

20 March 2015

AUDIT AND STANDARDS COMMITTEE

A meeting of the Audit and Standards Committee will be held on **TUESDAY, 07 APRIL 2015** in the Council Chamber, Ebley Mill, Ebley Wharf, Stroud at **19:00**.



David Hagg
Chief Executive



Please Note: This meeting will be filmed for live or subsequent broadcast via the Council's internet site (www.stroud.gov.uk). By entering the Council Chamber you are consenting to being filmed. The whole of the meeting will be filmed except where there are confidential or exempt items, which may need to be considered in the absence of the press and public.

AGENDA

- 1 **APOLOGIES**
To receive apologies of absence.
- 2 **DECLARATIONS OF INTEREST**
To receive declarations of interest.
- 3 **MINUTES - 3 FEBRUARY 2015**
To confirm and sign as a correct record the Minutes of the meeting held on 3 February 2015.
- 4 **PUBLIC QUESTION TIME**
The Chair of the Committee will answer any questions from members of the public, submitted in accordance with the Council's procedures.

DEADLINE FOR RECEIPT OF QUESTIONS
Noon on Tuesday 31 March 2015.

Questions must be submitted in writing to the Chief Executive, Democratic Services, Ebley Mill, Ebley Wharf, Stroud, and sent by post, by fax (01453 754957), or by Email: democratic.services@stroud.gov.uk.

- 5 **WORK PROGRAMME 2015-16**
To consider the Committee's Work Programme for 2015-16 and update accordingly.
- 6 **INTERNAL AUDIT PLAN MONITORING REPORT**
To receive a report on the audits completed as part of the 2014/15 Internal Audit Plan.
- 7 **UPDATE ON CAR PARK AUDIT**
An update will be provided at the meeting
- 8 **UPDATE ON BRIMSCOMBE PORT AUDIT**
An update will be provided at the meeting.
- 9 **KPMG FINANCIAL STATEMENTS 2014/15 AUDIT PLAN**
To receive the External Audit Plan 2014/15.
- 10 **ANNUAL INTERNAL AUDIT PLAN 2015-16**
To receive the Internal Audit Plan for consideration and approval.
- 11 **REVIEW OF EFFECTIVENESS OF THE AUDIT AND STANDARDS COMMITTEE**
To receive a report on the review of the Audit and Standards Committee.
- 12 **PROCUREMENT REVIEW REPORT AND ACTION PLAN**
To receive a report on the recent review of the Council's procurement process.
- 13 **MEMBERS' QUESTIONS**
See Agenda Item 4 for deadline for submission.

Members of Audit and Standards Committee

Councillor Nigel Studdert-Kennedy (Chair)
Councillor Tom Williams (Vice Chair)
Councillor Dorcas Binns
Councillor Martin Baxendale
Councillor Karon Cross

Councillor Colin Fryer
Councillor Keith Pearson
Councillor Rhiannon Wigzell
Councillor Penny Wride

AUDIT AND STANDARDS COMMITTEE

3 February 2015

7.00 pm – 9.21 pm

Council Chamber, Ebley Mill, Stroud

Minutes

Membership:

Councillor Nigel Studdert-Kennedy (Chair)	P	Councillor Colin Fryer	P
Councillor Tom Williams (Vice Chair)	P	Councillor Keith Pearson	P
Councillor Dorcas Binns	A	Councillor Rhiannon Wigzell	P
Councillor Martin Baxendale	P	Councillor Penny Wride	P
Councillor Karon Cross	A		

A = Absent P = Present

Officers in attendance

Strategic Head (Finance and Business Services)	Internal Audit Manager
Principal Accountant	Head of Asset Management
Senior Accountancy Officer	Community Safety Manager
Strategic Head (Corporate Services)	

Others in attendance

Matthew Arthur - KPMG

AC.038

APOLOGIES

An apology for absence was received from Councillor Dorcas Binns.

AC.039

DECLARATIONS OF INTEREST

There were none.

AC.040

MINUTES

RESOLVED

That the Minutes of the meeting of the Audit and Standards Committee held on 25 November 2014 are approved as a correct record and signed by the Vice-Chair.

AC.041

PUBLIC QUESTION TIME

None received.

AC.042 **AUDIT AND STANDARDS WORK PROGRAMME**

Members agreed the additions to the Work Programme for the meeting on 7 April 2015.

- Review of Whistleblowing Policy
- Review of Effectiveness of the Audit Committee.

RESOLVED **To note the work programme, subject to the inclusion of the above in the 2014/15 work programme.**

AC.043 **ANNUAL SUMMARY OF CERTIFICATION OF GRANT CLAIMS AND RETURNS 2013/14**

Matthew Arthur from KPMG presented the above report. The Audit Commission requires external auditors to prepare an annual report and make recommendations, if necessary, on the claims and returns it certifies for each client. KPMG have made two recommendations to improve the claims completion process, as detailed in their letter.

RESOLVED **To accept the report.**

AC.044 **INTERNAL AUDIT PLAN MONITORING REPORT**

The Audit Manager presented his report to committee and was confident that the target of 90% would be achieved by the end of the year.

Committee discussed the Housing Contract, Car Parks and Brimscombe Port Audits and asked for an update on all three audits at the next meeting.

RESOLVED **To accept the report and the assurance given on the adequacy of internal controls operating in the system audited.**

AC.045 **THIRD QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2014/15**

The Principal Accountant presented his report to provide an overview of the investment activity and performance up to the third quarter of the financial year.

RESOLVED **to approve the treasury management activity third quarter report for 2014/15.**

AC.046**TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2015/16**

The Principal Accountant presented his report which outlined the Council's prudential indicators for 2015/16 – 2017/18 and sets out the treasury strategy for this period. He also gave an update following Council in January.

The report focussed on borrowing and investments.

- RECOMMENDED TO COUNCIL**
1. To adopt the prudential indicators and limits for 2015/16 to 2017/18;
 2. Approve the treasury management strategy 2015/16, and the treasury prudential indicators;
 3. Approve the investment strategy 2015/16, and the detailed criteria for specified and non-specified investments; and
 4. Approve the Minimum Revenue Policy Statement 2015/16.

AC.047**INTERNAL AUDIT & RISK MANAGEMENT SHARED SERVICE**

The Strategic Head (Finance and Business Services) presented the report for a shared internal audit and risk management service with Gloucestershire County Council and Gloucester City Council.

Currently the Council's internal audit function is a shared service with Gloucester City. If approved the current partnership would be disbanded and a new partnership formed with Gloucester City Council and Gloucestershire County Councils.

- RECOMMENDED TO COUNCIL**
1. To have a Shared Internal Audit and Risk Management Service ("the Service") with effect from 1 April 2015 (or such other date as is agreed between the Council, Gloucester City Council and Gloucestershire County Council) as outlined in the report, SUBJECT TO:
 - a) the entering into an Administrative Collaboration Agreement for the Service with the partner authorities on terms approved by the Strategic Head (Finance and Business Services); and
 - b) the formation of an Internal Audit and Risk Management Shared Services Board involving the Section 151 officers from each of the participating authorities, to oversee the implementation and ongoing monitoring of the Service;

2. To delegate its Internal Audit Function to Gloucestershire County Council in accordance with the provisions of Section 101 of the Local Government Act 1972.

AC.048

**PROTECTING THE PUBLIC PURSE, FRAUD BRIEFING
2014**

Matthew Arthur from KPMG gave a presentation on the amount of fraud being committed against the Council. 77 cases of fraud had been detected.

During 2015 responsibility for investigating Housing Benefit fraud will be transferred to the Department of Work and Pensions. Gloucestershire councils are discussing setting up a Gloucestershire fraud hub. The Strategic Head (Finance and Business) will update Committee at a future date.

Discussion took place on the self certification on Council Tax bills for single person discount. The Strategic Head (Finance and Business) will look at the wording for future bills. The Audit Manager will look at the current arrangements for claiming single person discount and update Members with a briefing note.

The Chair thanked Matthew Arthur for his report.

The meeting closed at 9.21 pm.

Chair

Audit & Standards Committee Work Programme 2015/16

Tues, 7 July 2015

1. Terms of Reference & Work Programme 2015/16
2. KPMG - Audit Fee Letter 2015/16
3. KPMG – Interim Audit Letter
4. Statement of Accounts 2014/15
5. The Draft Annual Governance Statement 2014/15
6. Treasury Management Outturn 2014/15
7. Treasury Management Activity Q1 2015/16
8. Internal Audit Plan Monitoring Report Qtr 4 2014/15
9. Review of Effectiveness of Internal Audit 2014/15
10. Internal Audit Annual Report 2014/15

Tues, 29 September 2015

1. Work Programme 2015/16
2. KPMG - Report to those charged with Governance – ISA 260
3. Statement of Accounts 2014/15
4. Internal Audit Plan Monitoring Report 2015/16
5. Annual Report on Fraud Activity 2014/15
6. Review of Risk Management Strategy

Tues, 26 November 2015

1. KPMG – Annual Audit Letter 2014/15
2. Treasury Management Activity 2015/16 Half Year Review
3. Internal Audit Plan Monitoring Report 2015/16
4. Glos IA& RM Shared Service Update
5. Review of Procurement Action Plan
6. Review of the Risk Register
7. Review of Anti Fraud policies

Tues, 21 January 2016

1. KPMG - Annual Summary of Certification of Grant Claims & Returns 2014/15
2. Protecting the Public Purse, Fraud Briefing - KPMG
3. Internal Audit Plan Monitoring Report 2015/16
4. Treasury Management Activity Q3 2015/16
5. Treasury Management Strategy Statement, Annual Investments Strategy and MRP Strategy 2016/17
6. Glos IA & RM Shared Services update
7. Internal Audit Charter

Tues, 5 April 2016

1. KPMG - Financial Statements 2015/16 Audit Plan
2. Internal Audit Plan Monitoring Report 2015/16
3. Annual Internal Audit Plan 2016/17
4. Review of Procurement Action Plan
5. Draft Annual Report of the Audit & Standards Committee
6. Work Programme 2016/17

STROUD DISTRICT COUNCIL
AUDIT & STANDARDS COMMITTEE

**AGENDA
ITEM NO**

7 APRIL 2015

6

Report Title	INTERNAL AUDIT PLAN MONITORING REPORT
Purpose of Report	To inform Members of the audits completed as part of the 2014/15 Internal Audit Plan.
Decision(s)	The Committee RESOLVES to accept the report and the assurance given on the adequacy of internal controls operating in the systems audited.
Consultation and Feedback	Internal Audit findings are discussed with service managers. Management responses to audit recommendations are included in each assignment report.
Financial Implications and Risk Assessment	<p>There are no financial implications arising from this report.</p> <p>Sandra Cowley Strategic Head (Finance & Business Services) Tel: 01453 754136 Email: sandra.cowley@stroud.gov.uk</p> <p>It is important that planned audits are carried out so that assurance can be given about the adequacy of the Council's control environment. If too few audits are undertaken, this limits the extent of assurance that can be given.</p>
Legal Implications	<p>The report was not completed by the relevant deadline to enable Legal Services to review in advance of printing. The Legal Services Manager has agreed to separately advise the Committee in advance of its meeting should there be any significant legal implications to report.</p> <p>(Ref: KT/Audit/180315.2)</p>
Report Author	<p>Terry Rodway, Internal Audit Manager Tel: 01453 754111 Email: terry.rodway@stroud.gov.uk</p>

Options	Not applicable
Performance Management Follow Up	This is the fourth report relating to the 2014/15 Plan. The Committee will receive the final monitoring report on achievement against the 2014/15 Internal Audit Plan at its next meeting.
Background Papers/ Appendices	<p>Appendix A – List of Audits completed as part of the Internal Audit Plan 2014/15: January 2015 to February 2015</p> <p>Appendix B – Details of Internal Audit ‘Rank 1’ and ‘Rank 2’ recommendations not implemented by the agreed date.</p> <p>Appendix C - Car Parks Audit – Update on Implementation of IA Recommendations</p>

Background

1. At the Audit and Standards Committee meeting held on 25 March 2014 Members approved the Internal Audit Annual Plan 2014/15. In accordance with the requirements of the Public Sector Internal Audit Standards this report details the outcomes of Internal Audit work.

