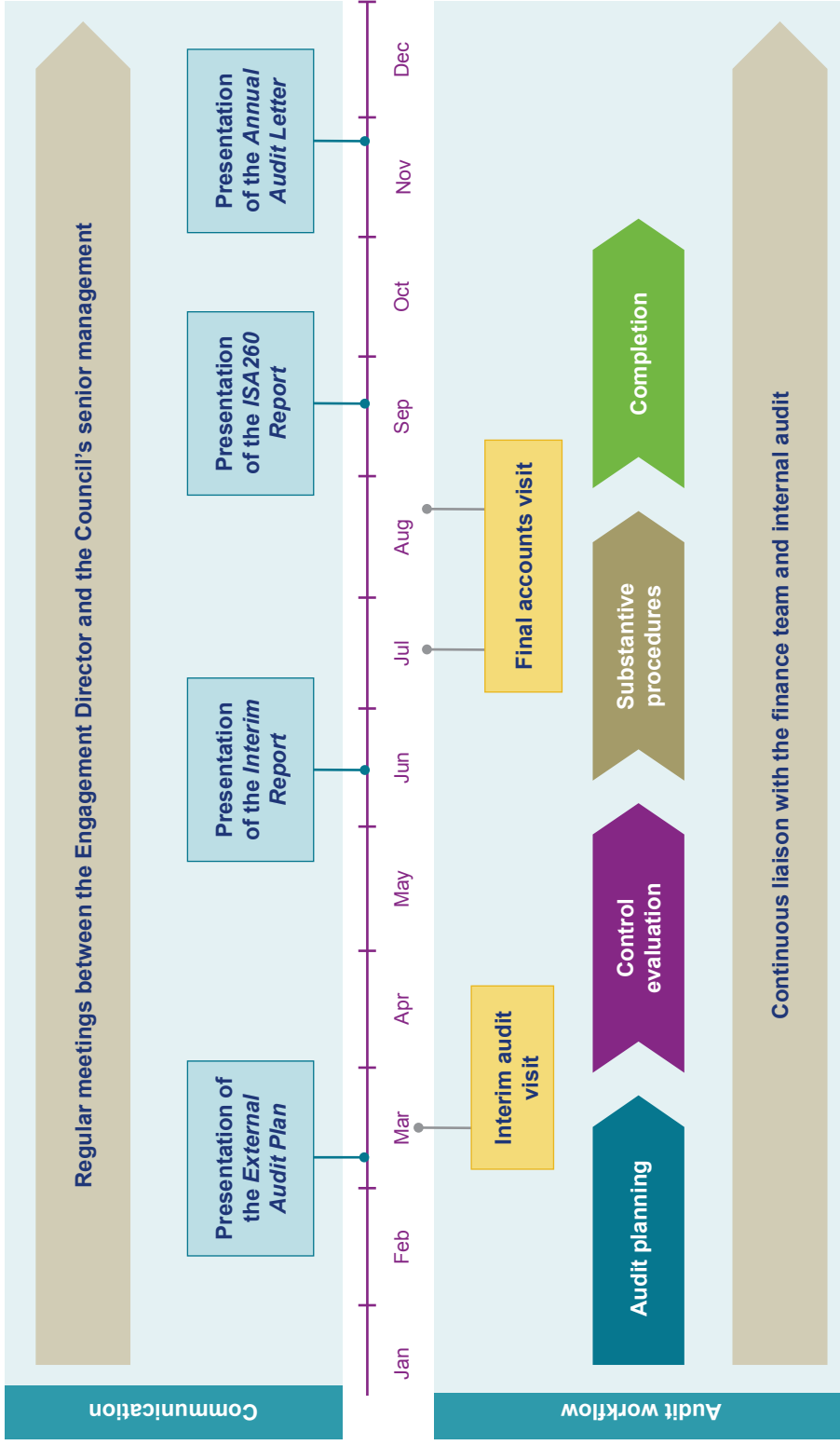
Key formal interactions with the Audit Committee are:

- March – External Audit Plan;
- June – Interim Report;
- September – ISA 260 Report;
- November – Annual Audit Letter.

We work with the finance team and internal audit throughout the year.

Our main work on site will be our:

- Interim audit visits during March.
- Final accounts audit during July to August.



Key: ● Audit & Assurance Committee meetings.

The main fee for 2012/13 audit of the Council is £139,500. The fee has not changed from that set out in our *Audit Fee Letter 2012/13* issued in December 2012.

Our audit fee remains indicative and based on you meeting our expectations of your support.

Meeting these expectations will help the delivery of our audit within the proposed audit fee.

Audit fee

Our *Audit Fee Letter 2012/13* presented to the Director of Resources, sets out our planned fees of £139,500 for the 2012/13 audit. Our audit fee includes our work on the VFM conclusion and our audit of the Council's financial statements. The fee is included as a separate item on the agenda for today's meeting.

Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2011/12;
- you will inform us of any significant developments impacting on our audit;

- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2012/13* within your 2012/13 financial statements;

- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:

- the financial statements are made available for audit in line with the agreed timescales; good quality working papers and records will be provided at the start of the final accounts audit;
- requested information will be provided within the agreed timescales;
- prompt responses will be provided to queries and draft reports;

- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

The Audit Commission requires us to inform you of specific actions you could take to keep the audit fee to a minimum. Future audit fees can be kept to a minimum if the Council achieves an efficient and well-controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas.

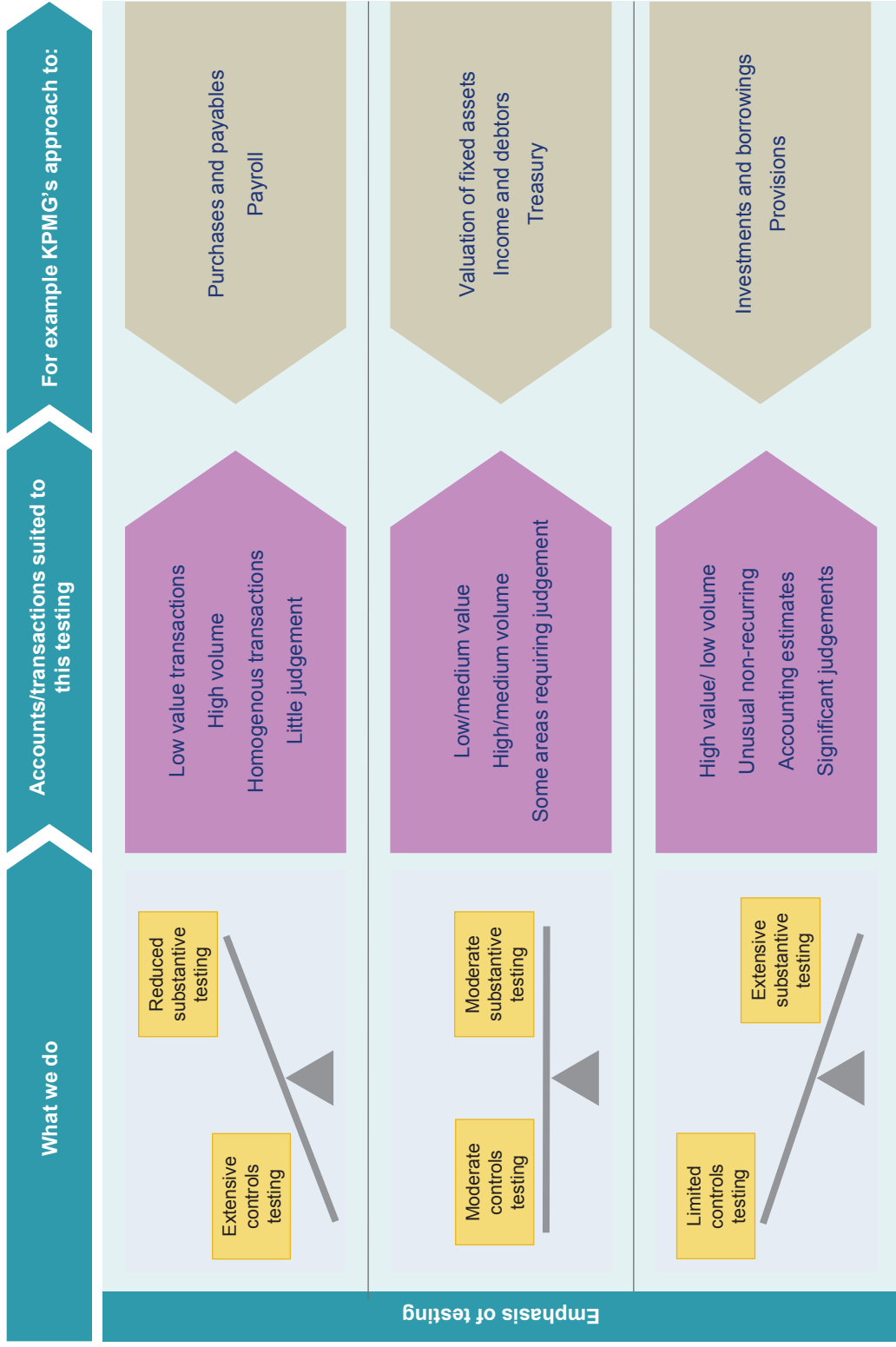
Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
 - additional work is required of us by the Audit Commission or other regulators; and
 - additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.
- If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Director of Resources.

Appendix 1: Balance of internal controls and substantive testing

This appendix illustrates how we determine the most effective balance of internal controls and substantive audit testing.



Appendix 2: Independence and objectivity requirements

This appendix summarises auditors' responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Council invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Partner.
- Audit staff are expected not to accept appointments as lay school inspectors.
- Firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a local protocol with the body concerned.

- Auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on each audit at least once every five years (subject to agreed transitional arrangements). Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- The Commission must be notified of any change of second in command within one month of making the change. Where a new Engagement Lead or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.

Appendix 3: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG. We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drivers of quality through a focused and consistent voice. Darren Gilbert as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

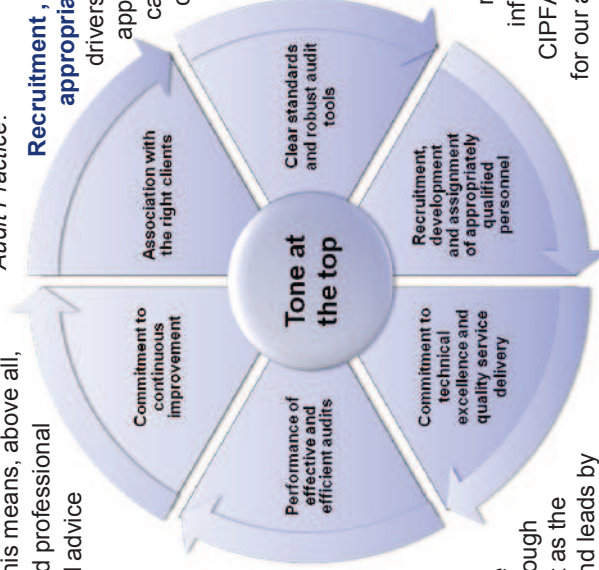
Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudit application has significantly enhanced existing audit functionality. eAudit enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Council's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.



- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based bi-monthly technical training.

Appendix 3: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The results of the Audit Commission's annual quality review process is made publicly available each year (http://www.audit-commission.gov.uk/audit-regime/Pages/qualityreviewprocess_copy.aspx). The latest report dated October 2012 showed that we performed highly against all the Commission's criteria.



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UPDATE ON THE ISA 260 RECOMMENDATIONS February 2013

| KPMG | | GCC | | KPMG | | GCC | | | | | |
|------|------|----------|--|---|---|-------------------------|---|-----|------------------|-------------|--------------|
| No. | Year | Priority | Risk | Recommendation | Management Response | Status at February 2013 | Current Status | RAG | Current Priority | Target Date | Owner |
| 1 | 2012 | 1 | <p>Budgetary Control</p> <p>Our work highlighted to you as part of our Interim Report 2011/12 that our budget monitoring should be completed on a monthly basis. This summary report presented to Cabinet should include detailed monitoring reports produced by Finance.</p> <p>Our audit procedures also identified an error where a missing invoice was found in 2011/12 that related to 2010/11, relating to a significant contract. If there had been effective budgetary control during the year then such an error would have been identified through the budget monitoring process.</p> | <p>Identify what is causing the unreconciled amounts. Future bank reconciliations should be performed on a zero variance basis. All bank accounts should be reviewed by a senior member of the Finance team to ensure that they are all reconciled at month end correctly and all accounts are being captured.</p> | <p>We are aware that the budget figures in Cedar do not necessarily agree fully with the budget committed to and agreed with Finance. This issue will be addressed with regard to the 2013/14 budget in that the overall process will be driven by Finance. Currently discussions and training sessions are being held with budget holders and managers about the budget process and the importance pertaining to accuracy and the monitoring process. Once the budget has been approved by Cabinet Finance will ensure that the correct budget figures are entered into the system. The processes being developed and implemented are a work-in-progress and will be adapted and enhanced to satisfy the needs of the business and changing circumstances.</p> | | All Services Managers budget submissions are uploaded onto Cedar CRM module to enable efficient monitoring during 2013/14. The outstanding items are the 'Project Plans' relating to each budget saving stream, these have to be agreed by the delivery Service Manager and will include a timespan and actions taken to be delivered together with the monthly cycle achievement basis. | A | 1 | 01/04/13 | KB |
| 2 | 2012 | 1 | <p>Bank Reconciliation</p> <p>Our work and that of Internal Audit has identified that bank reconciliations are not being performed correctly. There are a number of balancing figures that appear on the monthly reconciliation. Although these amounts are not significant they are in effect 'balancing figures', meaning that bank accounts do not reconcile to the general ledger. Our work on cash at year end also identified that a bank account had been missed out of the reconciliation process which resulted in cash in the financial statements being understated.</p> | <p>Identify what is causing the unreconciled amounts. Future bank reconciliations should be performed on a zero variance basis. All bank accounts should be reviewed by a senior member of the Finance team to ensure that they are all reconciled at month end correctly and all accounts are being captured.</p> | <p>All bank reconciliations are now being performed on a monthly basis and balanced correctly with no balancing entries. All reconciliations are being reviewed by the interim finance change manager who also ensures that all bank accounts are being reconciled.</p> | | The accounts for the current year transactions are in balance. However, there are two balancing entries that relate to prior years. These will be resolved before the year end and not carried forward to 2013/14. | A | 1 | 01/04/13 | KB |
| 3 | 2012 | 1 | <p>Quality of Draft Accounts</p> <p>All versions of the accounts during our audit. These versions have had a number of material audit differences. There were also a number of Code changes and LAAP Bulletin updates issued during the year which were not recognised in the initial versions of the accounts. A large number of these differences could have been identified prior to the accounts being presented to audit if a detailed review by a senior officer had been undertaken.</p> | <p>Senior members of the Finance team need to ensure they keep abreast of all current Code updates and LAAP Bulletins that are issued during the year. This is to ensure that the Council can consider its approach to the accounting requirements and book the necessary entries that are required under the Code.</p> | <p>Ideally we would aim to have a final draft of the accounts available for review at the commencement of the audit with very few, if any, subsequent adjustments. For a number of reasons, mainly relating to staff issues, this has not been the case this year. Consequently the accounts, although presented to audit, were still incomplete in a number of areas such as group accounts and disclosures as these were still being worked on. This was made clear to the audit team at the commencement of the audit. In 2013/14 we will ensure that all draft accounts are completed by eight in the month and that the vast majority of the adjustments relate to errors identified by the Council and it is not correct to refer to them all as audit adjustments. We do not fully agree that Code changes and LAAP Bulletins were not recognised in the initial versions of the accounts. The only significant change to the Code was in respect of Heritage assets which were correctly included in the draft accounts in accordance with the Code. However, it was not until the final draft accounts were submitted that we identified a discrepancy by the Council of an error in the calculation which made the final adjustment material. It is anticipated that with the right staff structure and procedures aligned with proper planning a lot of the difficulties encountered with the current year's accounts preparation and subsequent audit will be mitigated. The preparation of monthly management accounts and reconciliation of control accounts will assist with this objective. The preparation of the final draft accounts will be subject to all material aspects with the Code and any LAAP Bulletins and that the accounts are reviewed subsequent to issue as a final draft.</p> | | We are in receipt of the KPMG suggested timetable of events to complete the Annual Accounts process to enable signing before 30/09/13. An internal timetable is currently under review to establish the desired delivery. The review process includes a lessons learnt aspect, the initial improvements cover 'Generic' working paper outlines and clear instructions to the business and individuals within Finance to ensure clarity of information provided to KPMG and that data to be easily audited. | A | 1 | 01/04/13 | Finance / KB |
| 4 | 2012 | 1 | <p>Resources Within Finance</p> <p>The Council's accounts and accounting treatments are complex. It is paramount within a Finance department that you have suitable qualified staff who have the technical ability in local government accounting to deal and account for these transactions.</p> | <p>We recommended that a permanent Finance structure is put in place urgently.</p> | <p>The Finance team is currently undergoing a period of transition with existing procedures being strengthened or adapted with new procedures being introduced where considered appropriate with a view to achieve efficiencies and saving staff structures and staff experience and qualifications are to be reviewed to determine the ideal structure. Where considered necessary recruitment of additional staff will be made. In the short-term the interim team, who are considered to have the required technical expertise, will remain in place to develop and implement the new and improved procedures and ensure a smooth transition to the new team.</p> | | Recruitment to the permanent posts is currently underway. In addition to establishing the permanent professional team, it has been agreed that the interim team will provide an overlap with the new appointments. Three key areas of business are being focused on for delivery (1) Control accounts and reconciliation of the annual accounts for 2012/13 (2) implementing this improvement plan and other improvements/actions identified by the Director and the Internal Audit Service (3) Supporting the Council's budget saving targets for 2013/14. These priorities for financial services require ongoing interim resource to ensure successful delivery. | A | 1 | 30/06/13 | PG |

