



KPMG LLP
Audit
3 Assembly Square
Britannia Quay
Cardiff CF10 4AX
United Kingdom

Tel +44 (0) 29 20468205
Darren.gilbert@kpmg.co.uk

Peter Gillett
Director of Resources
Gloucester City Council
North Warehouse
The Docks
Gloucester
GL1 2EP

Our ref TW/515/DG

Darren Gilbert
Tel: 02920 468 205

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Dear Peter

Gloucester City Council – Audit progress

In our detailed External Audit Plan which we presented to you in March 2013 we indicated that we were planning to present an Interim Audit Report to the Council's Audit & Governance Committee in June 2013, summarising the outcome of the planning and control evaluation phases of our audit. This was to ensure that, in line with good practice, any significant matters are reported to those charged with governance in a timely manner.

As agreed with you, we performed our planning work and only limited elements of our control work in March 2013. This work mainly involved the following:

- Holding planning discussions with you and your finance team to discuss significant risks and review of your close down arrangements;
- Reviewing the work of internal audit with a view to seek reliance on your key financial controls; and
- Testing the control environment surrounding your IT systems.

We agreed with you that we would delay our visit to your finance department where we would seek to test the high level controls (e.g. budgetary controls), re-perform certain controls that internal audit have tested (as required by auditing standards) and undertake our work on the Council's overall control environment. This was to allow your finance team some breathing space as we had only just completed the 2011/12 accounts. We have agreed to perform this work in June before we commence our final audit in July.

I set out below our findings of the work we have performed to date (which does not repeat any matters identified and reported by Internal Audit):

- We are encouraged to see a full close down schedule provided by your interim finance team in readiness for the account production for the 30 June deadline. We have fed back some initial queries to your team on the schedule and continue to work closely with them.
- We reviewed internal audit's work on the key financial systems for those reviews that were concluded prior to February 2013. We have not yet re-performed any of internal audit's testing, nor have we concluded on the controls in operation at the Council during the financial year ended 31 March 2013.
- We did not identify any significant issues with internal audit's work and can report that we are again pleased with the way internal audit document and evaluate their findings.
- We have obtained an understanding of how the Council relies on 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. We consider that your overall IT controls are effective but note the following areas for improvement:
 - There is still no formal review of access rights (*this was raised in our reports issued in 2011/12*).
 - Employees who have left the Council are not being removed from the Council's IT system on a timely basis (*this was raised in our reports issued in 2011/12*).
 - From our testing on the removal of user network access rights we identified three instances where two leavers have not been removed from the system, and one leaver who had been removed but only five months after their leaving date.

Given that the IT issues identified above were reported last year we are not making any new recommendations, but we reiterate the importance of addressing the recommendations made during our 2011/12 audit.

As we have not yet completed our controls work, and so far have only limited findings to report (as set out above), we do not consider it necessary to prepare a full Interim Audit Report for the Audit & Governance Committee at this stage. If we identify any matters subsequent to the issue of this letter, we will include these in the ISA260 report which we will produce at the conclusion of the audit and present to the Audit & Governance Committee in September 2013.

In the absence of the need for an Interim Audit Report, please feel free to table this letter at the next meeting of your Audit & Governance Committee, to provide them with an update on the progress of our audit.

Yours sincerely



Darren Gilbert
Director