Progress

2. This is the fourth report on compliance against the 2014/15 Plan and includes details of the audits completed during the period January to February 2015. The performance information is based on the number of completed audits vs. the number of planned audits (i.e. an output measure). The indicator for the period April 2014 to February 2015 is 80% (25 out of 31 planned audits completed), against a target of 90% (28 out of 31 planned audits completed). However, these figures do not take into account two reports that were at draft report stage and two audits that were substantially complete as at 28 February 2015.
3. Details of the audits completed are given in **Appendix A**. The Audit Opinion reached on each audit has been provided, which should provide Members with a view on the adequacy of the controls operating within each area audited.
4. It has been agreed previously that Members would be notified of any agreed Rank 1 ‘High Priority’ and Rank 2 ‘Medium Priority’ audit recommendations that had not been fully implemented by the agreed date. During the period covered by this report, there were a number of agreed recommendations that had not been implemented by the agreed date. Details have been provided in **Appendix B**.

Car Parks/Housing Audits

5. Following the previous meeting of the Audit & Standards Committee, the Committee Chair requested Internal Audit to carry out a follow-up audit to ensure certain recommendations made in the Car Parks audit and the Housing Contract audit had been implemented.
6. The results of the follow-up audit to the specific recommendations identified by the Committee Chair in the Car Parks audit are provided in **Appendix C**.
7. The main issue identified in the Housing Contract audit related to a reconciliation that was due to be carried out of all costs, and to verify the charges made, relating to the PV Heating installation contract. No work has been undertaken by Internal Audit as the Interim Strategic Head of Service has stated that a verbal report on progress will be given at the meeting, as the outturn report will not be available until 2 April.

Conclusions

8. The role of Internal Audit is to examine, evaluate, and report on the adequacy of internal controls. The audit work that has been completed has either identified that controls are operating as intended, or, where weaknesses have been identified, made recommendations to improve the level of control.

List of Audits Completed

2014/15 Audit Plan – January – February 2015

Audit	Comments	Level of Assurance
Budget Setting	<p><u>Audit Objective</u> The objective of this audit was to verify that the following were in place and operating effectively:</p> <ul style="list-style-type: none"> • There is a prescribed annual cycle for budget preparation and approval. • The budget has been set according to the parameters set by Members and in line with external pressures (particularly from central government). • The budget covers all areas of the Council's responsibility. • The budget setting approach includes budget consultation with internal and external stakeholders. • The Authority's Chief Financial Officer/Section 151 Officer's budget Statement, as required under Section 25 of the Local Government Act 2003, on the robustness of the estimates and the adequacy of the proposed reserves has been completed, and in particular the CFO has demonstrated that the level of reserves is adequate. <p><u>Period of Audit</u> The audit covered setting the 2015/2016 General Fund and Housing Revenue Account budgets.</p> <p><u>Audit Opinion</u> On the basis of work carried out during this audit review, the audit opinion is that there is a Good level of assurance on the adequacy and operating effectiveness of controls in place over all areas covered by this audit.</p>	Good
Housing Rents	<p><u>Audit Objective</u> The objective of this audit was to verify that the following were in place and operating effectively:</p> <ul style="list-style-type: none"> • That regular reconciliations are performed between the Rents Computer System and the Cash Receipting System • Rents data is regularly posted to the General Ledger • There are adequate controls operating relating to staff access to the Housing Management Computer System • There are adequate procedures for the identification and monitoring of rent arrears 	Good

Appendix A

	<p><u>Period of Audit</u> The audit covered the testing of transactions for the 9 month period to December 2014.</p> <p><u>Audit Opinion</u> On the basis of work carried out during this audit review, the audit opinion is that there is a Good level of assurance on the adequacy and operating effectiveness of controls in place over all areas covered by this audit.</p>	
Budgetary Control	<p><u>Audit Objective</u> The objective of this audit was to verify that the following were in place and operating effectively:</p> <ul style="list-style-type: none"> • Member and senior management review of revenue income and expenditure against budget. • Figures reported to Members and senior management are accurate, and agree to the Council's general ledger system. • Significant budget variances are investigated, explained, and reported upon. • Delegated cost-centre managers are clearly identified. <p><u>Period of Audit</u> The audit covered the General Fund and the Housing Revenue Account (HRA) budget reporting during the 9 month period to December 2014.</p> <p><u>Audit Opinion</u> On the basis of work carried out during this audit review, the audit opinion is that there is a Good level of assurance on the adequacy and operating effectiveness of controls in place over all areas covered by this audit.</p>	Good
Non Domestic Rates - Rate Relief	<p><u>Audit Objective</u> The objective of this audit was to verify that the following were in place and operating effectively:</p> <ul style="list-style-type: none"> • The award of rate relief is in accordance with Council policy. • Appropriate documentation exists to support the granting of rate relief. • On-going entitlement to rate relief is reviewed on a regular basis • Potential fraudulent claims are identified and investigated. 	Satisfactory

Appendix A

	<p><u>Period of Audit</u> The audit covered the testing of transactions for the 10 month period to January 2015.</p> <p><u>Audit Opinion</u> On the basis of work carried out during this audit review, the audit opinion is that there is a Satisfactory level of assurance on the adequacy and operating effectiveness of controls in place over all areas covered by this audit</p> <p>The main areas of weakness identified for which two Rank 2 'Medium Priority' recommendations have been made, are as follows:</p> <ul style="list-style-type: none"> • The Council's policies relating to fraud investigation should be reviewed, and updated as appropriate, and that NNDR should be included within their scope • A formal review process to verify and check continuing entitlement to mandatory rate relief should be introduced. <p>The recommendation made as a result of this audit relating to a review of policies relating to fraud investigation has been agreed by management but subject to this being part of the introduction of a new corporate fraud officer.</p> <p>The recommendation relating to a formal review process to check and verify continuing entitlement to mandatory rate relief has not been agreed as management have stated that the present arrangements are adequate.</p>	
<p>Non Domestic Rates</p>	<p><u>Audit Objective</u> The objective of this audit was to verify that the following were in place and operating effectively:</p> <ul style="list-style-type: none"> • Periodic reconciliations have been performed promptly and correctly and reconciling items have been explained and supported and subject to management review. • Management/Exception reports are run at a stated frequency and all reports are reviewed, and issues needing action are addressed, and that reviews are evidenced by the reviewer signing and dating the reviewed report. • Recovery of amounts due is undertaken in a timely fashion. • System access is adequately authorised; system access is suitable to posts; leavers are disabled from the system 	<p>Satisfactory</p>

Appendix A

	<p><u>Period of Audit</u> The scope of the audit covered the 10 month period to December 2014.</p> <p><u>Audit Opinion</u> On the basis of work carried out during this audit review, the audit opinion is that there is a Satisfactory level of assurance on the adequacy and operating effectiveness of controls in place over all areas covered by this audit.</p> <p>The main areas of weakness identified for which two Rank 2 'Medium Priority' recommendations have been made, are as follows:</p> <ul style="list-style-type: none"> • The Accountancy Manager and Revenues Manager should consider whether credit balances on Closed Accounts should be written back. • The quarterly reconciliation statement of Civica and General Ledger figures for NNDR Refunds should be signed and dated by the preparer, and by a supervising officer. <p>The recommendations made as a result of this audit have been agreed by management, with the latest implementation date being June 2015.</p>	
General Ledger	<p><u>Audit Objective</u> The objective of this audit was to verify that the following were in place and operating effectively:</p> <ul style="list-style-type: none"> • Periodic reconciliation of the main bank accounts to the general ledger. • System restrictions to inputting one-sided journals. • Periodic production and independent review of journal exception reports. • Periodic review and clearance of suspense and control accounts. • Adequate password-based access restrictions to the General Ledger. • Regular evidenced, independent review of user access rights to the General Ledger, including user roles to ensure segregation of duties as set out in financial procedures. • Regular evidenced, independent review of the appropriateness of access rights of 'super users' (i.e. those with administrator system access). 	Satisfactory/ Limited

Appendix A

	<p><u>Period of Audit</u> The audit covered the testing of transactions for the 10 month period to January 2015.</p> <p><u>Audit Opinion</u> On the basis of work carried out during this audit review, the audit opinion is that there is a Satisfactory level of assurance on the adequacy and operating effectiveness of controls in place over all areas covered by this audit, except for the adequacy and operating effectiveness of controls in place over the review of all Agresso users where only a Limited Opinion has been provided.</p> <p>The main areas of weakness identified for which one Rank 1 'High Priority' and one Rank 2 'Medium Priority' recommendations have been made are as follows:</p> <ul style="list-style-type: none"> • The process for reviewing all Agresso users annually should be expedited, (<i>NB Previously agreed audit recommendation not implemented by agreed date</i>). • The Accountancy Manager should add the date of signature when signing reports of journals over £100k. <p>The recommendations made as a result of this audit have been agreed by management. It has been agreed that the 'date of signature' control will be implemented with immediate effect, and that the review of Agresso users will take place during 2015/16.</p>	
Benefits	<p><u>Audit Objective</u> The objectives for this audit were to verify that the following were in place and operating effectively:</p> <ul style="list-style-type: none"> • Periodic reconciliations have been performed promptly and correctly, and that reconciling items have been explained and supported and subject to management review. • Management/Exception reports have been promptly produced and exceptions investigated and cleared in a timely manner. • Housing Benefit claims have been correctly assessed and calculated. <p><u>Period of Audit</u> The scope of the audit covered the 12 month period to December 2014 (date of audit).</p> <p><u>Audit Opinion</u> On the basis of work carried out during this audit review, the audit opinion is that there is a Satisfactory level of assurance over the adequacy and operating effectiveness</p>	Satisfactory/ Limited

Appendix A

	<p>of controls in place over the daily operation of the function. However, only a Limited level of assurance has been given over the adequacy and operating effectiveness of controls relating to the reconciliation of the Benefits system to other Council systems, and in relation to the benefit debt write off process.</p> <p>The main areas of weakness identified for which two Rank 1 'High Priority' and two Rank 2 'Medium Priority' recommendations have been made, are as follows:</p> <ul style="list-style-type: none"> • The regular reconciliations between the Benefits system to General Ledger, Council Tax and Housing Rents systems are not subject to management review to confirm that they have been promptly completed and correctly completed and that there are no unmatched or long outstanding unresolved items. • Not all write off of benefit debts are presented to the appropriate staff and/or committee for review and formal authorisation to write off as per the Financial Regulations. • There is no documentary evidence to support the rationale for setting a quality control checking level of 4% of completed claims and changes in events. Also testing has highlighted that this level of check has not always been achieved and that, where errors affecting a claim have been identified, the level of checks has not been increased. • The current quality control process should be reviewed in accordance with the requirements of the Council's Fidelity insurance policy. <p>The recommendations made as a result of this audit have been agreed by management, with the latest implementation date being June 2015.</p>	
Sundry Debtors	<p><u>Audit Objective</u></p> <p>The objectives for this audit were to verify that the following were in place and operating effectively:</p> <ul style="list-style-type: none"> • The sundry debtors system is periodically reconciled to the general ledger; • The sundry debtors system is periodically reconciled to the Sundry Debtor Payment Holding control account; • Sundry debtors arrears reports are periodically produced and an independent review of the action taken compared to procedures is performed; • Periodic clearance of suspense and holding account balances supported by evidenced management checks; • Staff access levels and privileges are regularly 	Satisfactory/ Limited