Coding of Invoices

| | | | | | | |
|----------------|---|---|---|------------|-------------------|---------------------------------|
| <p>5 2012</p> | <p>It is paramount that Finance staff code transactions to the correct general ledger codes within Cedar Care. If this does not occur then balances will be posted to incorrect codes and budget holders will not know the true cost of a service or contract. Our review of post balance sheet invoices identified that there are a number of invoices that had been mis-posted. The mis-posting related to payments on the Enterprise contract which should have gone against this contract, instead they have been posted to Mobile Phones code. This had not been identified by finance or the budget holders. Even though the value in monetary terms for the invoices we have identified is immaterial for audit purposes, this could lead to incorrect decisions by budget holders and provides Committees and Cabinet with the incorrect information. This also reinforces the issue noted above regarding the effectiveness of budgetary control processes.</p> | <p>Care should be taken by Finance staff to ensure correct general ledger codes are used. As commented in point 1 the Council is currently implementing procedures to strengthen budgetary controls and monitoring as well as the budget process. It is expected that this will mitigate the risk of such errors in coding going undetected in future.</p> | <p>A paper has been prepared for approval by GLT to recommend changes to the e-procurement system that formalises the approval level of managers and officers in the business. This process effectively limits the financial commitment that can be incurred by an officer without the knowledge of their line manager. There are six levels of approval where a Service Manager can approve expenditure up to £5k to a purchase in excess of £7.5m requiring Cabinet sanction. The raising of a purchase requisition and order will drive the coding of invoices and placing it with those who are requesting/approving the spend.</p> | <p>A 2</p> | <p>P1 13/14</p> | <p>Finance / KB</p> |
| <p>6 2012</p> | <p>Revenue Reconciliations Each month the revenue department provides finance with a reconciliation of all transactions on council tax and NDR movements. The reconciliation enables finance to post monthly journals to the general ledger to account for the council tax and NDR transactions. At the year end, the finance team use these reconciliations to support any council tax and NDR debtors and creditor balances. It was identified by the interim finance team that the monthly reconciliations provided by the revenue department are not accurate and do not reconcile to the revenue systems at month end. The difference between the reconciliation and the revenue system is due to cash receipts that come in on the last few days of the month. For example, cash will be received and banked on the 31 March 2012 and included in the revenue system but revenues do not include this cash in their reconciliation to finance, they will include it in the following month. This means that even though the cash has been banked and included in the following month, the revenue department does not reflect this in their reconciliation.</p> | <p>Cash is received, banked and recorded in the general ledger but not in the Open Revenues System. The reconciliation provided to finance notes that the cash has been received but does not record that there is a timing mismatch in the Open Revenues System. The reconciling treatment agreed with the audit team takes a prudent approach to the treatment of the unreconciled balance on the Collection Fund holding account. The accounting treatment adopted will be reviewed to ensure that the debtor and creditor balances are correctly stated at 31 March 2013. A reconciliation that does identify the cash timing mismatch between the General Ledger and the Open Revenues System is produced and will in future be provided to the Finance Team.</p> | <p>The situation identified at audit has not been satisfactorily resolved. The Revenues manager has assured the Finance Team that a complete month-end reconciliation is being performed and this will be tested by Finance at P11. Any remaining issues identified will be resolved by an external project team which has been identified as a resource capable of delivering a resolution.</p> | <p>R 1</p> | <p>30/06/13</p> | <p>External Project Team</p> |
| <p>7 2012</p> | <p>Fixed Asset Additions Our testing of capital expenditure in the year identified that all costs relating to a project are being capitalised. For example, all costs relating to the Museum project are being capitalised; ag costs relating to promotional events, hire of actors etc. Even though the items we tested are not material in value, they are not capital and should be treated as revenue under the Code. There is a need to enhance the guidance available to Council staff on the difference between capital and revenue expenditure to support capital projects. The current guidance does not clearly differentiate between what constitutes revenue and what does not. It is difficult to differentiate between the two and this could contribute to errors due to lack of internal clarity.</p> | <p>Subsequent to the year end a new capital expenditure procedure has been developed and implemented. This covers all aspects of capital spending including the following: 1. Standard rules with regard to all capital expenditure 2. Clear definition distinguishing between capital and revenue. 3. The approval process stressing the need for a business case, discounted cash flows review and approval of project costs at every stage of the project. All budget holders and other appropriate staff have been notified of the new process and, where, considered necessary training of these staff will be provided.</p> | <p>The Capital Project Steering Group (CPSG) was formed in October 2012 and meets monthly. The function of the CPSG is to formally approve projects for submission to GLT/Cabinet / Council for approval. All capital projects undergo a rigorous process to ensure that the project meets corporate objectives and is delivered in a timely manner. Regular reviews and regular reports are submitted to ensure that objectives and achievements. This process should ensure that best value for money is achieved and spend is targeted in a controlled manner.</p> | <p>G 2</p> | <p>Delivered</p> | <p>Ongoing Monthly Meetings</p> |
| <p>8 2012</p> | <p>Valuation Reports The Council's valuations department performs a rolling programme of property valuations on an annual basis. These include a mix of other land and buildings and investment properties. The valuation report is passed to finance to account for the movement on assets between the fixed asset register and the general ledger. Our review of the year end valuation report indicated that there had been an overall reduction in Investment Property values. These movements in asset values had been accounted for in the Revaluation Reserve instead of the I&E account. Under the Code all investment property changes in value should be accounted for in the I&E account. We have also identified that Finance are classing some of the assets into a different fixed asset category when compared to the valuation report. For example, the "Oxide shops" of E371k are being shown as "other land and buildings" within the valuation report, classing them as investment properties. This will not only affect where future increase/decrease in valuations are booked but also the depreciation that is being charged on them.</p> | <p>There was a net revaluation surplus of investment property in the current year and this surplus was initially reflected in the accounts as a credit to the CTS which is the correct accounting treatment in accordance with the Code. This surplus was then transferred to the Revaluation Reserve. This year's revaluation process has completed with the result that the revaluations and impairments for the current year and prior year were grossed up with the impairments being expensed and the revaluation reserve credited. This has been adjusted in the final accounts.</p> | <p>The lessons learnt from production of the 2011/12 accounts will be applied to future years. A full property valuation has been instigated at March 2013 to ensure that the valuation process is in line with the requirements of the General Ledger and the Statement of Accounts. Property Services have identified resources to complete this task which includes the procurement of a software tool to enable a faster and more accurate process of reconciliation to the financial records.</p> | <p>A 2</p> | <p>31/05/13</p> | <p>Prop Services / Finance</p> |
| <p>9 2012</p> | <p>Fixed Asset Register The Council has been using an excel spreadsheet created from a download from the general ledger to account and record the movements on its fixed assets. This spreadsheet is not designed to identify what the historic cost of its assets is for many years the Council has been unable to identify what the historic cost of its assets are. Under the Code there is a requirement for Councils to keep this information. In addition, by using an excel spreadsheet the Council is unable to ensure that the data is accurate and complete. The Council's complex asset base of 10,000+ assets requires a more robust system to account for the Council's complete asset base of 10,000+ assets with component accounting.</p> | <p>Prior to the current financial year the fixed assets register was on the Cedar fixed assets module which did not record the historical costs of the assets. Due to problems encountered with the Cedar fixed assets module in the current year the assets register was prepared using excel spreadsheets. It is therefore not actually correct to state that the Council has been able to identify the historical cost of its assets. The use of Excel spreadsheets for maintaining the assets register is an interim measure while looking at suitable alternatives. A new assets module is expected to be implemented with effect from the beginning of the next financial year (2013/14). In the interim period the assets register will be maintained on Excel spreadsheets and will be reconciled to the general ledger each month.</p> | <p>The business continues to use a spreadsheet to manage its fixed assets. This method provides acceptable controls when reconciled to the General Ledger. Currently this process is completed on a monthly basis. The Council is targeting the procurement of the asset categorisation system. The upgrade to Cedar 4.4 (under initial testing) is targeted for P7 2013/14. It is at this time that the controlled migration from spreadsheet to integrated system will be implemented.</p> | <p>A 2</p> | <p>P7 2013/14</p> | <p>Finance / KB</p> |
| <p>10 2012</p> | <p>Monitoring of Capital Spend Fixed capital spending should be agreed by the Council at their Cabinet meetings as part of the budget. Finance should monitor actual spend against the agreed budget to ensure that unnecessary projects are not taking place and that the Council is not over spending on capital. There should be an approval process in place whereby departments requesting capital expenditure obtain finance approval to ensure there is sufficient cash in place to finance the projects and that the spend is in line with the priorities of the Council. We have not seen any</p> | <p>As noted in our response to point 7 a new capital expenditure procedure has been developed and implemented which deals with, inter alia, the monitoring of capital spending.</p> | <p>See response in point 7. In future all references to this item will be reported on in that terms commentary.</p> | <p>G 2</p> | <p>Closed</p> | <p>Closed</p> |

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|----|------|--|--|---|---|---|----------|--------------|--------|
| 11 | 2012 | <p>Only one member of staff within Finance has the required knowledge of how to produce journal reports. During our audit this member of staff was on sick leave and the journal list could not be produced.</p> <p>Upon our request of this report, the interim Finance team had to go back to their Cedar supplier to obtain the report.</p> <p>We also identified that a material error was made by a member of Finance where a journal was posted the wrong way round. This journal had not been reviewed prior to being posted.</p> | <p>Process notes for key finance processes should be maintained to ensure that knowledge is not lost when there is a turnover or unavailability of key staff.</p> <p>Material journals should be reviewed and approved by a senior member of the Finance team either prior to being posted or retrospectively.</p> | <p>The journal report was run at the final audit visit by the financial planning accountant and it is not correct that the Council had to go back to the Cedar supplier to obtain this report although we did encounter some difficulty in getting the report in the required format.</p> <p>Procedures are being drafted with regard to the posting of journals, including the authorisation process, as well as the running of journal reports. This will be completed and implemented before the end of the current financial year.</p> <p>The details of the material journal posted the wrong way round have not been discussed or brought to our attention.</p> | A | 2 | 14/03/13 | Finance / KB | |
| 12 | 2012 | <p>Headcount Figures</p> <p>Human Resource (HR) should be able to produce monthly headcount figures which are based on full time equivalents. Due to way that Councils operate there is usually a high proportion of part time workers within a Council and therefore a full time equivalent number is need to make sense of any payroll charges.</p> <p>When auditing the annual payroll charge that has gone through the Council's accounts, the full time calculation of staff numbers is one of the main factors that is taken into account. Without this level of reports we are unable to understand if the movements within the payroll charge is what we expect.</p> <p>Those reports are able to provide the full time equivalent numbers as we had requested in our protocol. When information was received back from HR the reports and detailed information did not agree back to headline figures.</p> | <p>We understand that the payroll system is a live system and therefore HR should ensure that at each month end date they keep a copy of the full time equivalents report for audit purposes.</p> | <p>The required reports providing the full-time equivalents for the required months have subsequently been produced and provided to audit.</p> | A | 2 | 28/03/13 | RS | |
| 13 | 2010 | <p>Periodic reconciliation of the NDR system to the cash receiving system</p> <p>Reconciliations should be signed/dated as reviewed by an independent finance officer.</p> | <p>Periodic reconciliation of the NDR system to the cash receiving system.</p> | <p>The revenues and benefits service was outsourced to Civica in October 2011. The reconciliation between business rates and cash receiving is now completed via the Civica system.</p> <p>The Council will ensure that the contract is monitored on an ongoing basis and part of this will be ensuring that core reconciliations have been completed.</p> | Refer to our management responses under recommendation 6 | G | 2 | Closed | Closed |
| 14 | 2011 | <p>Valuation of Investment Properties</p> <p>The FRIS Code requires investment properties to be valued on an annual basis to assess for revaluation gains or losses. To date, investment properties have been valued on a rolling basis every five years. To ensure compliance with the Code, the Council must value its investment property on an annual basis and adjust accordingly for any gains or losses.</p> | <p>Carry out valuation of investment properties on an annual basis.</p> | <p>All Council properties, including investment properties, are to be valued at 31 March 2013. The property division have been advised with exact details of our requirements to be finalised in good time before 31 March 2013.</p> | See response in point 8. In future all references to this item will be reported on in that item's commentary. | G | 2 | Closed | Closed |
| 15 | 2010 | <p>Cashflow statements</p> <p>The Cedar ledger system should be capable of accurately producing a cashflow statement but, following SOPB changes, it has not been remapped to allow this to properly occur. This resulted in a significant amount of time spent by both finance and audit teams in attempting to reconcile this data.</p> | <p>With the introduction of FRIS, the Cedar system needs to be diligently remapped to ensure that this problem does not recur. Consideration might also be given to moving the reconciliation process to FRIS using the indirect method which is often both easier to calculate and clearer to the reader.</p> | <p>For the 2012 accounts the cash flow statement has now been produced. The cash flow statement currently being produced by Cedar is cumbersome and makes the production of the cash flow time consuming. This was not used for preparing the current year to prepare the cash flow for the Council and group and this is suitable for use in future years.</p> | See response in point 8. In future all references to this item will be reported on in that item's commentary. | G | 2 | TBA | KB |
| 16 | 2010 | <p>Change management</p> <p>There are documented processes for making changes to systems but there is a lack of evidence of IT being formally followed. This could result in inappropriate updates being made to the live system environment.</p> | <p>Change management procedures should have written evidence of them being enforced.</p> | <p>No further action has been taken to date as commented on previously this has not been identified as a priority.</p> | This process has been formally adopted from 2011. Documentary evidence has been seen as to the evidence of the process. | G | 2 | Closed | Closed |
| 17 | 2010 | <p>Access rights</p> <p>There is no documentation to map an appropriate group of access rights for users based on their job role. The systems in question were: Payroll, the Financial Management System, Cash receipts, Council Tax, NDR and Benefits.</p> | <p>That user access rights are mapped to job roles. The response of application system administrators to this recommendation will be collated by the IT department.</p> | <p>This process has been formally adopted from 2011. Documentary evidence has been seen as to the evidence of the process.</p> | This process has been formally adopted from 2011. Documentary evidence has been seen as to the evidence of the process. | G | 2 | Closed | Closed |
| 18 | 2010 | <p>Removing user network access</p> <p>When staff leave the Council's employment their rights to access Council IT systems need to be removed promptly. If this does not happen, there is a risk that the individual (or others) may gain inappropriate access to systems or data.</p> <p>There is no formalised procedure for removing user access to the network and applications when staff leave the Council. Five out of a sample of eleven staff we tested who had left in the year still had accounts on the system. Some limited mitigation exists as users with significant administration rights are known to IT staff and so are likely to be removed if they leave.</p> | <p>Develop a procedure with HR to ensure IT are notified promptly when an individual leaves and to allow the removal of their access promptly.</p> | <p>A process has been operated since December 2011 albeit until now not documented by HR to inform IT of any leavers even if that leaver will not be terminated until a defined point in the future</p> | See response in point 11. In future all references to this item will be reported on in that item's commentary. | G | 1 | Closed | Closed |
| 19 | 2010 | <p>Authorisation of Journals</p> <p>Journals are not being authorised appropriately and our prior year recommendation of reviewing individual access to both case and post journals has not been implemented. We note that the Council has a relatively small finance department and that the staff who have high level of access are qualified finance officers but would still recommend a segregation of duties between raising and posting journals is introduced. We further note that one of the users with this access to the ledgers is, in fact, an employee of Gloucester City Homes not GCC.</p> | <p>Journals should be reviewed and suitable measures to mitigate this risk put into place.</p> | <p>See item 11</p> | See response in point 11. In future all references to this item will be reported on in that item's commentary. | G | 1 | Closed | Closed |