	<p>reviewed to confirm staff access is still appropriate and ensures segregation of duties to key processes.</p> <p><u>Period of Audit</u> The scope of the audit covered the 9 months to December 2014.</p> <p><u>Audit Opinion</u></p> <ul style="list-style-type: none"> • On the basis of work carried out during this audit review, the audit opinion is that there is a Satisfactory level of assurance on the adequacy and operating effectiveness of controls in place over all areas covered by this audit, except for the adequacy and operating effectiveness of controls in place over the sundry debtor and holding account reconciliations, where only a Limited Opinion has been provided. <p>The main areas of weakness identified for which one Rank 1 'High Priority' and four Rank 2 'Medium Priority' recommendations have been made, are as follows:</p> <ul style="list-style-type: none"> • The Sundry Debtor Payment Holding control general ledger account was not subject to Finance management review and approval to confirm that the monthly reconciliations had been promptly completed, correctly performed and that there were no unmatched or long outstanding items. • Inadequate arrangements in place to ensure that the sundry debtor reconciliation was promptly completed during the long term absence of the Systems Accountant. • Inadequate arrangements in place to ensure that the quarterly Finance Sundry Debtors meeting to discuss outstanding debts continued to be held during the long term absence of the Systems Accountant; • The rational and the system parameters relating to the debtor reconciliation reports have not been documented to show their purpose and design. <i>(NB Previously agreed audit recommendation not implemented by agreed date).</i> • There was a lack of documentary evidence to confirm that long material outstanding debts were subject to additional independent monitoring and action by Finance to confirm that appropriate actions are being undertaken by the relevant Service Area to recover or write off the debt. <i>(NB Previously agreed audit recommendation not implemented by agreed date).</i> <p>The recommendations made as a result of this audit have been agreed by management, with the latest implementation date being September 2015.</p>	
--	--	--

Appendix A

Cash & Bank	<p><u>Audit Objective</u> The objectives for this audit were to verify that the following were in place and operating effectively:</p> <ul style="list-style-type: none"> • A regular bank reconciliation is performed and subject to management review and approval; • A reconciliation of the cash receipting system to the general ledger is regularly performed and subject to management review and approval; • A regular payment reconciliation between Agresso records and payment files is performed to confirm that payments are correctly accounted for; • Procurement Card control general ledger account is regularly reconciled and subject to management review and approval. <p><u>Period of Audit</u> The scope of the audit covered the 10 month period to January 2015.</p> <p><u>Audit Opinion</u> On the basis of work carried out during this audit review, the audit opinion is that there is a Satisfactory level of assurance on the adequacy and operating effectiveness of controls in place over bank, cash receipting and payment reconciliations. However, an Unsatisfactory level of assurance on the adequacy and effectiveness of controls in place over the reconciliation of the procurement card control general ledger account has been provided.</p> <p>The main areas of weakness identified for which one Rank 1 'High Priority' and two Rank 2 'Medium Priority' recommendations have been made, are as follows:</p> <ul style="list-style-type: none"> • The monthly reconciliation of the procurement card control general ledger account had not been performed since March 2014, as at the date of the audit. The balance on the account was approximately £31k of which £10k could be classified as timing differences. • An exception to the Information Security Policy for the storage of the superuser id in the Finance safe rather than the IT safe has not been documented and approved; • Appropriate Finance staff were not aware that they should confirm that all invoices making up payments to suppliers over £20k have been subjected to Finance management review before submitting them for payment. In addition there was a lack of documentary 	Satisfactory/ Unsatisfactory
-------------	--	---------------------------------

Appendix A

	<p>evidence to confirm that Finance management had reviewed and approved the payment reconciliation. <i>(NB Previously agreed audit recommendation not implemented by agreed date).</i></p> <p>The recommendations made as a result of this audit have been agreed by management, with the latest implementation date being July 2015.</p>	
--	--	--

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

CONTROL LEVEL	DESCRIPTION
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 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 unsatisfactory level of assurance. Unacceptable risks identified – fundamental changes required. A number of Rank 1 (High Priority) recommendations.

Internal Audit recommendations are graded as follows:

RANK		DESCRIPTION
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 identified key control.
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.
3	Low Priority	Current procedure is not best practice and could lead to minor inefficiencies.

APPENDIX B

Details of Internal Audit 'Rank 1' and 'Rank 2' Recommendations not implemented by the agreed date.

Date	Audit	Recommendation	Rank	Management Response	Imp Date	Management Response
Feb 2014	General Ledger	All Strategic Heads, Heads of Service, and Unit Managers should be reminded of the need to annually review their staff's Agresso access rights, and inform Accountancy of any amendments required	1	Agreed. Should incorporate into final accounts process and send out information to budget holders and Heads of Service/Unit Managers.	31/03/14 and annually thereafter	<p>This recommendation was not implemented by the due date, in that Strategic Heads/Heads of Service/Unit Managers had not been formally asked to confirm that their staff have appropriate and correct access levels.</p> <p>The Accountancy Manager has stated that an automated solution is being developed in that the Systems Accountant has been working on a system-generated notification from Agresso, which is intended to be used during 2014/15 and again at year end in conjunction with the leavers list.</p> <p>The Accountancy Manager has also stated that Finance will be in a position to help Strategic</p>

Date	Audit	Recommendation	Rank	Management Response	Imp Date	Management Response
						Heads/Heads of Service/Unit Managers with the review process so that they can understand the roles (ie the levels of systems access granted) of each member of their relevant teams.
Mar 2014	Sundry Debtors	The rationale and the system parameters relating to the debtor reconciliations should be clearly documented so that their purpose and design can be understood and validated	2	Systems Accountant will document and explain the process to the Principal Accountant	Dec 2014	The Accountancy Manager advised that this had not been implemented. The Principal Accountant has stated that this recommendation has been accepted with a revised implementation date of September 2015.
Mar 2014	Sundry Debtors	Determine what is the most appropriate and effective frequency for the Finance sundry debtor meetings and apply. Full details of the agreed actions at the meetings should be documented and regularly followed-up.	2	Agreed. Would make sense for a fuller review on a quarterly basis to match the reporting to HoS.	Jul 2014	The frequency of the Finance sundry debtor meetings has been determined as quarterly. Two meetings should have been held by Finance during the audit period, but only 1 (9 October 2014) took place. The other meeting for 29 August 2014 did not occur

Date	Audit	Recommendation	Rank	Management Response	Imp Date	Management Response
						as the Systems Accountant was on long term leave. The Accountancy Manager has stated that relevant staff will be invited to quarterly meetings to review service's sundry debt provisions. The revised implementation date is April 2015.
Jan 2014	Cash & Bank	Finance management should promptly review the payment and procurement card reconciliations to confirm that they have been promptly undertaken, correctly performed and that unmatched items are promptly investigated and cleared. The reconciliation should then be signed as evidence of this review and approval.	2	Agreed	May 2014	The Principal Accountant has stated that monthly reconciliations have already recommenced – Feb 2015.
Jan 2014	Cash & Bank	The member of staff performing the payment reconciliation should review the appropriate report detailing	2	Agreed	From May 2014	The Principal Accountant has stated that the form will be redesigned to include an appropriate section for the

Date	Audit	Recommendation	Rank	Management Response	Imp Date	Management Response
		all invoices to be paid to confirm that Finance management have reviewed all invoices relating to payments over £20,000. Where they have not the payment run should be suspended and the report sent back to Finance management to review and approve.				authorising manager to validate that they have reviewed all supplier payments over £20,000. The revised implementation date is May 2015.

APPENDIX C

CAR PARKS AUDIT – UPDATE ON IMPLEMENTATION OF IA RECOMMENDATIONS

Audit Recommendation	Rank	Management Response	Agreed Implementation date	Follow up Status	Internal Audit Comments
<p>The Contractor should be advised of the expected timeframes as to when the Balancing Tickets and SDC Car Park Machine Summary schedule should be provided to Asset Management. In addition they should be advised to fully complete the SDC Car Park Machine Summary schedule, to include reason for non collection, differences and signed by the person performing the work.</p>	<p>2</p>	<p>Accepted. The Contractor has been made aware of the timeframes, they have also been told that the summary should be fully completed and signed, this has never happened.</p>	<p>April 2015</p>	<p>Management Action implemented, however, still non-compliance issues by the Contractor.</p>	<p>Internal Audit have been advised that a meeting with the Contractor was held on 3 Sept 14 where they were advised of SDC timescales for receipt of documents and requirements to fully complete the documents. However, there were no formal instructions /requirements issued to the Contractor. The Asset Management Business Improvement Officer advised that from at least January 2015 the documents are being received promptly, however, documents are not always being fully and correctly completed.</p>

					<p>A review of January 15 car park documents supplied by the Contractor highlighted large differences and non collections where no explanations had been provided by the Contractor.</p> <p>Finance contacted the Contractor on 6 Feb 15 requesting that they provide reasons behind any variances.</p> <p>However, the Contractor advised they are unable to provide such comments due to the volume of car parks they process and that they only process what cash and tickets have been collected.</p>
In exceptional circumstances where Council staff are required to perform collection of the car park cash takings it should be performed by	2	Accepted. New interim arrangements in place. 2 members of staff now attend site to complete ad hoc cash collections. Paperwork is completed and signed by both	Completed	Implemented	Internal Audit testing has identified that there is evidence of 2 members of staff being involved.

<p>2 different members of staff and that there is documentary evidence to support this requirement.</p>		<p>members of staff. One copy left within cash tin, another copy retained securely with the Senior Community Safety Officer. The provision of a new car park system will eliminate this risk.</p>			
<p>A review of invoices paid to the Contractor should be undertaken against the SDC Car Park Machine Summary schedules to identify what car park machine cash collections have been undertaken. A comparison to what the Council has been invoiced should then be undertaken to confirm correctly charged. Any identified differences should be investigated and if appropriate the Contractor should be requested to credit the Council with any identified overpayment.</p>	<p>2</p>	<p>Accepted. This process needs to be implemented with the new contract. This has previously been administered by Asset Management, in future this will be done by Community Safety /Finance who will have direct access to the appropriate information.</p>	<p>April 2015</p>	<p>Being implemented</p>	<p>There are issues with the back office system which has meant that a report detailing cash collections cannot be produced. Therefore a retrospective check on previous invoices has not yet been performed. The Senior Community Safety Officer has confirmed he will discuss the issue of reclaiming any identified credits with Legal Services.</p>

<p>Future invoices from the Contractor should be properly checked by appropriate staff to confirm the Council is being correctly charged.</p>	<p>2</p>	<p>Agreed</p>	<p>January 2015</p>	<p>Being implemented</p>	<p>The cash collection charges are invoiced monthly in advance by the Contractor. Therefore January 2015 charges were invoiced in December 2014 based on full and complete cash collections. The Senior Community Safety Officer advised that he planned to obtain information from the car park back office systems to enable the invoices to be checked, however, due to issues with the back office car park machine system checks on the January and February 2015 invoices have not been completed. Internal Audit advised the Senior Community Safety Officer to review the paper records completed by G4S and currently held by Asset Management of Finance</p>
---	----------	---------------	---------------------	--------------------------	--

					to establish what cash collections have been made.
The contingency plan for Merrywalks MSCP, currently in the process of being developed, should be completed as soon as possible and appropriately approved.	1	Accepted. A contingency plan for Merrywalks has been drafted and awaiting final comments/approval before a final version is produced.	Completed	Implemented However, the contingency plan has not been tested.	The Civil Contingencies Officer advised that a contingency plan was put together by her and the Senior Community Safety Officer as a "quick plan". It was to "cover the very basic potential problems that may occur at Merrywalks when there was lots of machine faults whilst the Community Safety Manager was absent". The Civil Contingencies Officer believes the current copy provided to Internal Audit is a draft version. The Community Safety Manager confirmed that he had sight of the contingency plan, but there is no evidence of formal approval by him.

Both the Community Safety Management and Senior Community Safety Officer should promptly change their passwords on the Merrywalks back office car park system.	2	Accepted. Passwords have been changed and now kept secure. Car park staff have been informed of the importance to not share passwords and the risks concerning accountability resulting of such activity. Use of passwords to be monitored for compliance.	Completed	Implemented	Verbal assurances were received that the passwords have been changed.
Documentary evidence should be retained to confirm that 2 different members of staff have been involved in the cash float collection from the Council's bankers and replenishment of the car park machines.	2	Accepted. The Senior Community Safety Officer has introduced a new float collection procedure. Two staff attend bank for cash collection and transport monies securely to car park. Both officers are in attendance when float is replenished in car park machines and documentary paperwork completed – signed by both officers. Back office system updated in presence of both officers to reflect changes to float.	Completed	Implemented.	A Float Register has been created to document all instances of float reimbursement and who has been involved in the process with appropriate sign off.
Appropriate independent checks should be performed to confirm float	2	Accepted. The Senior Community Safety Officer has included within the	January 2015	Unable to provide assurance as	There have been no float reimbursements from 1 January 2015 to date.

<p>money drawn from the Council's banker is promptly and correctly updated to the car park machines.</p>		<p>new float collection procedure to notify the Community Safety Manager of all new float requisitions and cash transfers to car park machines. Independent checks to be carried out periodically to ensure correct process followed and updates completed. Provision of new car park system will allow for off site monitoring rather than site visits as currently required. Additionally the new cash collection contract will require this service to be provided which will eliminate this risk.</p>		<p>there have been no float reimbursements from 1 Jan 2015 to 26th Feb.</p>	
--	--	---	--	---	--



cutting through complexity

External Audit Plan 2014/15

Stroud District Council

7 April 2015

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

Matthew Arthur

Manager

KPMG LLP (UK)

Tel: 029 2046 8006
matthew.arthur@kpmg.co.uk

Page

Report sections

■ Introduction	2
■ Headlines	3
■ Our audit approach	4
■ Key financial statements audit risks	10
■ VFM audit approach	13
■ Audit team, deliverables, timeline and fees	19

Appendices

1. Independence and objectivity requirements	23
2. Quality assurance and technical capacity	24
3. Assessment of Fraud Risk	26
4. Transfer of Audit Commission's functions	27

This report is addressed to the Authority and has been prepared for the sole use of the Authority. 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.audit-commission.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 Authority, 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, 1st Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

This document describes how we will deliver our audit work for Stroud District Council.

Scope of this report

This document supplements our *Audit Fee Letter 2014/15* presented to you in April 2014. It describes how we will deliver our financial statements audit work for Stroud District Council ('the Authority'). It also sets out our approach to value for money (VFM) work for 2014/15.

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* and the Audit Commission's *Code of Audit Practice*.

The Audit Commission will close at 31 March 2015. However our audit responsibilities under the *Audit Commission Act 1998* and the *Code of Audit Practice* in respect of the 2014/15 financial year remain unchanged.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to audit/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 Authority.

The Audit Commission will cease to exist on 31 March 2015. Details of the new arrangements are set out in Appendix 4. The Authority can expect further communication from the Audit Commission and its successor bodies as the new arrangements are established. This plan restricts itself to reference to the existing arrangements.

Structure of this report

This report is structured as follows:

- Section 2 includes our headline messages, including any key risks identified this year for the financial statements audit and Value for Money arrangements Conclusion.
- 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 arrangements work.
- Section 6 provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

Acknowledgements

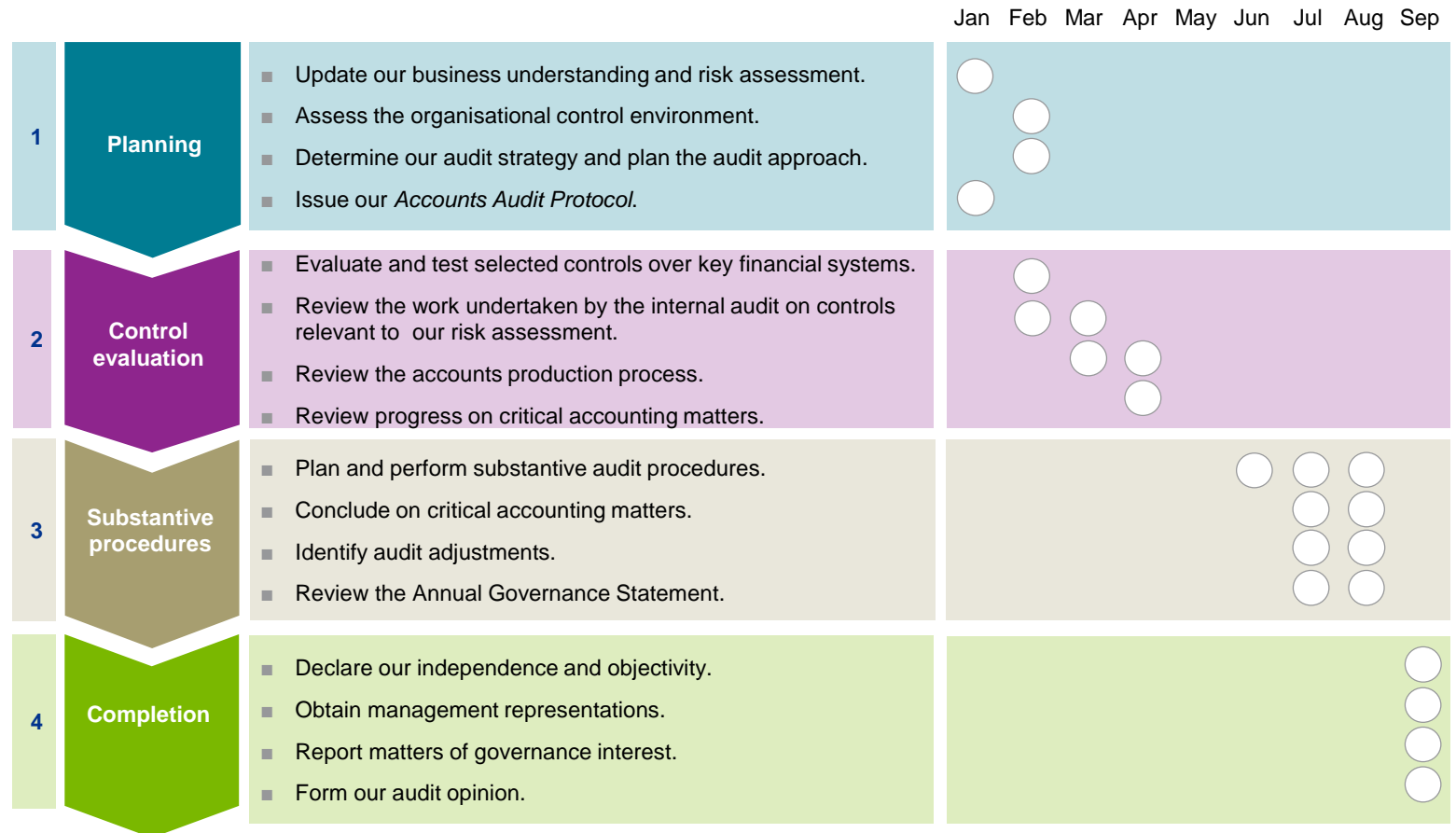
We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Audit approach	<p>Our overall audit approach remains similar to last year with no fundamental changes. Our work is carried out in four stages and the timings for these, and specifically our on site work, have been agreed with the Strategic Head of Finance & Business Services.</p> <p>Our audit strategy and plan remain flexible as risks and issues change throughout the year. We will review the initial assessments presented in this document throughout the year and should any new risks emerge we will evaluate these and respond accordingly.</p>
Key financial statements audit risks	<p>We have completed our initial risk assessment for the financial statements audit and have identified the following significant risks and focus areas:</p> <ul style="list-style-type: none"> ■ Risk 1 – increased housing spend; and ■ Focus Area 1 – renewable energy spend. <p>These are described in more detail on pages 10 to 12. We will assess these risk areas as part of our interim work and conclude this work at year end.</p>
VFM audit approach	<p>We have completed our initial risk assessment for the VFM conclusion and have identified the following significant risks:</p> <ul style="list-style-type: none"> ■ Risk 1 – savings plan; and ■ Risk 2 – contract procurement. <p>These are described in more detail on pages 17 to 18. We will assess these risk areas as part of our interim work and conclude this work at year end.</p>
Audit deliverables, timeline and fees	<p>Our main year end audit is currently planned to commence on 31 July 2015. Upon conclusion of our work we will again present our findings to you in our <i>Report to Those Charged with Governance (ISA 260 Report)</i>.</p> <p>The planned fee for the 2014/15 audit is £69,300. This is increased by £900 from the position set out in our <i>Audit Fee Letter 2014-15</i> to reflect additional audit work required around business rates following the removal of NNDR3 from the grants certification regime.</p>

We undertake our work on your financial statements in four key stages during 2015:

- **Planning** (January to February).
- **Control Evaluation** (February 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:



During January and February 2015 we complete our planning work.

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

We assess if there are any weaknesses in respect of central processes that would impact on our audit.

Our planning work takes place in January and February 2015. This involves the following aspects:

Planning

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

Business understanding and risk assessment

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

We identify the key risks including risk of fraud affecting the Authority's financial statements. These are based on our knowledge of the Authority, our sector experience and our ongoing dialogue with Authority staff. Any risks identified to date through our risk assessment process 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 Authority's responsibility to adequately address these issues. We encourage the Authority 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 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 relevant work of your internal auditors also informs our risk assessment.

Audit strategy and approach to materiality

Our audit is performed in accordance with International Standards on Auditing (ISAs) (UK and Ireland). 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 professional judgement and is set by the Engagement Lead.

In accordance with ISA 320 (UK&I) '*Audit materiality*', we plan and perform our audit to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. Information is considered material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

Further details on assessment of materiality is set out on page 6 of this document.

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 Authority to provide during our interim and final accounts visits.

When we determine our audit strategy we set a monetary materiality level for planning purposes.

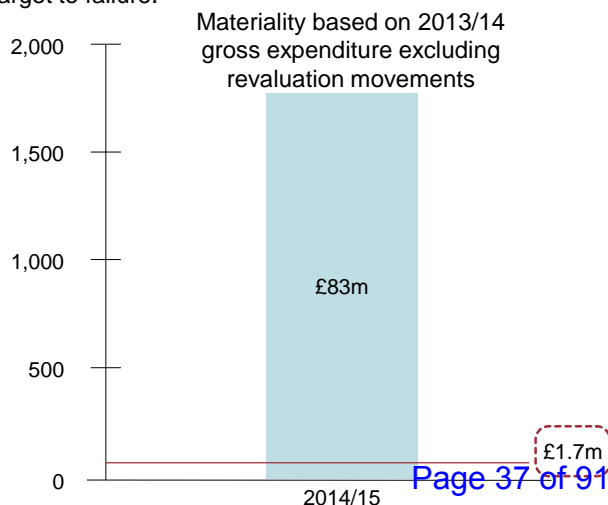
For 2014/15 we have set this at £1.7 million.