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| 20 | 2010 | There is a risk that departing employees may not be removed from the payroll systems subsequent to their departure | 2 | Payroll verification lists should be run monthly and reviewed by relevant managers on a departmental basis. | | | A process has been operated since December 2011 albeit until now not documented by HR to inform IT of any leavers even if that leaver will not be terminated | G | 2 | Closed | Closed |
| 21 | 2011 | Financial ratios monitoring A number of key statistics are currently monitored by management on a monthly basis (including cash flow ratios and gearing) but could be strengthened by including a wider range of areas, such as cash flow ratios and gearing analysis. | 2 | Include a wider range of areas, such as cash flow ratios and gearing analysis in the key financial ratios monitored by the Council. | | | The form part of the budgetary control process and details of actions and procedures being taken are fully detailed in our management responses to recommendation 1 | G | 2 | Closed | Closed |
| 22 | 2011 | Component accounting IFRS accounting rules require the adoption of 'component accounting' and the Council has now adopted a threshold of assets that exceed £500k in individual cost for this. This is at the higher end of our experience of other local authorities, especially for a district council. | 3 | Review the appropriateness of the £500,000 threshold for component accounting. | | | The level of componentisation for the 2011/12 financial year was reduced to £350k. This value was agreed with KPMG, a review of that level will be performed as part of the valuation exercise being completed in March 2013. | G | 3 | Closed | Closed |

Gloucester City Council

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|-------------------------|---|---|-----------------------------------|
| Meeting: | GLT | Date: | 5th March 2013 |
| | Audit & Governance Committee | | 18th March 2013 |
| Subject: | Internal Audit Plan 2012/13 – Quarterly Monitoring Report | | |
| Report Of: | Group Manager Audit & Assurance | | |
| Wards Affected: | Not applicable | | |
| Key Decision: | No | Budget/Policy Framework: | No |
| Contact Officer: | Terry Rodway, Group Manager Audit & Assurance | | |
| | Email: | Terry.Rodway@gloucester.gov.uk | Tel: 396430 |
| Appendices: | 1. List of the audits completed as part of the Internal Audit Plan 2012/13 – September 2012 to February 2013 | | |

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To inform Members of the audits completed as part of the approved Internal Audit Plan 2012/13.

2.0 Recommendations.

- 2.1 Audit & Governance Committee is asked to **RESOLVE** that:-

- (1) Members endorse the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.

3.0 Background and Key Issues

- 3.1 At the Audit Committee meeting held on 15th March 2012, Members approved the original Internal Audit Plan 2012/13. Due to problems with staff absence, it was evident that the original Plan would not be completed, therefore, at the meeting held on 26th November 2012, the Committee approved a revised Internal Audit Plan 2012/13. In accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK, this report details the outcomes of internal audit work carried out in accordance with the approved Plans.
- 3.2 This report includes audits completed during the period September 2012 to February 2013. The performance monitoring information (for the revised Internal Audit Plan) is based on the number of completed audits vs. the number of planned audits (i.e. an output measure). The indicator for the

period December 2012 to February 2013 is 55% (5 out of 9 planned audits completed) compared to a target of 90%. It should be noted that these figures do not take account of 1 audit that was at Final Report stage, and 3 audits that were more than 50 % complete as at 28th February 2013.

- 3.3 Staff absence is again the main reason for non-achievement of the 90% target. This has been mitigated to a certain extent by the use of an agency member of staff, although, the original intention was that this resource was to be in addition to, rather than a replacement for, the current level of resources.
- 3.4 Details of the audits completed, together with the overall conclusion reached on each audit, have been provided in **Appendix A**. This should provide Members with a view on the adequacy of the controls operating within each area audited.
- 3.5 It has previously been agreed that Members would be notified of all 'Rank 1 Fundamental' recommendations that have not been implemented within the agreed timescale. For the period covered by this report, one such recommendation has been identified. This relates to the Treasury Management audit and the recommendation was as follows:-

- The Audit and Governance Committee should be advised each quarter whether investments transacted during the quarter have been with approved counterparties and within agreed counterparty and investment limits.

4.0 Alternative Options Considered

4.1 Not applicable.

5.0 Reasons for Recommendations

5.1 The CIPFA Code of Practice for Internal Audit states that the Head of Internal Audit should report on the outcomes of internal audit work, in sufficient detail, to allow the Committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address.

6.0 Future Work and Conclusions

6.1 The role of internal audit is to examine, evaluate and report upon the adequacy of internal controls. Where weaknesses have been identified, recommendations have been made to improve the level of control.

7.0 Financial Implications

7.1 As detailed in this report.

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

8.0 Legal Implications

8.1 None specific to this report.

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

9.0 Risk & Opportunity Management Implications

9.1 Delays in response to acceptance/implementation of audit recommendations lead to weaknesses continuing to exist in systems, which has the potential for fraud and error to occur.

10.0 People Impact Assessment (PIA):

10.1 A requirement of the Accounts & Audit Regulations 2011 is for the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The internal audit service is delivered by the in house team. Equality in service delivery is demonstrated by the team being subject to, and complying with, the Council's equality policies.

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

11.0 Other Corporate Implications

Community Safety

11.1 There are no community safety implications arising out of this report.

Sustainability

11.2 There are no sustainability implications arising out of this report.

Staffing & Trade Union

11.3 There are no staffing and trade union implications arising out of this report.

Background Documents:

Internal Audit Plan 2012/13

Revised Internal Audit Plan 2012/13

APPENDIX A

List of the audits completed as part of the Internal Audit Plan 2012/13 –
September 2012 to February 2013

| Audit | Comments | Level of Assurance |
|-------------|---|--------------------|
| TIC | <p><u>Audit Objective</u></p> <p>The objectives of the audit were to ensure that: -</p> <ul style="list-style-type: none"> • All income is properly accounted for and has been promptly banked. • VAT has been applied appropriately. • Goods and services have been ordered, received and paid for in accordance with Contract Standing Orders and Financial Regulations. • There is adequate separation of duties in relation to the ordering and receipt of goods, and the payment of invoices. • Sundry Debtor invoices have been raised promptly and accurately. • An inventory of equipment is maintained in accordance with Financial Regulations. • Insurance has been arranged at an appropriate level. • Floats and petty cash are maintained at the authorised level • Stock levels are adequately controlled and stock takes are undertaken, and reported upon, at least twice a year. • A Gifts and Hospitality register is held and is correctly utilised. <p><u>Audit Opinion</u></p> <p>On the basis of work carried out during this audit, the audit opinion is that there is a Good level of assurance over this area.</p> | Good |
| Council Tax | <p><u>Audit Objective</u></p> <p>The audit was undertaken as part of the Joint Working Protocol agreed with the Council's External Auditor. The objectives of the audit were to verify the following key controls were in place and operating effectively:-</p> <ul style="list-style-type: none"> • Periodic reconciliation of Council Tax system to Valuation Office listings. • Periodic reconciliation of the Council Tax system to the General Ledger. • Periodic reconciliation of Council Tax system to the Cash Receipting system. • Independent review of exceptions e.g. banding changes, suppressed accounts, overpayments and refunds. | Good |

| Audit | Comments | Level of Assurance |
|--------------------|--|--------------------|
| | <ul style="list-style-type: none"> • Reconciliation of the gross Council Tax debit to the number of properties. • Periodic production and independent review of Council Tax arrears and credit reports. • There are adequate password-based access restrictions for each key software application in place. • Reviews are performed upon user access rights to key systems. <p><u>Audit Opinion</u></p> <p>On the basis of work carried out during this audit, the audit opinion is that there is a Good level of assurance over this area.</p> | |
| Non Domestic Rates | <p><u>Audit Objective</u></p> <p>The audit was undertaken as part of the Joint Working Protocol agreed with the Council's External Auditor. The objectives of the audit were to verify the following key controls were in place and operating effectively:-</p> <ul style="list-style-type: none"> • Periodic reconciliation of the NNDR system to the Valuation Office rateable value listing. • Periodic reconciliation of the NNDR system to the cash receipting system. • Periodic reconciliation of the NNDR system to the General Ledger. • Independent review of exceptions: e.g. rateable value changes, suppressed accounts, overpayments and refunds. • Periodic production of NNDR arrears reports and independent review of action taken compared to procedures. • There are adequate password-based access restrictions for each key software application in place. • There are reviews performed upon user access rights to key systems. <p><u>Audit Opinion</u></p> <p>On the basis of work carried out during this audit, the audit opinion is that there is a Good level of assurance over this area.</p> | Good |
| Creditors | <p><u>Audit Objective</u></p> <p>The audit was undertaken as part of the Joint Working Protocol agreed with the Council's External Auditor. The objectives of the audit were to verify the following key controls were in place and operating effectively:-</p> <ul style="list-style-type: none"> • Periodic reconciliation of the creditors system to the General Ledger. • Independent review of exceptions – e.g. | Good |

| Audit | Comments | Level of Assurance |
|---------|---|-------------------------------|
| | <p>payments to new suppliers, potentially duplicated payments.</p> <ul style="list-style-type: none"> • Review of orders for which invoices have not been received (open orders). • Adequate password based access restrictions for the General Ledger system. • Regular evidenced independent review of user access rights to the General Ledger system. <p><u>Audit Opinion</u></p> <p>On the basis of work carried out during this audit, the audit opinion is that there is a Good level of assurance over this area.</p> | |
| Markets | <p><u>Audit Objective</u></p> <p>The objectives were to ensure that where applicable: -</p> <ul style="list-style-type: none"> • Current charges / fees have been appropriately authorised. • Charges / fees are being applied at the approved rates. • Street Trading Pitches are allocated in accordance with a site plan. • There is adequate separation of duties where cash collection arrangements exist. • Recommendations and Agreed Management Actions made during the previous audit have been implemented and are working as intended. <p><u>Audit Opinion</u></p> <p>The findings from the testing have resulted in the controls tested relating to the Hempsted Market & Car Boot, Farmers Market, and Events being considered to be Good whilst the controls relating to the Cherry & White Market are considered to be Satisfactory with controls relating to the Eastgate Market and Street Trading only considered to be Limited.</p> <p>The main areas of weakness identified were:-</p> <p>Eastgate Market:-</p> <ul style="list-style-type: none"> • Lack of documentary evidence that the gross service charge costs, which are used to calculate the Eastgate stallholder charges, have been updated since 2010/11. • There continues to be discrepancies within the monthly invoices to some of the Eastgate stallholders due to the monthly proportion of their annual charge being incorrectly calculated. • Unable to demonstrate that appropriate approval has been obtained for variations to the charges, or for an extension past the maximum 3 month | Good/Satisfactory/ Limited |