We will report all audit differences over £85,000 to the Audit and Standards Committee.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader’s perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.



Materiality for planning purposes has been set at £1.7 million, which equates to 2 percent of prior year gross expenditure excluding revaluation losses of £58m (which were removed from our calculation to avoid a distorted expenditure figure). We will revise this materiality based on current year gross expenditure when this information is available.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit & Standards Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Standards Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK&I) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 (UK&I), ‘Evaluation of misstatements identified during the audit’, requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £85,000.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Standards Committee to assist it in fulfilling its governance responsibilities.

During February to April 2015 we will complete our interim audit work.

We assess if controls over key financial systems were effective during 2014/15. 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 report any significant findings arising from our work to the Audit and Standards Committee.

Our on site interim visit will be completed during the week commencing 30 March 2015. 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.

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.

If there are any significant findings arising from our interim work we will present these to the Audit & Standards Committee after the interim audit visit.

Controls over key financial systems

We update our understanding of the Authority'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.

Review of internal audit

Where our audit approach is to undertake controls work on financial systems, we seek to review any relevant work internal audit have completed to minimise unnecessary duplication of work. This will inform our overall risk assessment process.

From 1 April 2015, it is anticipated that Internal Audit will be provided by a Shared Internal Audit and Risk Management Service between Gloucester City Council, Stroud District Council and Gloucestershire County Council, to be hosted by Gloucestershire County Council. We will continue to work with IA in its new guise when auditing the 2014/15 year.

During July 2015 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 & Standards Committee* in September 2015.

Our final accounts visit on site has been provisionally scheduled for the period from 13 to 31 July 2015. 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.

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 Authority'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 key risk areas identified at the planning stage and any additional issues that may have emerged since.

We will discuss our early findings of the Authority's approach to address the key risk areas with the Strategic Head of Finance & Business Services at the end of our final accounts visit, prior to reporting to the Audit & Standards Committee in September 2015.

Audit adjustments

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

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 & Standards 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 part of this.

We report the findings of our audit of the financial statements work in our *ISA 260 Report*, which we will issue in September 2015.

In addition to the financial statements, we also review the Authority'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 your WGA consolidation and undertake the audit work specified under the audit approach that is agreed with HM Treasury and the National Audit Office. The deadline for the submission of the WGA return is 7 October 2015.

Elector 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 specific 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 & Standards Committee. Our deliverables are included on page 20.

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 & Standards 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.

Appendix 1 provides further detail on auditors' responsibilities regarding independence and objectivity.

Confirmation statement

We confirm that as of the date of this report 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.

In this section we set out our assessment of the significant risks or other key areas of audit focus of the Authority's financial statements for 2014/15.

For each significant risk area or area of audit focus we have outlined the impact on our audit plan.

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our *ISA 260 Report*.

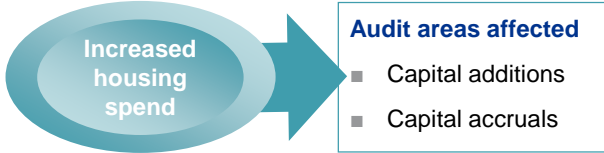
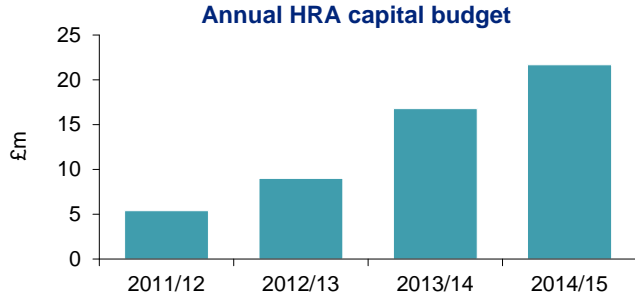
- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Appendix 3 covers more details on our assessment of fraud risk.

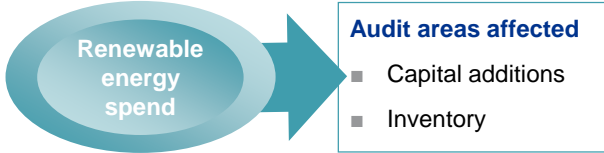
The table overleaf sets out the one significant risk identified through our planning work that are specific to the audit of the Authority's financial statements for 2014/15. In addition, we have identified one area of audit focus which we do not consider a significant risk but warrants specific attention during our audit.

We will revisit our assessment throughout the year and should any additional risks present themselves we will adjust our audit strategy as necessary.

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

Key audit risks	Impact on audit										
 <p>Increased housing spend</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Capital additions ■ Capital accruals 	<p>Risk</p> <p>The Council is undergoing a period of significant investment in its housing stock, with the New Build Programme and other projects resulting in an increased HRA capital spend as set out in the graph below:</p>  <table border="1"> <caption>Annual HRA capital budget</caption> <thead> <tr> <th>Year</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>2011/12</td> <td>5</td> </tr> <tr> <td>2012/13</td> <td>9</td> </tr> <tr> <td>2013/14</td> <td>17</td> </tr> <tr> <td>2014/15</td> <td>22</td> </tr> </tbody> </table> <p>As part of this budget, the Council has been granted HCA funding of £5.9m towards decent homes works. This relates to 902 items of work which need to be completed by 31 March 2015 in order to claim the full amount. In recent budget monitoring reports, concerns have been raised about the ability to achieve this based on the amount of spend so far this year; as at 31 December 2014, actual spend amounted to £2.5m with the Council having received £4.4m of the HCA funding.</p> <p>With this increased level of spend and grant funding, there is an increased risk relating to the accuracy of capital additions and accruals, both in terms of valuation of the additions and cut-off of recognition for ongoing works. In addition, some of the projects have complexities around the accounting treatment.</p> <p>Our proposed audit work</p> <p>We will perform substantive testing of fixed asset additions, and testing of year-end accruals with a particular focus on those relating to decent homes works. We will also review significant complex schemes that have been capitalised or completed during the year.</p>	Year	£m	2011/12	5	2012/13	9	2013/14	17	2014/15	22
Year	£m										
2011/12	5										
2012/13	9										
2013/14	17										
2014/15	22										

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

Audit focus area	Impact on audit
 <p>Renewable energy spend</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Capital additions ■ Inventory 	<p>Risk</p> <p>A recent internal audit report identified a number of concerns relating to the Council's expenditure on renewable energy work (primarily photo-voltaic (PV) panels and ground source heat pumps). The issues raised with impact on the financial statements were:</p> <ul style="list-style-type: none"> - Costs for materials and management fees recorded on the contractor's invoices could not be verified to appropriate documents at the time of the audit; and - There was no documentary evidence of any checks performed on the contractor's invoices prior to payment. <p>We also identified some issues relating to the documentation & supporting evidence for the PV panels inventory balance during our 2013-14 audit.</p> <p>We understand that the Project Manager has now requested appropriate documents from the contractor in order to perform a reconciliation of all costs and if any discrepancies are found, an adjustment will be undertaken to realign the final account.</p> <p>Our proposed audit work</p> <p>We will review the internal audit report to gain a greater understanding of the issues detailed above and confirm that the actions for addressing these have been performed by officers. In particular, we will review the reconciliation of all contractor costs being performed by the Project Manager to confirm it has been carried out appropriately, and confirm any adjustments required due to this have been reflected within the year-end financial statements.</p> <p>Following this, if relevant, we will perform substantive testing over any material PV panel balances capitalised or in inventory at year-end in order to agree these to supporting documentation.</p> <p>We have also identified a VFM risk relating to other issues highlighted by the Internal Audit report on page 18.</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

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 Authority. 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 Authority'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 ; evidence gained from previous audit work, including the response to that work; and the work of 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
Linkages with financial statements and other audit work	<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 Authority's organisational control environment, including the Authority'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>
Assessment of residual audit risk	<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 Authority 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>
Identification of specific VFM audit work	<p>If we identify residual audit risks, then we will highlight the risk to the Authority 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 Authority, inspectorates and other review agencies; and ■ carrying out local risk-based work to form a view on the adequacy of the Authority'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 conclude on the results of the VFM audit through our *ISA 260 Report*.

VFM audit stage	Audit approach
Delivery of local risk based work	<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>
Concluding on VFM arrangements	<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 Authority'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>
Reporting	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our <i>ISA 260 Report</i>. This will summarise any specific matters arising, and the basis for our overall conclusion.</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> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

We have identified a number of specific VFM risks which, at this stage, we plan to consider.

We will initially consider whether external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Following our initial assessment, we will carry out additional risk-based work on risk areas where we consider this to be necessary.

The risk areas we have identified are:

- Achievement of the saving plan; and
- Contract procurement.

In line with the risk-based approach set out on the previous page, we have

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- considered the results of relevant work by the Authority, the Audit Commission, other inspectorates and review agencies in relation to


these risk areas; and

- concluded to what extent we need to carry out additional risk-based work.

Below we set out our preliminary findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion. We will undertake a more detailed risk assessment during our interim audit visit to confirm the areas requiring further consideration.

We will report our final conclusions in our *ISA 260 Report 2014/15*.

Key VFM risk	Risk description and link to VFM conclusion	Impact on audit
	<p>The Authority is required to make savings of £196,000 in 2014/15; the current forecast shows additional savings of over £200,000 and a forecasted underspend of £341,000 against the original budget.</p> <p>The Authority currently estimates that £437,000 in savings will need to be achieved during 2015/16. Proposals for these savings were agreed by Council within the approved budget on 29 January 2015. Further significant savings will be required in 2016/17 and 2017/18 to principally address future reductions to local authority funding alongside service cost and demand pressures. The need for savings will continue to have a significant impact on the Authority's financial resilience.</p> <p>The Council also has an ongoing Canal restoration project which is approaching conclusion; this is likely to have an overspend of approximately £0.4m which will need to be funded by the Council and any variance in this will add to budget pressures.</p>	<p>As part of our additional risk based work, we will review the controls the Authority has in place to ensure financial resilience, specifically that the Medium Term Financial Plan has duly taken into consideration:</p> <ul style="list-style-type: none"> ■ funding reductions; ■ salary inflation; ■ general inflation; ■ demand pressures; ■ restructuring costs; and ■ sensitivity analysis given the degree of variability in the above factors. <p>As part of this work, we will update on the final progress of the Canal project and confirm appropriate arrangements are in place to monitor and fund the funding gap for the project.</p>

Key VFM risk	Risk description and link to VFM conclusion	Impact on audit
	<p>Recent Internal Audit and external consultant reports have identified issues relating to procurement and contracting arrangements, particularly in relation to housing spend.</p> <p>There is a risk the Council is not achieving value for money in its contracts or breaching procurement legislation due to possible failures to follow procurement policy or issues within the Council's procurement policy itself.</p> <p>This is relevant to the economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>We will review the reports performed by internal audit and external consultants in detail to understand the issues and actions for the Council.</p> <p>We will discuss the plan to implement actions with relevant officers.</p> <p>In addition we will review the Council's procurement policy and consider performing some testing on a small selection of recent contracts to confirm that our findings are in line with the reports reviewed.</p>

Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the Stroud District Council audit last year.

Contact details are shown on page 1.

The audit team will be assisted by other KPMG specialists as necessary.



Darren Gilbert
Director

“My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.

I will be the main point of contact for the Audit & Standards Committee and Chief Executive.”



Matthew Arthur
Manager

“I am responsible for the management, review and delivery of the audit.

I will liaise with the Strategic Head of Finance & Business Services and Head of Internal Audit.”

Deliverable	Purpose	Dates
Planning		
External Audit Plan	<ul style="list-style-type: none"> ■ Outlines our audit approach. ■ Identifies areas of audit focus and planned procedures. 	April 2015
Control evaluation and Substantive procedures		
Report to Those Charged with Governance (ISA 260 Report)	<ul style="list-style-type: none"> ■ Details control and process issues. ■ Details the resolution of key audit issues. ■ Communicates adjusted and unadjusted audit differences. ■ Highlights performance improvement recommendations identified during our audit. ■ Comments on the Authority's value for money arrangements. 	September 2015
Completion		
Auditor's Report	<ul style="list-style-type: none"> ■ Provides an opinion on your accounts (including the Annual Governance Statement). ■ Concludes on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion). 	By 30 September 2015
Whole of Government Accounts	<ul style="list-style-type: none"> ■ Provide our assurance statement on the Authority's WGA pack submission. 	7 October 2015
Annual Audit Letter	<ul style="list-style-type: none"> ■ Summarises the outcomes and the key issues arising from our audit work for the year. 	By 30 November 2015

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

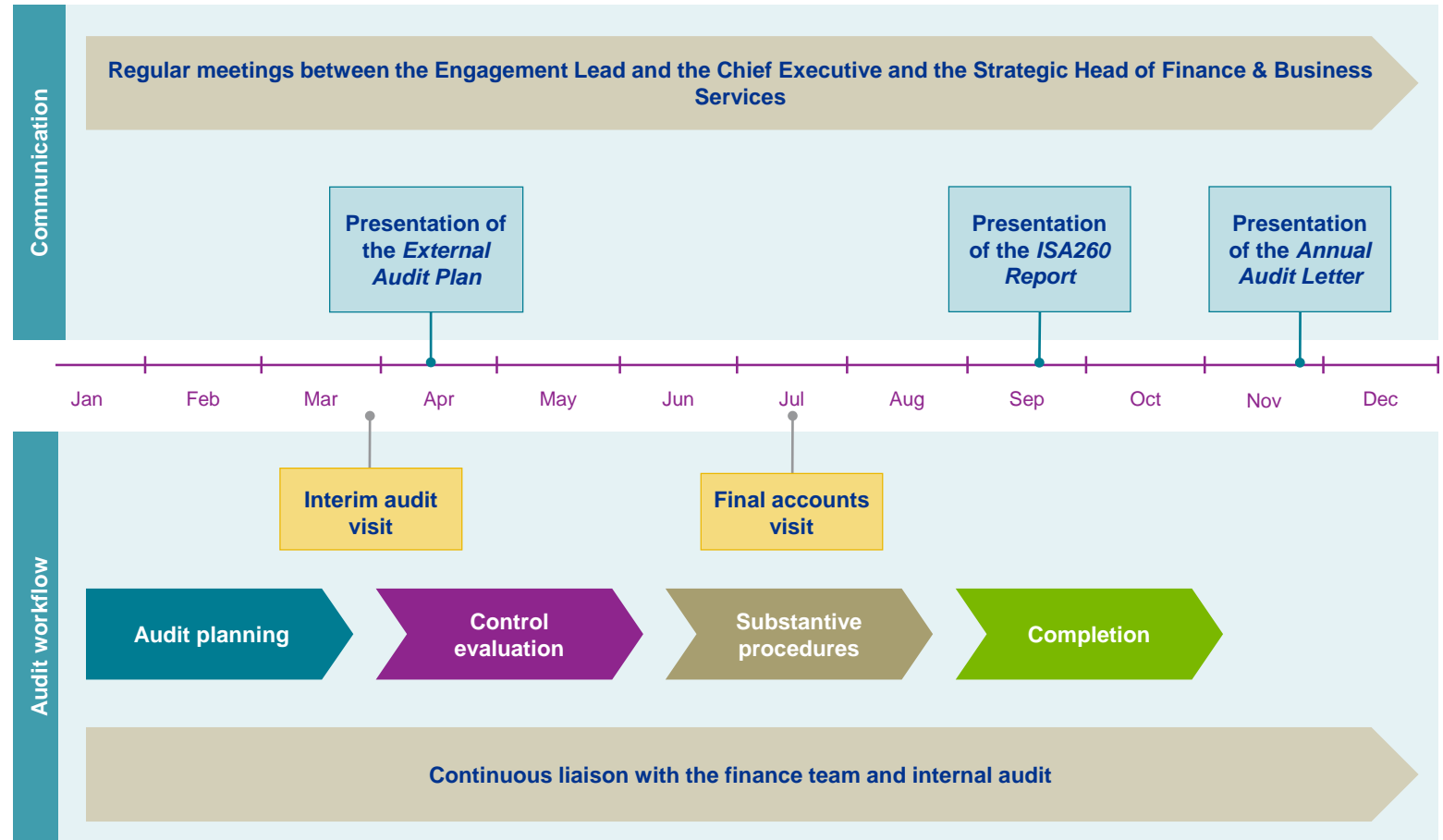
Key formal interactions with the Audit Committee are:

- April – External Audit Plan;
- 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 visit during March.
- Final accounts audit during July.



Key: ● Audit Committee meetings.

The fee for the 2014/15 audit of the Authority is £69,300. The fee represents a £900 increase from that set out in our Audit Fee Letter 2014/15 issued in April 2014 to reflect additional audit work required around business rates following the removal of NNDR3 from the grants certification regime; this was also included in our 2013/14 final audit fee.

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 2014/15* presented to you in April 2014 first set out our fees for the 2014/15 audit..

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

The planned audit fee for 2014/15 is **£69,300**. This is the same as the final audit fee for 2013/14 after a fee variation of £900 as detailed to the left.

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 2013/14;
- 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 2014/15* within your 2014/15 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 or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

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 keep the audit fee low. Future audit fees can be kept to a minimum if the Authority continues to achieve 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 Strategic Head of Finance & Business Services.

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 Authority 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:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of Commission-related work, and senior members of their audit teams should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.

Page 54 of 91

- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Firms are expected to comply with the requirements of the Commission's protocols on provision of personal financial or tax advice to certain senior individuals at audited bodies, independence considerations in relation to procurement of services at audited bodies, and area wide internal audit work.
- 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 a periodic basis.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the standing guidance.

Appendix 2: 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.

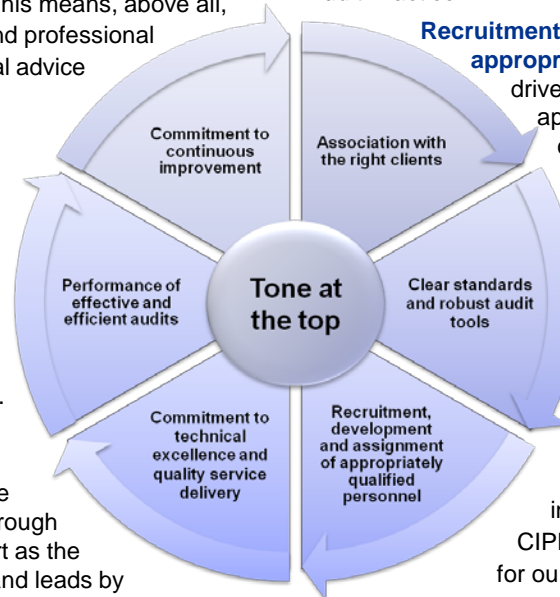
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

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 drives 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 Authority'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 quarterly technical training.

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 Audit Commission reviews. The Audit Commission publishes information on the quality of work provided by KPMG (and all other firms) for audits undertaken on behalf of them (<http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/principal-audits/kpmg-audit-quality>).

The latest Annual Regulatory Compliance and Quality Report (issued June 2014) showed that we are meeting the Audit Commission's overall audit quality and regularity compliance requirements.

We are required to consider fraud and the impact that this has on our audit approach.

We will update our risk assessment throughout the audit process and adapt our approach accordingly.

Members /Officers responsibilities

- Adopt sound accounting policies.
- With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud.
- Establish proper tone/culture/ethics.
- Require periodic confirmation by employees of their responsibilities.
- Take appropriate action in response to actual, suspected or alleged fraud.
- Disclose to Audit and Standards Committee and auditors:
 - any significant deficiencies in internal controls.
 - any fraud involving those with a significant role in internal controls.

KPMG’s identification of fraud risk factors

- Review of accounting policies.
- Results of analytical procedures.
- Procedures to identify fraud risk factors.
- Discussion amongst engagement personnel.
- Enquiries of management, Audit and Standards Committee, and others.
- Evaluate controls that prevent, deter, and detect fraud.

Page 57 of 91

KPMG’s response to identified fraud risk factors

- Accounting policy assessment.
- Evaluate design of mitigating controls.
- Test effectiveness of controls.
- Address management override of controls.
- Perform substantive audit procedures.
- Evaluate all audit evidence.
- Communicate to Audit and Standards Committee and officers

KPMG’s identified fraud risk factors

- We will monitor the following areas throughout the year and adapt our audit approach accordingly.
 - Revenue recognition.
 - Management override of controls.

Appendix 4: Transfer of Audit Commissions' functions

The Audit Commission will be writing to audited bodies and other stakeholders in the coming months with more information about the transfer of the Commissions' regulatory and other functions.

From 1 April 2015 a transitional body, Public Sector Audit Appointments Limited (PSAA), established by the Local Government Association (LGA) as an independent company, will oversee the Commission's audit contracts until they end in 2017 (or 2020 if extended by DCLG). PSAA's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for publishing the Commission's value for money profiles tool will also transfer to PSAA.

From 1 April 2015, the Commission's other functions will transfer to new organisations:

- responsibility for publishing the statutory Code of Audit Practice and guidance for auditors will transfer to the National Audit Office (NAO) for audits of the accounts from 2015/16;
- the Commission's responsibilities for local value for money studies will also transfer to the NAO; and
- the National Fraud Initiative (NFI) will transfer to the Cabinet Office.



cutting through complexity™

© 2015 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.

STROUD DISTRICT COUNCIL
AUDIT & STANDARDS COMMITTEE

**AGENDA
ITEM NO**

7 APRIL 2015

10

Report Title	INTERNAL AUDIT PLAN 2015/16
Purpose of Report	To present to Members, for their consideration and approval the Internal Audit Plan 2015/16.
Decision(s)	The Committee RESOLVES to approve the Internal Audit Plan 2015/16 as detailed in Appendix A.
Consultation and Feedback	The Corporate Management team has been consulted on the proposed Plan for 2015/16. The timing of audit work will be planned in conjunction with the appropriate managers to minimise abortive work and time.
Financial Implications and Risk Assessment	There are no financial implications arising from this report. The risk based approach to auditing as set out in the report ensures those systems, functions and processes that have a higher risk exposure are scrutinised by Internal Audit as appropriate. Sandra Cowley Strategic Head (Finance & Business Services) Tel: 01453 754136 Email: sandra.cowley@stroud.gov.uk
Legal Implications	There are no legal implications arising from this report. Alan Carr, Solicitor Tel: 01453 754357 Email: alan.carr@stroud.gov.uk
Report Author	Terry Rodway, Internal Audit Manager Tel: 01453 754111 Email: terry.rodway@stroud.gov.uk
Options	Not applicable
Performance Management Follow Up	Regular reports on achievement against the Annual Plan, and any significant control issues identified, will be reported to the Audit & Standards Committee.
Background Papers	None
Appendices	Appendix A – Internal Audit Plan 2015/16 Appendix B – Internal Audit Risk Assessment

Background

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

Internal Audit Plan 2015/16

2. The proposed Internal Audit Plan for 2015/16 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. The risk-based approach has taken into account the following:
 - 'Known' changes to service delivery (budget/legislation);
 - Joint Working protocol with the Council's external auditor;
 - Audit Commission publication 'Protecting the Public Purse';
 - Internal Audit Risk Assessment
3. The proposed Internal Audit Plan is split into the following main areas:
4. 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 Internal Audit work is one of the key components of the internal control assessment that supports the completion of the AGS.
5. 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 Strategic Head of Finance & Business Services to discharge her 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.
6. 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 10 below.
7. 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.