| Audit | Comments | Level of Assurance |
|------------------------|--|----------------------------|
| | <p>rental period, for short term lets at Eastgate market.</p> <p>Street Trading:-</p> <ul style="list-style-type: none"> • One of the street traders is being undercharged for 2 days trading plus electricity per week and that the undercharge may go as far back as 1st April 2012. | |
| Information Governance | <p><u>Audit Objective</u></p> <p>The objective of the audit was to ensure that information governance processes and controls have general compliance with good practice guidelines. The following areas were included in the audit:-</p> <ul style="list-style-type: none"> • Freedom of Information (FOI) • Data protection • Data transparency • Data handling • Data sharing <p><u>Audit Opinion</u></p> <p>The number and classification of recommendations made has resulted in the following levels of assurance for each area reviewed:</p> <ol style="list-style-type: none"> 1. FOI: Limited The main areas of weakness identified relate to:- <ul style="list-style-type: none"> • Lack of accurate data on council's website relating to current FOI policy and processes. • Lack of audit trail relating to FOI request processing. • Level of reporting to officers and Members. 2. Data Protection: Limited The main areas of weakness identified relate to: <ul style="list-style-type: none"> • Lack of clarity of roles and responsibilities between officers. • Personal data currently disclosed in a number of reports in the public domain. • Not all DPA cases being recorded on the Focus system. 3. Data transparency: Satisfactory The main areas of weakness identified relate to:- <ul style="list-style-type: none"> • Published Open data sets not up to date and not reviewed/published on an ongoing basis. 4. Data handling: Satisfactory The main areas of weakness identified relate to:- | Good/Satisfactory /Limited |

| Audit | Comments | Level of Assurance |
|----------------|---|-------------------------------|
| | <ul style="list-style-type: none"> • Roles and responsibilities of the SIRO not clearly specified. <p>5. Data sharing: Good A robust framework of controls has been confirmed. No recommendations have been identified for this area.</p> | |
| Sundry Debtors | <p><u>Audit Objective</u></p> <p>The audit was undertaken as part of the Joint Working Protocol agreed with the Council's External Auditor. The objectives of the audit were to verify the following key controls were in place and operating effectively:-</p> <ul style="list-style-type: none"> • Periodic reconciliation of the Sundry Debtor system to the General Ledger. • Periodic reconciliation of the Sundry Debtor system to the Cash Receipting system. • Periodic production and independent review of Sundry Debtor arrears reports. • There are adequate password-based access restrictions for each key software application in place. • Reviews are performed upon user access rights to key systems. <p><u>Audit Opinion</u></p> <p>Detail testing performed in the key areas of reconciling the sundry debtor system (ASH) to the cash receipting system, password based access restrictions to software applications, the review of user access rights to the software has provided a Good level of assurance that risks are being mitigated by the process controls.</p> <p>Testing performed upon the key control of reconciling the Sundry Debtor System to the Sundry Debtor control account on the General Ledger has revealed that the reconciliations are now being performed on a monthly basis but that control issues remain in relation to it not being demonstrable that a review has been performed by a senior officer, and there not being any procedure notes to aid another officer with completing this reconciliation. Therefore, there is only a Satisfactory level of assurance over this area.</p> <p>Testing performed on the key control relating to arrears reports has identified the following weaknesses:-</p> <ul style="list-style-type: none"> • Whilst outstanding invoice reports and dispute reports continue to be run on the first working day of each month, this information is not routinely sent to the appropriate service for their review. • It was established that the debtor recovery | Good/Satisfactory/ Limited |

| Audit | Comments | Level of Assurance |
|---------------------|--|--------------------|
| | <p>timetable had not been updated or used since the end of September 2012. The timetable was reintroduced prior to completion of the audit where it was demonstrated that key elements, such as running and reviewing reminder reports, are scheduled for set dates from which assurance has been provided that recovery actions are once again scheduled to be performed on a timely basis.</p> <p>Therefore, there is only a Limited level of assurance over this area.</p> | |
| Treasury Management | <p><u>Audit Objective</u></p> <p>The objective of the internal audit was to ensure that the following Treasury Management controls were in place and operating effectively:</p> <ul style="list-style-type: none"> • The Council has established a 2012/13 Treasury Management policy and investment strategy that has been approved. • The Council has an up to date procedures manual for Treasury Management processes and controls which is made available to all appropriate staff. • Clear and concise records are maintained to support all borrowing and lending decisions and transactions. • All transactions are correct and properly authorised. • Daily and longer term cash flow statements are produced. • Only approved staff have access to the CHAPS payment system. • Reconciliation of investment/ borrowing records to the general ledger. <p><u>Audit Opinion</u></p> <p>On the basis of work carried out during this audit review and the level of error identified through audit testing, the audit opinion is that there is Good level of assurance on the adequacy and operating effectiveness of controls over the daily operation of treasury management functions but Limited assurance on the adequacy of reporting to Members.</p> | Good/Limited |
| Licences | <p><u>Audit Objective</u></p> <p>The objective of the audit was to ensure that controls are in place and operating effectively in the following areas of the licenses process:</p> <ul style="list-style-type: none"> • Applications | Satisfactory |

| Audit | Comments | Level of Assurance |
|---------|---|--------------------|
| | <ul style="list-style-type: none"> • Fees and Charges • Income • Authorisation • Complaints <p><u>Audit Opinion</u> The number and classification of recommendations made has resulted in the overall assurance level of Satisfactory.</p> <p>The main area of weakness identified related to the lack of a random check of licenses issued in order to ensure that they have been appropriately assessed, including receipt of the correct fee.</p> | |
| Parking | <p><u>Audit Objective</u></p> <p>The objectives of the audit were to ensure that: -</p> <ul style="list-style-type: none"> • Payments to the Contractor can be substantiated to supporting documentation. • Key performance data is monitored and profit share amended as necessary. • Income from contractor can be substantiated to supporting documentation. • Income from Penalty Charge Notices is adequately controlled. • Penalty Charge Notices are appropriately processed. • Cases taken to court comply with the enforcement timetable. • Pay & Display meters are regularly emptied and the takings verified. • Permits are adequately controlled. • Security is being provided as per the relevant contract. <p><u>Audit Opinion</u></p> <p>The controls tested in relation to the contract, administration of fines, issuing accounts to court, meter functionality, expenditure, administration of permits, and reviewing security were all considered to be Good with the controls tested in relation to income being considered to be Satisfactory.</p> | Good/Satisfactory |

The report includes an 'opinion' on the adequacy of controls in the area that has been audited, classified in accordance with the following definitions:-

| CONTROL LEVEL | DEFINITION |
|-----------------------|---|
| Good | Robust framework of controls – provides substantial assurance. A few minor recommendations (if any) i.e. Rank 3 (Low Priority). |
| Satisfactory | Sufficient framework of controls – provides satisfactory level of assurance – minimal risk. A few areas identified where changes would be beneficial. Recommendations mainly Rank 3 (Low Priority), but one of two in Rank 2 (Medium Priority). |
| Limited | Some lapses in framework of controls – provides limited level of assurance. A number of areas identified for improvement. Mainly Rank 2 (Medium Priority) recommendations, but one or two Rank 1 (High Priority) recommendations. |
| Unsatisfactory | Significant breakdown in framework of controls – provides an unsatisfactory level of assurance. Unacceptable risks identified – fundamental changes required. A number of Rank 1 (High Priority) recommendations. |

Ranking of Recommendations:-

| RANK | | DEFINITION | IMPLEMENTATION |
|-------------|-----------------|--|--|
| 1 | High Priority | Necessary due to statutory obligation, legal requirement, Council policy or major risk of loss or damage to Council assets, information or reputation, or, compliance with External Audit key control. | Immediate action required – should be pursued immediately. |
| 2 | Medium Priority | Could cause limited loss of assets or information or adverse publicity or embarrassment. Necessary for sound internal control and confidence in the system to exist. | Should be pursued in the short term, ideally within the next 6 months. |
| 3 | Low Priority | Current procedure is not best practice and could lead to minor in-efficiencies. | Action should be taken over the next 6 to 12 months. |

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Gloucester City Council

| | | | |
|-------------------------|---|---------------------------------|-----------------------------|
| Meeting: | GLT | Date: | 5 th March 2013 |
| | Audit & Governance Committee | | 18 th March 2013 |
| Subject: | Internal Audit Plan 2013/14 | | |
| Report Of: | Group Manager Audit & Assurance | | |
| Wards Affected: | Not applicable | | |
| Key Decision: | No | Budget/Policy Framework: | No |
| Contact Officer: | Terry Rodway, Group Manager Audit & Assurance | | |
| | Email: Terry.Rodway@gloucester.gov.uk | | Tel: 396430 |
| Appendices: | Appendix A – Internal Audit Plan 2013/14 | | |
| | Appendix B – Internal Audit Risk Assessment | | |

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To present to Members, for their consideration and approval, the Internal Audit Plan 2013/14.

2.0 Recommendations

- 2.1 Audit & Governance Committee is asked to **RESOLVE** that:-

(1) Members approve the Internal Audit Plan 2013/14 as detailed in **Appendix A**.

3.0 Background and Key Issues

- 3.1 The work of Internal Audit is carried out in accordance with, and is assessed against, the professional code of practice for Internal Audit. This Code includes a requirement for the Group Manager Audit & Assurance (GMAA) to prepare a risk-based plan that should be fixed for a period of no longer than one year.

4.0 Progress

- 4.1 The proposed Internal Audit Plan for 2013/14 follows risk-based principles and starts with the completion of an audit needs assessment of all the areas of the Council that could be included within an annual audit plan. This needs assessment is split into:-

4.1.1 Corporate Governance/ Annual Governance Statement (AGS)

The production of the AGS is a requirement under the Accounts and Audit Regulations 2011. The purpose of the AGS is to provide assurance that the Council's governance framework is adequate and effective. This area of Audit &

Assurance audit work is one of the key components of the internal control assessment that supports the completion of the AGS.

4.1.2 Work on fundamental financial systems

This is the work on the Council's financial systems, which are significant in relation to financial control and materiality. The work supports the Corporate Director of Resources to discharge his duties as the Council's s.151 Officer. It also forms a key element of the Joint Working Protocol with the Council's External Auditors, as the External Auditor can place reliance on the internal audit work on these systems. This will help inform their judgement on the Council's financial control environment, and is also one of the factors taken into account when calculating the External Audit fee.

4.1.3 Work of a service based or cross Council nature

This is all of the other service activities or cross cutting themed audit reviews that could be undertaken, which are risk scored using the risk-based approach detailed in paragraph 4.3 below.

4.1.4 Follow-up reviews

The plan will include follow-up reviews, which will ensure recommendations have been adopted and successfully implemented, providing the enhanced control/reduced level of risk exposure intended. The extent of this work will again be risk based dependant upon the audit findings and the recommendations made within the original audit reports.

4.1.5 Audit work brought forward

There will be a number of audit reviews, which are on going as at 31st March. Provision to complete this work is made in the annual plan.

4.1.6 Contingency

In line with the Code, the Annual Plan includes a contingency element to accommodate assignments which could not have been reasonably foreseen e.g. investigation of alleged fraud.