8. Audit work brought forward
There will be a number of audit reviews, which are ongoing as at 31 March. Provision to complete this work is made in the Annual Plan.
9. 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.

Risk Based Audit Approach

10. 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.
11. The various factors considered in determining the risk of an activity include the statutory requirement to undertaken the function; the internal audit review 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**.
12. In addition to the risk assessment outlined above, the Council's senior managers have been consulted on the key risk areas within their areas of responsibility.
13. Due to the nature and relevance of the assurance work for the AGS (paragraph 4), and the audit work on the fundamental financial systems (paragraph 5), both will automatically be included in the Annual Plan and not be subject to any further detailed risk assessment.
14. 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 2015/16, based on the current establishment of 2.6 FTE audit staff is 512 days (197 days per FTE).
15. The result of the risk assessment, and the number of available days, is the proposed Annual Internal Audit Plan. The proposed Plan for 2015/16 is detailed in **Appendix A**.

16. 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 & Standards Committee.

APPENDIX A

PROPOSED INTERNAL AUDIT PLAN 2015/16

Main Area	Audit	Estimated Days	Comment
Corporate Governance / Work to support the AGS	• Risk Management	15	<ul style="list-style-type: none"> • Review of management of significant risks • Review of management of significant projects • Review of information governance processes and controls • Review of compliance with council policies
	• Project Management	15	
	• Information Governance	15	
	• Recruitment & Selection	10	
Work on Fundamental Financial Systems	• Benefits	20	<ul style="list-style-type: none"> • Annual compliance testing of high level key controls in fundamental financial systems, in accordance with the Joint Working Protocol that the Audit Team has with the Council's External Auditor. • 3 year cyclical plan of system based audits (SBA) on fundamental financial systems to gain assurance on adequacy of control framework.
	• NNDR	8	
	• Council Tax	8	
	• Payroll	10	
	• Creditors (SBA)	15	
	• Debtors	8	
	• Treasury Management	8	
	• Budgetary Control (SBA)	15	
	• Cash & Bank	10	
	• Capital Accounting (SBA)	15	
	• General Ledger	8	
• Housing Rents	8		
Work of a Service Based or Cross Cutting Theme	• IT	20	<ul style="list-style-type: none"> • Main areas (as per CIPFA Control matrices) to be audited over a 3 year period

	<ul style="list-style-type: none"> • Housing Contracts 	50	<ul style="list-style-type: none"> • Contract management arrangements/Final Account auditing
	<ul style="list-style-type: none"> • Procurement Action plan 	10	<ul style="list-style-type: none"> • Review implementation of agreed actions
	<ul style="list-style-type: none"> • Homelessness 	10	<ul style="list-style-type: none"> • Review of compliance with policy
	<ul style="list-style-type: none"> • VAT 	10	<ul style="list-style-type: none"> • Review of controls relating to accounting for VAT
	<ul style="list-style-type: none"> • Non-Housing Contracts 	20	<ul style="list-style-type: none"> • Contract management arrangements/Final Account auditing
	<ul style="list-style-type: none"> • NFI Data Matching 	10	<ul style="list-style-type: none"> • Review of action taken on identified matches.
	<ul style="list-style-type: none"> • Housing Grants 	10	<ul style="list-style-type: none"> • Review of controls over applications and compliance with grant conditions
	<ul style="list-style-type: none"> • Joint User Sports Centres 	10	<ul style="list-style-type: none"> • Review of income & expenditure
	<ul style="list-style-type: none"> • Building Control 	10	<ul style="list-style-type: none"> • Review of Shared Service
	<ul style="list-style-type: none"> • TIC 	10	<ul style="list-style-type: none"> • Review of income & expenditure
	<ul style="list-style-type: none"> • Election Fees 	8	<ul style="list-style-type: none"> • Review of fee accounts
Follow – Up Reviews	28 audits at 2 days per follow-up	56	Allocation of days to carry out Follow-Up audits to ensure agreed audit recommendations have been implemented.
Contingency		65	Allocation of days for unplanned tasks.
Audit Work Brought Forward		25	Allocation of days to complete previous year audit work outstanding as at 31 March.
TOTAL DAYS		512	

INTERNAL AUDIT RISK ASSESSMENT

ASSESSMENT	SCORE	DESCRIPTION
Monetary Value – sum of income and expenditure	8	>£3M
	6	>£1M < £3M
	4	>£0.5M < £1M
	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	Unsatisfactory - Significant breakdown in framework of controls – provides unsatisfactory assurance. Unacceptable risks identified – fundamental changes required. A number of ‘Fundamental’ (High Priority) recommendations.
	3	Limited - Some lapses in framework of controls – provides limited assurance. A number of areas identified for improvement. A number of ‘Significant’ (Medium Priority) recommendations and one or two ‘Fundamental’ (High Priority) recommendations.
	2	Satisfactory - Sufficient framework of controls – provides satisfactory assurance – minimal risk. Recommendations mainly in the ‘Merits Attention’ (Low Priority) category, but one or two ‘Significant’ (Medium Priority) recommendations.
	1	Good - Robust framework of controls – provides substantial assurance. A few ‘Merits Attention’ (Low Priority) recommendations (if any).

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 (pre 2012/13)
	3	3 years (2012/13)
	2	2 years (2013/14)
	1	Last financial year (2014/15)

STROUD DISTRICT COUNCIL
AUDIT & STANDARDS COMMITTEE

**AGENDA
ITEM NO**

7 APRIL 2015

11

Report Title	REVIEW OF EFFECTIVENESS OF THE AUDIT & STANDARDS COMMITTEE
Purpose of Report	To provide Members with the results of the self-assessment to assess the effectiveness of the Audit & Standards Committee.
Decision(s)	<p>1. The Committee RESOLVES to note the outcome of the review of effectiveness of the Audit & Standards Committee.</p> <p>2. The Committee RESOLVES to RECOMMEND TO COUNCIL, subject to any amendments the Committee wishes to make, that the Annual Report of the Audit & Standards Committee, as shown in Appendix C, be approved.</p>
Consultation and Feedback	Members of the Committee were asked to complete the two checklists produced by CIPFA which can be used to help assess the effectiveness of the Audit Committee.
Financial Implications and Risk Assessment	<p>There are no financial implications.</p> <p>Sandra Cowley Strategic Head (Finance & Business Services) Tel: 01453 754136 Email: sandra.cowley@stroud.gov.uk</p>
Legal Implications	<p>The report was not completed by the relevant deadline to enable Legal Services to review in advance of printing. The Legal Services Manager has agreed to separately advise the Committee in advance of its meeting should there be any significant legal implications to report.</p> <p>(Ref:KT/Audit/180315.1)</p>

Report Author	Terry Rodway, Internal Audit Manager Tel: 01453 754111 Email: terry.rodway@stroud.gov.uk
Options	There is no mandatory requirement for the Audit & Standards Committee to carry out a review of its' effectiveness, however, it is considered good practice to do so.
Performance Management Follow Up	A regular self-assessment can be used to support the planning of the audit committee work programme and training plans.
Background Papers	CIPFA – Audit Committees Practical Guidance for Local Authorities and Police – 2013.
Appendices	Appendix A – Self Assessment of Good Practice – Completed Checklist. Appendix B – Evaluating the Effectiveness of the Audit Committee – Completed Checklist. Appendix C - Draft Audit & Standards Committee Annual Report 2014/15.

Background

1. 'Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management. An audit committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on, the authority's business'.¹
2. In the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities and Police - 2013 Edition, there are two checklists which can be used to help assess the effectiveness of the Audit Committee. The first checklist entitled 'Self-Assessment of Good Practice' helps to provide a high level review that incorporates the key principles set out in the CIPFA publication; the second checklist, entitled 'Evaluating the Effectiveness of the Audit Committee' is an assessment tool to help audit committee members to consider where it is most effective and where there may be scope to do more.

¹ 'Audit Committees – Practical Guidance for Local Authorities and Police 2013 Edition' - CIPFA Audit & Standards Committee
7 April 2015

Progress

3. A copy of both the 'Self-Assessment of Good Practice' and the 'Evaluating the Effectiveness of the Audit Committee' checklists were sent to each Member of the Audit & Standards Committee for completion. An informal meeting was held on the 25th February 2015 to review and compare results of the individual Members scores. The agreed scores are included in the completed checklists which are included as an Appendix to this report. **NB** It should be noted that this review of effectiveness specifically relates to the 'Audit, Risk Management and Governance' aspects of the committee's role, rather than the 'Standards' role.
4. As a result of the review the following areas of improvement have been identified:
 - In order to raise the profile of the Audit & Standards Committee, and the work that it undertakes, an annual report on the work of the Committee will be presented to Council;
 - To help ensure that any new members of the Audit & Standards Committee have the appropriate knowledge to perform their role effectively, mandatory training on Risk Management; Treasury Management; Statement of Accounts; and the Role of Internal Audit and External Audit, will be introduced. Although this has been identified as mandatory, it is not a requirement for a new Member to have attended the training before attending their first meeting of the Committee.
 - In accordance with identified good practice, the Audit & Standards Committee will hold separate, periodic 'private' meetings with the Council's External Auditor.
 - To support the development and embedding of good practice in risk management, the Audit & Standards Committee recommend that each Service Committee appoint a Member Risk Management Champion to replace the current single Member Risk Management Champion who is a member of the Strategy & Resources Committee.
5. A draft version of the Audit & Standards Committee Annual Report is included in Appendix C for Member review and comment.

Self-assessment of Good Practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police and this publication. Where an audit committee has a high degree of performance against the good practice principles then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Good practice questions

Yes Partly No

Audit Committee purpose and governance

1	Does the authority have a dedicated audit committee?		✓	
2	Does the audit committee report directly to full council? (Applicable to local government only)	✓		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓		
4	Is the role and purpose of the audit committee understood and accepted across the authority?		✓	
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?			✓

Functions of the committee

7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	• good governance	✓		
	• assurance framework	✓		
	• internal audit	✓		
	• external audit	✓		
	• financial reporting	✓		
	• risk management	✓		
	• value for money or best value	✓		
	• counter-fraud and corruption	✓		
8	Is an annual evaluation undertaken to assess		✓	

	whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?			
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?		✓	
10	Where coverage of core areas has been found to be limited, are plans in place to address this?			✓
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓		
Membership and support				
12	Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • where independent members are used, that they have been appointed using an appropriate process. 	N/A ✓ ✓ N/A		
13	Does the chair of the committee have appropriate knowledge and skills?	✓		
14	Are arrangements in place to support the committee with briefings and training?	✓		
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			✓
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓		
17	Is adequate secretariat and administrative support to the committee provided?	✓		
Effectiveness of the committee				
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		✓	
19	Has the committee evaluated whether and how it is adding value to the organisation?		✓	
20	Does the committee have an action plan to improve any area of weakness?	✓		