4.1.7 Work for Gloucester City Homes (GCH)

The Audit & Assurance team undertakes work for GCH under a service level agreement. A similar risk-based approach has been adopted to inform the annual audit plan for GCH.

4.1.8 Work for Aspire Sports & Cultural Trust (Aspire)

The Audit & Assurance team undertakes work for Aspire under a service level agreement. A similar risk-based approach has been adopted to inform the annual audit plan for Aspire.

4.2 The next stage is to apply the risk-based approach. The approach adopted borrows from various models and is based on allocating scores to a number of objective and subjective factors which, when multiplied together, produce a total risk score. The aim of the model is to indicate the relative risk of one activity over another based on knowledge of the assessment factors.

4.3 The various factors considered in determining the risk of an activity include the statutory requirement to undertake the function; the internal audit view of the control

environment based on previously completed audit work; the financial value of the activity; the period since the last audit review; the complexity of system in use; and the level of inherent risk. Details of the risk assessment approach are included in **Appendix B**.

- 4.4 In addition to the risk assessment outlined in paragraph 4.3, the Council's senior managers have been consulted on the key risk areas within their areas of responsibility.
- 4.5 Due to the nature and relevance of the assurance work for the AGS (para 4.1.1), and the audit work on the fundamental financial systems (para 4.1.2), both will automatically be included in the Annual Plan and not be subject to the detailed risk assessment.
- 4.6 Having completed the risk assessment, the next stage is for the assessment to be compared to resource availability, i.e. the number of audit days available. This is calculated as the gross number of days available during the year, less an allocation for leave, training, sickness etc. The number of available days for audit for 2013/14, based on the current establishment of 2.6 FTE audit staff is 560 days (215 days per FTE).
- 4.7 Risk is key to the planning process, but risk is not static, therefore the plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation. Whilst some provision for flexibility is made through the inclusion in the plan of a contingency, this usually covers other unplanned items, which may impact on a small section e.g. additional sickness or investigation of alleged fraud. Any significant matters that may jeopardise the delivery of the Plan, or require changes to the Plan, will be identified and reported to the Audit & Governance Committee.

5.0 Alternative Options Considered

- 5.1 None.

6.0 Reasons for Recommendations

- 6.1 A requirement of the professional Code of Practice for Internal Audit is for the risk based Internal Audit plan to be approved by the appropriate body. In the case of GCC, this is the Audit & Governance Committee.

7.0 Future Work and Conclusions

- 7.1 Regular reports on achievement against the Plan, and any significant control issues identified, will be presented to the Audit & Governance Committee.
- 7.2 The professional code of practice for Internal Audit includes a requirement for the Group Manager Audit & Assurance (GMAA) to prepare a risk-based plan that should be fixed for a period of no longer than one year. The proposed Internal Audit Plan for 2013/14 follows risk-based principles and starts with the completion of an audit needs assessment of all the areas of the Council that could be included within an annual audit plan.

8.0 Financial Implications

8.1 There are no specific financial implications.

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

9.0 Legal Implications

9.1 There are no specific legal implications

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

10.0 Risk & Opportunity Management Implications

10.1 The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit, through the delivery of the annual audit plan, plays a vital part in advising the organisation that these arrangements are in place and operating properly.

11.0 People Impact Assessment (PIA):

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

12.0 Other Corporate Implications

Community Safety

12.1 There are no specific Community Safety implications identified.

Sustainability

12.2 There are no specific Sustainability implications identified.

Staffing & Trade Union

12.3 There are no specific Staffing and Trade Union implications identified.

Background Documents:

The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

The Public Sector Internal Audit Standards – effective from 01/04/13.

APPENDIX A

| INTERNAL AUDIT PLAN 2013/14 | | |
|---|------------------|-------|
| | Est. No. of Days | Total |
| Corporate Governance/AGS | | |
| Risk Management | 15 | |
| Recruitment & Selection | 10 | 25 |
| | | |
| Work on Fundamental Financial Systems | | |
| Civica - Benefits | 35 | |
| Civica - Council Tax | 12 | |
| Civica - NNDR | 12 | |
| Civica - Sundry Debtors | 12 | |
| Payroll/Client monitoring | 15 | |
| Creditors | 20 | |
| Treasury Management | 10 | |
| Cash & Bank | 15 | |
| General Ledger (including year - end Creditors & Debtors) | 20 | |
| Budgetary Control | 10 | |
| Capital Accounting | 10 | |
| Financial Services/External Audit recs | 10 | |
| FMS upgrade | 5 | 186 |
| | | |
| Work of a service based or cross Council nature | | |
| IT | 20 | |
| Streetcare Contract/Client Monitoring | 25 | |
| NFI Data Matching | 10 | |
| Improvement Grants | 8 | |
| Catering | 10 | |
| Off-Street Parking - client | 5 | |
| Development Control | 8 | |
| Utilities | 15 | |
| Homelessness | 8 | |
| Elections | 4 | |
| NDR Pooling Arrangements | 8 | 121 |
| | | |
| | | |
| Follow-Up Reviews | | |
| 24 Audits @ 2 days per Follow-Up review | | 48 |
| | | |
| GCH | | 60 |
| ASPIRE | | 40 |
| | | |
| Contingency | | 60 |
| | | |
| Audit Work Brought Forward | | 20 |
| | | |
| | | |
| TOTAL | | 560 |

APPENDIX B

INTERNAL AUDIT RISK ASSESSMENT

| ASSESSMENT | SCORE | DESCRIPTION |
|---|-------|---|
| Monetary Value – sum of income and expenditure | 10 | >£3.0M |
| | 6 | >£1.0M < £3.0M |
| | 4 | >£0.5M < £1.0M |
| | 2 | >£100K < £0.5M |
| | 1 | <£100k |
| Inherent Risk | 5 | High exposure to public scrutiny, complex legal framework, high volume of transactions, statutory function, outsourced/partnership arrangement for service delivery |
| | 4 | High volume of 'cash' transactions and/or exposure to public scrutiny, and/or statutory function |
| | 3 | High volume of 'cash' transactions, and/or statutory function. |
| | 2 | Low volume of 'cash' transactions, non-statutory function. |
| | 1 | Low volume of transactions, non-statutory function. |
| Internal Audit control perception | 4 | Poor control system, and/or high opportunity for fraud and corruption/Unsatisfactory level of assurance |
| | 3 | Control weaknesses that needed rectification last audit/Limited level of assurance |
| | 2 | Control environment proved adequate last audit/Satisfactory level of assurance |
| | 1 | Control environment has proved adequate for a number of years/Good level of assurance |
| Complexity of Systems | 5 | Very complex systems and processes used in generating significant service related results |
| | 4 | Complex data inputs, or strategically/operationally important outputs |
| | 3 | Moderate systems but accuracy of process has significant impact, systems stability issues |
| | 2 | Complex or moderate systems with stable performance and processing history |
| | 1 | Simple or no ICT system used |
| Period since last audit | 4 | 3+ years |
| | 3 | 3 years |
| | 2 | 2 years |
| | 1 | Last financial year |

Gloucester City Council

| | | | |
|-------------------------|---|---------------------------------|----------------------|
| Meeting: | Audit and Governance Committee | Date: | 18 March 2013 |
| Subject: | Annual Complaints monitoring | | |
| Report Of: | Monitoring Officer | | |
| Wards Affected: | All | | |
| Key Decision: | No | Budget/Policy Framework: | No |
| Contact Officer: | Sue Mullins, Monitoring Officer | | |
| | Email: sue.mullins@gloucester.gov.uk | Tel: | 39-6110 |
| Appendices: | 1. Council's Complaints Process 2. Monthly statistics on complaints from April 2012 to January 2013 3. Summary of numbers of complaints since 2008 | | |

1.0 Purpose of Report

- 1.1 To consider statistics relating to complaints received by the Council between April 2012 and January 2013 and future reporting of such information.

2.0 Recommendations

- 2.1 The Audit and Governance Committee is asked to **RESOLVE**:
- (a) That the complaint statistics at Appendices 2 and 3 be noted;
 - (b) That annual complaints reporting in the future is brought to the first Audit and Governance Committee meeting following the end of each municipal year;
 - (c) To request any changes to the format of such annual reporting it considers appropriate; and
 - (d) Following consideration of the information contained in the report, to make any other recommendations it wishes to make.

3.0 Background and Key Issues

- 3.1 The Council has a process for dealing with complaints about its services and a copy of the current process is attached at Appendix 1.
- 3.2 Any complaints received by the Council are recorded and monitored to ensure that we know whether or not we are meeting our targets for responding to complaints. Information relating to complaints made each month between April 2012 and January 2013 are set out in Appendix 2. At the time of writing the report, information for February and March 2013 had not been collated. The Committee is therefore invited to consider whether, in future, it would prefer to receive information about

the previous year's complaints at its first meeting in each new municipal year to enable a full year's data to be provided.

3.3 Appendix 3 contains a summary of complaint numbers since 2008 to enable the Committee to understand how the number of complaints received this year so far compares with previous years.

3.4 As this is the first time complaints information has been presented to the Committee, the Committee is asked to consider the information provided and decide how it would wish to receive such information in future years.

4.0 Alternative Options Considered

4.1 There are no alternative options relevant to this matter.

5.0 Reasons for Recommendations

5.1 This is the first time the Audit and Governance Committee has received information about Council complaints and there is a need for the Committee to decide what type of information it wishes to receive about complaints and how it would like such information to be presented to enable it to best fulfil its governance role.

6.0 Future Work and Conclusions

6.1 Any changes requested to the way in which the information is presented will be addressed in time for the next formal reporting of the annual statistics.

7.0 Financial Implications

7.1 There are no financial implications arising from this report.

(Financial Services have not been consulted in the preparation this report.)

8.0 Legal Implications

8.1 There are no legal implications arising from this report.

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

9.0 Risk & Opportunity Management Implications

9.1 Regular consideration of complaints enables the Council to ensure that its governance arrangements are appropriate and up-to-date.

10.0 People Impact Assessment (PIA):

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

11.0 Other Corporate Implications

Community Safety

11.1 There are no community safety implications.

Sustainability

11.2 There are no sustainability implications.

Staffing & Trade Union

11.3 There are no staffing implications.

Background Documents: None.

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Gloucester City Council

The Process

How we handle
your feedback

*Here
to Help*



GLOUCESTER
CITY COUNCIL

Every organisation receives comments, compliments and complaints. They are a valuable way of collecting continual feedback about services and can help us improve what we do.

Feedback can be received in many ways:

Telephone

To Customer Services on 01452 396396 or to the service your feedback is about.

Letter

Send to: Here to Help, Customer Services, Gloucester City Council, Herbert Warehouse, The Docks, Gloucester, GL1 2EQ.

Email

heretohelp@gloucester.gov.uk

Via the Website

www.gloucester.gov.uk

Use the "Here to Help" link on our home page.

By Visit

To Gloucester City Council Offices at Herbert Warehouse, The Docks, Gloucester, GL1 2EQ

For any feedback we receive we will ensure everyone is treated fairly and equally. We will be consistent in the way we handle and respond to customers.

Definition of a Complaint

A complaint is an expression of dissatisfaction by a customer about:

- The council's actions or lack of action
- The standard of service received

This is where the responsibility for the action, or the service provided, rests with the council or person or body acting on behalf of the council.

The following will not be treated as complaints in their first instance but a repeat request where the original request was not actioned/completed will follow the complaints procedure:

- Initial requests for service e.g. my bin has not been emptied, reporting graffiti, reporting overhanging vegetation.
- Initial report of faults or defects unless they concern work that the council has carried out.

We will not exclude these requests but will deal with them as normal work requests.

The following complaints will be dealt with under separate policies:

- Requests for information or an explanation of council policy. This is covered by our Freedom of Information Policy. Available at:

www.gloucester.gov.uk/foi

- Complaints against the Parking Services regarding the issue of a Penalty Charge Notice (PCN) are dealt with within the Traffic Management Act 2004.

Following the decriminalisation of parking in the city there are legal procedures that need to be followed when challenging a PCN. To complain against a PCN you will need to put your request in writing as instructed on the reverse of the PCN.

Fraud and Corruption

The city council operates a mechanism for confidential reporting for fraud and corruption. Please see our anti-fraud and corruption policy. (Please see Part 5 – Codes and Protocols of the Gloucester City Council Constitution, this can be found using the following link: www.gloucester.gov.uk/constitution)

Appeals against a decision

For example, if you are not satisfied with a response from our benefits service regarding a claim you have made, you can appeal against the decision. You can call our Benefits Service on 396483, email: benefits@gloucester.gov.uk or visit us stating you wish to appeal. We can arrange for an independent tribunal to hear your case.

Planning appeals are made to the Planning Inspectorate and reports can be made by visiting: www.gloucester.gov.uk/planning

How the process works

Stage 1 Acknowledgement & Action

- Report your complaint/feedback using one of the methods above. An acknowledgement will be received within one working day confirming receipt of the complaint, advising which service will be dealing with the complaint.
- Within two working days you will receive notification confirming the officer's name dealing with your complaint and an expected response time.
- You should receive a response to your complaint within the specified time period. However, sometimes a complaint maybe complex and may involve other council partners. In this instance you will be contacted to advise of the delay and will be informed of the amended response date and the proposed action being taken.
- Included with your response will be a feedback form on the complaints process that we would appreciate you completing. This information will be used to review the process and help us make improvements and provide important monitoring data.
- Once a response has been given this stage is complete.

Stage 2 Appeal

- If you are not satisfied with the response received you can ask for a more senior manager or director to look at it.
- An acknowledgement should be received within one working day advising which manager/director will be reviewing the complaint.
- The manager will respond within 10 working days but will advise you if more time is required and give you an estimated response date.
- Once a response has been given this stage is complete.

Stage 3 Ombudsman

- If you are still not satisfied with the response you can contact the Local Government Ombudsman. This service is independent of the council and free of charge. Their contact details are:
the Local Government Ombudsman
PO Box 4771, Coventry CV4 0EH.
advice@lgo.org.uk
Telephone: 0300 061 0614 or 0845 602 1983

Confidentiality and Anonymity

Gloucester City Council is fully committed to compliance with the requirements of the Data Protection Act 1998. The council will therefore aim to ensure that all employees, elected members, contractors, agents, consultants, or partners of the council who have access to any personal data held by or on behalf of the council, are fully aware of and abide by their duties and responsibilities under the Act. Services will treat all customer information as confidential. Names and addresses will not be published or disclosed outside of the council or our partners.

We will not accept anonymous complaints.

Equal Opportunities

This process will be operated in line with the city council's Equal Opportunities Policy. Information about the process will be available in appropriate languages and tape if requested. Help will be provided to any customer requiring assistance in completing the "Here to Help" comment form.

Freedom Of Information (FOI)

The Freedom of Information Act 2000 gives you the right to request information from any public authority. It promotes openness and accountability among public sector organisations, so that everyone can understand how authorities make decisions, carry out their duties and spend public money.

For full details please read our corporate Freedom of Information Policy, available at: www.gloucester.gov.uk/foi

When you have received your response to a Freedom of Information request but you are not happy with the way you have been treated or the information provided, you can complain or appeal.

Complaints or appeals should be sent in writing to the Freedom of Information Officer. Complaints Procedure and Appeals will be reviewed by the Freedom of Information Officer with the Head of Legal Services and provide a response to you within 20 working days.

If you are still unhappy with the response received from the Head of Legal Services, you can write to: the Information Commissioners Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF.

Persistent/Vexatious Complaints

We want to treat complaints positively and, where possible, leave customers feeling happy about their experience of making a complaint to us.

A complaint can be regarded as vexatious where it has been considered and found to be unjustified, but when the person making the complaint is:

- not prepared to accept the conclusion and
- persists in making the same, or a substantially similar, complaint.

Continuing to respond to such complaints can take up a significant amount of resources in time and money and can thereby detract from the service that can be provided to others.

If a service manager considers that a complaint has become vexatious the service manager can ask their group manager for support in dealing with the complaint. The group manager, in consultation with their director and with advice from their legal services, may decide not to pursue the complaint any further. The person making the complaint will be notified of this decision.



At Gloucester City Council we pride ourselves on the way we treat you and how efficiently we help you with any of the city council's services.

We want you to feel confident that your issues will be dealt with promptly, patiently and courteously.

Help us to improve and maintain our standards. We want to be the best council for you, so we value your feedback.

Customer Services,
Herbert Warehouse,
Gloucester Docks,
GL1 2EQ

T : 01452 396396
E : heretohelp@gloucester.gov.uk
www.gloucester.gov.uk

Statistical Code Analysis Report

April 2012

| Directorate | Services & Neighbourhoods | Service | Stage 1 | | | Stage 2 | | | Resolved in 10 days | % Resolved in 10 days |
|---------------------------|---------------------------|------------------------------------|------------------|---------------|-----------|------------------|---------------|----------|---------------------|-----------------------|
| | | | No of Complaints | Still Current | Finished | No of complaints | Still current | Finished | | |
| Services & Neighbourhoods | | Enterprise | 25 | 1 | 24 | 1 | 0 | 1 | 1 | 100% |
| | | NMS | 8 | 1 | 7 | 7 | 0 | 0 | 0 | 88% |
| | | Environmental Health | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0% |
| | | Housing Options & Homeless Service | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 100% |
| | | Business Improvement | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 100% |
| | | Policy Design and cons | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 100% |
| | | Guildhall | 3 | 1 | 2 | 2 | 2 | 1 | 0 | 67% |
| | | Parking | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 100% |
| | | Cultural Services | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0% |
| | | Environmental Planning Museums | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0% |
| Resources | | Elections | 2 | 0 | 2 | 2 | 2 | 2 | 2 | 100% |
| | | Civica | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0% |
| External | | Total | 48 | 9 | 39 | 36 | 2 | 1 | 1 | 50% |
| | | GCH | 1 | | | | | | | |

Ombudsman Complaints

Statistical Code Analysis Report

May 2012

| | | Stage 1 | | | | Stage 2 | | | | | |
|---------------------------|--|------------------|---------------|-----------|---------------------|-----------------------|------------------|---------------|----------|---------------------|-----------------------|
| Directorate | Service | No of Complaints | Still Current | Finished | Resolved in 10 days | % Resolved in 10 days | No of complaints | Still current | Finished | Resolved in 10 days | % Resolved in 10 days |
| Services & Neighbourhoods | Enterprise | 36 | | 36 | 22 | 61.10% | 1 | | 1 | 1 | |
| | NMS Neighbourhoods | 3 | 1 | 2 | 2 | 100.00% | | | | | |
| | NMS Environmental | 2 | 2 | | | | | | | | |
| | Electoral roll | 1 | | 1 | | 100.00% | | | | | |
| | Environmental Health | 3 | | 3 | 2 | 66.70% | | | | | |
| | Housing Options & Homeless Service | 1 | | 1 | 1 | 100.00% | | | | | |
| Regeneration | Spatial Planning & Environment | 1 | | 1 | 1 | 100.00% | | | | | |
| | Planning | 1 | 1 | | | | | | | | |
| | Projects & Maintenance | 1 | | 1 | | | | | | | |
| | Regeneration Services | 1 | | | 1 | | 1 | | | | |
| | Guildhall | | | | | | 1 | | 1 | 1 | 100.00% |
| Total | | 50 | 4 | 45 | 28 | 56.00% | 1 | 0 | 1 | 1 | 100.00% |
| External Organisations | Civica-Bens, Investigations & Welfare Rights | 1 | | 1 | | | | | | | |
| | Gloucester City Homes | 1 | | 1 | | | | | | | |
| Total | | 2 | 2 | 0 | | | | | | | |

Ombudsman Complaints

Statistical Code Analysis Report

| June | | 2012 | | Stage 1 Complaints | | | Stage 2 Complaints | | | | |
|--------------------------------------|-------------------------------------|------------------|---------------|--------------------|---------------------|-----------------------|--------------------|---------------|----------|---------------------|-----------------------|
| Directorate | Service | No of Complaints | Still Current | Finished | Resolved in 10 days | % Resolved in 10 days | No of complaints | Still current | Finished | Resolved in 10 days | % Resolved in 10 days |
| Services & Neighbourhoods | Enterprise | 82 | | 82 | 79 | 96.34 | 2 | 2 | 2 | 2 | 100% |
| | NMS Neighbourhoods | 3 | | 3 | 2 | 66.67 | | | | | |
| | NMS Enviro | 4 | | 4 | 4 | 100.00 | | | | | |
| | Housing Options & Homeless Services | 1 | | 1 | 1 | 100.00 | | | | | |
| | Environmental Health | 2 | | 2 | 2 | 100.00 | | | | | |
| Regeneration | Parking | 3 | | 3 | 3 | 100.00 | | | | | |
| | Guildhall | 1 | | 1 | 1 | 100.00 | | | | | |
| | Total | 96 | 0 | 96 | 92 | 95.83 | | | | | |
| External Organisations | Revenues, Fees and Charges (Civica) | 1 | 1 | | | | | | | | |
| | Gloucester City Homes | 2 | | | 2 | | | | | | |
| Total | | 3 | 1 | | | | | | | | |
| Full total | | 94 | 7 | 87 | | | | | | | |

Statistical Code Analysis Report

| | | 2012 | | Stage 1 Complaints | | Stage 2 Complaints | | | | | | |
|---------------------------|-------------------------------------|---|---------------|--------------------|---------------------|-----------------------|------------------|---------------|----------|---------------------|-----------------------|--|
| October | | | | | | | | | | | | |
| Directorate | Service | No of Complaints | Still Current | Finished | Resolved in 10 days | % Resolved in 10 days | No of complaints | Still current | Finished | Resolved in 10 days | % Resolved in 10 days | |
| Services & Neighbourhoods | Customer Services | 5 | 5 | 5 | 5 | 100% | 5 | 1 | 1 | 1 | 100% | |
| | Enterprise | 47 | 9 | 38 | 37 | 78% | 37 | 1 | 1 | 1 | 100% | |
| | Housing Options & Homeless Services | 2 | | 2 | 1 | 50% | 1 | | | | | |
| | NMS Neighbourhoods | 5 | | 5 | 4 | 80% | 4 | | | | | |
| | NMS Enviro | 5 | | 5 | 5 | 100% | 5 | | | | | |
| | Cems & Crematorium | 1 | | 1 | 1 | 100% | 1 | | | | | |
| Regeneration | Guildhall | 3 | | 3 | 2 | 100% | 2 | | | | | |
| | Development Control-Regeneration | 1 | | 1 | 1 | 100% | 1 | | | | | |
| | Parking | 3 | | 3 | 3 | 100% | 3 | | | | | |
| | Markets | 2 | 2 | | | | | | | | | |
| | Total | | 74 | 11 | 63 | | | | | | | |
| | External Organisations | Bens, Investigations, Welfare Rights (CIVICA) | 1 | | 1 | 1 | 100% | 1 | | | | |
| Revenues, Fees & Charges | | 2 | 1 | 1 | 1 | 100% | 1 | | | | | |
| Gloucester City Homes | | 2 | | 2 | 2 | 100% | 2 | | | | | |
| Aspire - GL1 | | 1 | | 1 | 1 | 100% | 1 | | | | | |
| Total | | | 6 | 1 | 5 | | | | | | | |
| Overall Total | | | 80 | 12 | 68 | | | | | | | |

Statistical Code Analysis Report

| August | | 2012 | | | | Stage 1 Complaints | | | Stage 2 Complaints | | |
|--------------------------------------|---|------------------|---------------|-----------|---------------------|-----------------------|------------------|---------------|--------------------|---------------------|-----------------------|
| Directorate | Service | No of Complaints | Still Current | Finished | Resolved in 10 days | % Resolved in 10 days | No of complaints | Still current | Finished | Resolved in 10 days | % Resolved in 10 days |
| Services & Neighbourhoods | Customer Services | 5 | | 5 | 5 | 100% | | | | | |
| | Enterprise | 72 | 16 | 56 | 51 | 71% | 3 | 2 | 1 | 1 | |
| | Environmental Health | 2 | | 2 | 2 | 100% | | | | | |
| | Housing Options & Homeless Services | 5 | 1 | 4 | 2 | 40% | | | | | |
| | NMS Neighbourhoods | 4 | 1 | 3 | 2 | 50% | | | | | |
| | NMS Enviro | 9 | 1 | 8 | 4 | 44% | 1 | 1 | | | |
| | Total | | 104 | 21 | 83 | 71 | | 4 | 4 | 1 | 1 |
| Regeneration | Guildhall | 2 | 0 | 2 | 2 | 100% | | | | | |
| | Markets | 1 | 1 | | | | | | | | |
| | Parking | 3 | | 3 | 3 | 100% | | | | | |
| | Planning | 1 | 1 | | | | | | | | |
| | Total | | 7 | 2 | 5 | | | | | | |
| External Organisations | Bens, Investigations, Welfare Rights (CIVICA) | 1 | | 1 | 1 | | | | | | |
| | Council Tax | 2 | 2 | | | | | | | | |
| | Glos City Homes | 1 | 1 | | | | | | | | |
| | Total | 4 | 3 | 1 | 1 | | | | | | |
| | Full total | | 108 | 24 | 84 | | | | | | |

Statistical Code Analysis Report

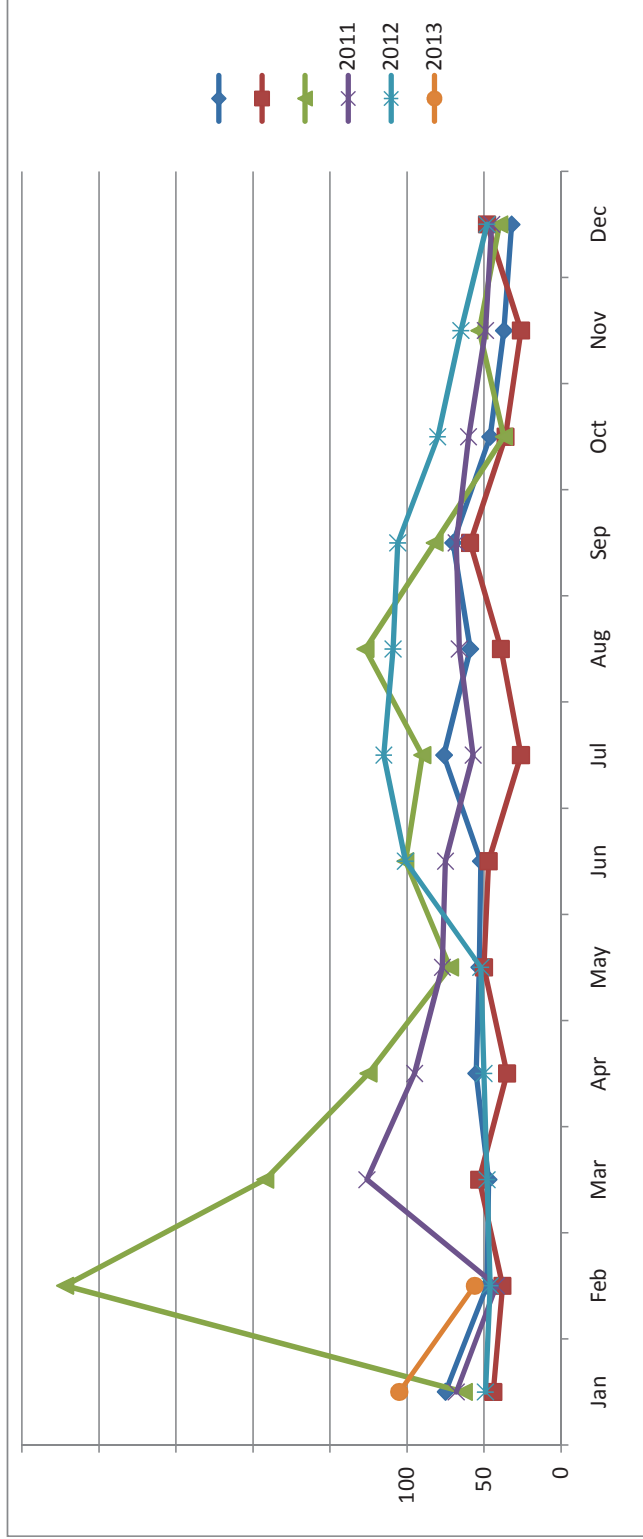
| September | | 2012 | | Stage 1 Complaints | | | Stage 2 Complaints | | | | |
|--------------------------------------|---|------------------|---------------|--------------------|---------------------|-----------------------|--------------------|---------------|----------|---------------------|-----------------------|
| Directorate | Service | No of Complaints | Still Current | Finished | Resolved in 10 days | % Resolved in 10 days | No of complaints | Still current | Finished | Resolved in 10 days | % Resolved in 10 days |
| Services & Neighbourhoods | Customer Services | 4 | | 4 | 2 | 50% | | | 3 | 3 | 100% |
| | Enterprise | 61 | 9 | 52 | 47 | 77% | 3 | | | | |
| | Environmental Health | 2 | | 2 | 2 | 100% | | | | | |
| | Housing Options & Homeless Services | 1 | | 1 | 1 | 100% | | | | | |
| | NMS Neighbourhoods | 6 | 0 | 6 | 6 | 100% | | | | | |
| | NMS Enviro | 8 | | 8 | 7 | 88% | | | | | |
| Strategy & Development | Electoral Roll | 2 | | 2 | 2 | 100% | | | | | |
| Regeneration | Guildhall | 1 | | 1 | 1 | 100% | | | | | |
| | Parking | 3 | | 3 | 3 | 100% | | | | | |
| | Tourist Information Centre | 1 | | 1 | 1 | 100% | | | | | |
| | Total | 89 | 9 | 80 | 71 | 79.78 | | | | | |
| External Organisations | Bens, Investigations, Welfare Rights (CIVICA) | 1 | 1 | | | | | | | | |
| | Revenues, Fees & Charges | 11 | | 11 | | | | | | | |
| | Sundry Debtors | 2 | | 2 | | | | | | | |
| | Council Tax | 3 | 3 | | | | | | | | |
| | Total | 17 | 4 | 13 | | | | | | | |

Statistical Code Analysis Report

| | | 2012 | | Stage 1 Complaints | | Stage 2 Complaints | | | | | |
|--------------------------------------|---|------------------|---------------|--------------------|---------------------|-----------------------|------------------|---------------|----------|---------------------|-----------------------|
| November | | No of Complaints | Still Current | Finished | Resolved in 10 days | % Resolved in 10 days | No of complaints | Still current | Finished | Resolved in 10 days | % Resolved in 10 days |
| Directorate | Service | | | | | | | | | | |
| Services & Neighbourhoods | Customer Services | 5 | 1 | 4 | 3 | 75% | 2 | 2 | 2 | 100% | |
| | Enterprise | 37 | 6 | 31 | 30 | 96% | | | | | |
| | Homeless & Housing Advise Mgr | 1 | | 1 | 1 | 100% | | | | | |
| | NMS Neighbourhoods | 4 | 2 | 2 | 2 | 50% | | | | | |
| | NMS Enviro | 1 | | 1 | | | | | | | |
| | Environmental Health | 2 | | 2 | 1 | 50% | | | | | |
| | Pest Control Contractor | 1 | | 1 | 1 | 100% | | | | | |
| | Cems & Crematorium | 1 | | 1 | 1 | 100% | | | | | |
| Regeneration | Regeneration Services | 1 | 1 | | | | | | | | |
| | Guidhall | 1 | | 1 | 1 | 100% | | | | | |
| | Parking | 3 | | 3 | 1 | 33% | | | | | |
| | Environmental Planning | 1 | 1 | | 1 | 100% | | | | | |
| Resources | Electoral Roll | 1 | | 1 | | 100% | | | | | |
| | Total | 59 | 11 | 48 | | | | | | | |
| External Organisations | Bens, Investigations, Welfare Rights (CIVICA) | 3 | 2 | 1 | 2 | 66% | | | | | |
| | Revenues, Fees & Charges | 1 | | 1 | | | | | | | |
| | council Tax | 1 | | 1 | 1 | 100% | | | | | |
| | Gloucester City Homes | 1 | | 1 | 1 | 100% | | | | | |
| | Total | 6 | 2 | 4 | | | | | | | |
| | Overall Total | 65 | 13 | 52 | | | | | | | |

Complaints

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2008 | 75 | 48 | 47 | 55 | 53 | 52 | 76 | 59 | 70 | 46 | 37 | 32 |
| 2009 | 44 | 38 | 53 | 35 | 50 | 47 | 26 | 39 | 59 | 36 | 26 | 48 |
| 2010 | 63 | 322 | 192 | 125 | 72 | 101 | 90 | 127 | 82 | 37 | 53 | 40 |
| 2011 | 68 | 42 | 126 | 95 | 77 | 75 | 57 | 66 | 68 | 60 | 49 | 45 |
| 2012 | 49 | 46 | 48 | 50 | 52 | 101 | 115 | 109 | 106 | 65 | 80 | 48 |
| 2013 | 105 | | | | | | | | | | | |



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