Evaluating the Effectiveness of the Audit Committee

Assessment key	
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Promoting the principles of good governance and their application to decision making.	<p>Providing robust review of the AGS and the assurances underpinning it.</p> <p>Working with key members/governors to improve their understanding of the AGS and their contribution to it.</p> <p>Supporting reviews/audits of governance arrangements.</p> <p>Participating in self-assessments of governance arrangements.</p> <p>Working with partner audit committees to review governance arrangements in partnerships.</p>	<ul style="list-style-type: none"> Annual review and approval of the AGS (June 2013 Cttee; Jul 2014 Cttee). 	4
Contributing to the development of an effective control environment.	<p>Monitor the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p>	<ul style="list-style-type: none"> Notification to Audit & Standards Cttee. of Rank 1 'High Priority' and Rank 2 'Medium Priority' not implemented by the agreed date, by Internal Audit Manager via Internal Audit Plan Monitoring Report (Jun 2013 Cttee; Jan 2014 Cttee) Review of External Audit ISA 260 report which identifies any external audit recommendations which have not been implemented (Sept 2013 Cttee; Sept 2014 Cttee). 	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
		<ul style="list-style-type: none"> Inviting appropriate managers to attend Audit & Standards Cttee. to explain non implementation of agreed audit recommendations. Cttee concerns raised in relation to significant weakness in the way in which contracts have been let and managed across the council leading to an improvement in controls and an external review of the procurement process. 	
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. Monitoring improvements. Holding risk owners to account for major/strategic risks.	<ul style="list-style-type: none"> Annual review of Risk Management Policy (Jun 2013 Cttee; Mar 2014 Cttee) Receipt of IA opinion on risk management arrangements via Internal Audit Plan Monitoring Report Review of Risk Register (Jan 2014 Cttee) 	4
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of	<ul style="list-style-type: none"> Annual report to Cttee on the effectiveness of internal audit (June 2013 Cttee; Jun 2014 Cttee). 	3

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
	assurance providers, e.g. internal audit, risk management, external audit.		
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements and supporting improvements.	<ul style="list-style-type: none"> • Review and approval of the Internal Audit Charter (Sept 2013 Cttee; Sept 2014 Cttee) • Annual report to Cttee on the effectiveness of Internal Audit (June 2013 Cttee; June 2014 Cttee). 	4
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.	<ul style="list-style-type: none"> • Review of Canal Project (Jan 2013 Cttee) • Review of establishment and governance arrangements of Stroud Valleys Canal Company (Nov 2013 Cttee) • Review of HRA budget monitoring arrangements (Sept 2014 Cttee) • Review of Procurement Process (March 2014 Cttee; Sept 2014 Cttee) • Review of Excelsis performance management system (Sept 2014 Cttee) • Receipt of IA opinion on Performance Mgt arrangements via Internal Audit Plan Monitoring Report 	4
Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurances received by the audit	<ul style="list-style-type: none"> • External Audit conclusion on VFM arrangements included in ISA 260 report (Sept 2014 Cttee) 	3

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
	committee. Considering how performance in value for money is evaluated as part of the AGS.		
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangement against the standards set out in CIPFA's <i>Managing the Risk of Fraud</i> (Red Book 2). Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and governors.	<ul style="list-style-type: none"> • Annual report on Fraud & Corruption (Sept 2013 Cttee; Sept 2014 Cttee) • Protecting the Public Purse Fraud Briefing (Mar 2014 Cttee) • Annual review of Risk Management Policy (June 2013 Cttee; March 2014 Cttee) • Review of Council's Risk Register (Jan 2014 Cttee) • Review of changes to 'Personal Interests' in the Members Code of Conduct (March 2014 Cttee) • Review of the functioning of the Standards Panel (March 2014 Cttee) • Review of Code of Conduct for Members (Sept 2013 Cttee) 	4
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.		N/A

Draft - Audit & Standards Committee Annual Report 2014/15

Background

1. The original Audit Committee was established by the Council in September 2009. Whilst there is no statutory obligation to have an Audit Committee, they are widely recognised as a core component of effective governance. In recent years there has been a significant amount of regulation and guidance issued in governance arrangements for private and public sector bodies, the common feature of governance arrangements being the existence of an Audit Committee.
2. As a result of the Localism Act 2011, which made fundamental changes to the system of regulation of standards of conduct for elected and co-opted Councillors, the Council agreed, in September 2012, to combine the roles of the Standards Committee and the Audit Committee and establish an Audit and Standards Committee.
3. Good corporate governance requires independent, effective assurance about both the adequacy of corporate, operational and financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives. Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors.
4. The 'Guide to the Audit & Standards Committee Work', which is the basis for the terms of reference for the Audit & Standards Committee, is based on CIPFA guidelines. As a result of the publication of the CIPFA document 'Audit Committees – Practical Guidance for Local Authorities and Police (2013 Edition)', which provided updated guidance on the role of audit committees, a review of the 'Guide to the Audit & Standards Committee Work' was carried out in July 2014. A copy of the revised 'Guide to the Audit & Standards Committee Work' can be found at Appendix 1 of this report.

Membership & Attendance

5. The Committee has enjoyed the benefit of a reasonably settled membership over the last couple of years. This has helped to build and retain the expertise within the Committee, which has led to the Committee being able to demonstrate that they are operating within a best practice framework.

6. The following were Members of the Audit and Standards Committee for 2014/15:

Cllr Nigel Studdert-Kennedy – Chair
Cllr Tom Williams – Vice Chair
Cllr Dorcas Binns
Cllr Martin Baxendale
Cllr Karen Cross
Cllr Colin Fryer
Cllr Keith Pearson
Cllr Rhiannon Wigzell
Cllr Penny Wride (replacement for Cllr Paul Carter)

7. During 2014/15, the Audit & Standards Committee met on the following dates:

15 July 2014
25 September 2014
25 November 2014
3 February 2015
7 April 2015

8. Senior Officers from the Council also attended Audit and Standards Committee meetings, with the Strategic Head (Finance & Business Services), the Internal Audit Manager, and the Accountancy Manager being regular attendees. A representative from the Council's External Auditors, KPMG, also attended every Committee meeting.
9. The Chair and Vice Chair also attended briefing meetings with the Strategic Head (Finance & Business Services), the Internal Audit Manager, and the Accountancy Manager before each Committee meeting.

Programme of Reports 2014/15

10. Detailed below is the programme of reports considered by the Audit and Standards Committee during 2014/15, and how they relate to the Committee's Terms of Reference.

Governance, Risk and Control

- Annual Governance Statement 2013/14
- Review of procurement Process
- Review of Whistleblowing Policy – via Members Information Sheet
- Risk Management Update
- Procurement Review
- Annual Report on Fraud & Corruption 2013/14
- Review of Effectiveness of the Audit & Standards Committee

Internal Audit

- Internal Audit Manager Annual Report 2013/14
- Review of Effectiveness of Internal Audit 2013/14
- Internal Audit Charter
- Internal Audit Plan 2014/15 - Quarterly Monitoring Reports
- Internal Audit Annual Plan 2015/16
- Internal Audit & Risk Management Shared Service.

External Audit

- Audit Fee Letter 2014/15
- Annual Audit Letter 2013/14
- Certification of Grants and Returns 2013/14
- External Audit Plan 2014/15
- Protecting the Public Purse Briefing 2014

Financial Reporting

- Year End Statement of Accounts 2013/14
- External Auditor Report to Those Charged with Governance (ISA 260) 2013/14
- HRA Outturn 2013/14

Treasury Management

- Annual Report on Treasury Management activity and actual Prudential Indicators 2013/14.
- Treasury Management Quarterly Performance Monitoring Reports
- Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2015/16

Constitution and Standards

- Review of the Code of Conduct - via Members Information Sheet
- Review of the functioning of the Standards Panel - via Members Information Sheet

Programme of Reports – Further Details

11. The work of internal and external audit provided detailed assurance on the reliability and integrity of the information held in the financial statements as well as on the key control framework in operation across the Council. This work, together with the assurances from the Strategic Head (Finance & Business Services) and the Accountancy Manager, support the Committee in forming their opinion of the financial statements, enabling them to agree for the Chair of the Committee to sign the Statement of Accounts 2013/14 within the statutory timeframe.

12. The Committee reviewed and approved the Annual Governance Statement (AGS) at the same time as the approval of the Statement of Accounts.
13. The Committee considered the effectiveness of the internal audit arrangements by reviewing the annual assessment of the Strategic Head (Finance & Business Services), the view of external audit, and, the quality of reports, actions and follow ups through the quarterly monitoring reports submitted throughout the year to Committee.
14. In accordance with good practice, the Committee carried out a review of their effectiveness using the guidance issued in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities and Police (2013 Edition)'.
15. As a result of the review the following areas of improvement have been identified:
 - In order to raise the profile of the Audit & Standards Committee, and the work that it undertakes, an annual report on the work of the Committee will be presented to Council;
 - To help ensure that any new members of the Audit & Standards Committee have the appropriate knowledge to perform their role effectively, mandatory training on Risk Management; Treasury Management; Statement of Accounts; and the Role of Internal Audit and External Audit, will be introduced. Although this has been identified as mandatory, it is not a requirement for a new Member to have attended the training before attending their first meeting of the Committee.
 - In accordance with identified good practice, the Audit & Standards Committee will hold separate, periodic 'private' meetings with the Council's External Auditor.
 - To support the development and embedding of good practice in risk management, the Audit & Standards Committee recommends that each Service Committee appoint a Member Risk Management Champion to replace the current single Member Risk Management Champion who is a member of the Strategy & Resources Committee.
16. The Committee is able to request Managers to attend the Committee to give an update on progress against agreed actions to reduce risk and/or improve the existing control environment. During 2014/15, the Committee invited the Head of Asset Management and the Community Safety Officer to provide an update on the implementation of internal audit recommendations within their respective areas.

17. During the year, and as a result of concerns raised by the Committee, the Committee received specific reports on the financial monitoring and control of the Housing Revenue Account, and Procurement.

Future Work

18. During 2015/16, the Audit & Standards Committee will continue with the existing aim of being an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance. In particular, and as a result of numerous concerns raised by the Committee, they will monitor the implementation of the Procurement Action plan.

Guide to the Audit & Standards Committee Work

Audit Committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.

The purpose of the Audit and Standards Committee is to provide to those charged with Governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

Core Functions:

- Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it and demonstrate how governance supports the achievements of the authority's objectives
- In relation to the authority's internal audit functions:
 - Oversee its independence, objectivity, performance and professionalism
 - Support the effectiveness of the internal audit process
 - Promote the effective use of internal audit within the assurance framework
- Consider the effectiveness of the authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk related issues including partnerships with other organisations.
- Monitor the effectiveness of the control environment, including the arrangements for ensuring value to for money and for managing the authority's exposure to the risks of fraud and corruption
- Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.
- Support effective relationships between external and internal audit, inspection agencies and other relevant bodies and encourage the active promotion of the value of the audit process.

- Review the financial statements, external auditor's opinion and reports to members and monitor action in response to the issues raised by external audit.
- Review and monitor treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
- To monitor the operation of the Council's codes and protocols and the Council's complaints process and to advise the Council on the adoption or revision of such codes.

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

7 APRIL 2015

12

Report Title	OUTCOME OF PROCUREMENT REVIEW AND ACTION PLAN
Purpose of Report	To inform members of the recent review of the Council's procurement process and the detailed action plan to deliver improvements
Decision(s)	The Committee RESOLVES to support the actions being taken to address the issues identified by the external review of the Council's procurement processes
Consultation and Feedback	A number of staff from across the organisation were interviewed by the consultants as part of the review.
Financial Implications and Risk Assessment	<p>The cost of the external review will be met from existing budgets within the General Fund and the Housing Revenue Account.</p> <p>The resourcing of the Corporate Procurement Team is currently being reviewed to increase the capacity of the team. This will, as far as possible, be achieved by using resources within the organisation but some additional resource may be required in the short term.</p> <p>Sandra Cowley, Strategic Head (Finance & Business Services) Tel: 01453 754136 Email: sandra.cowley@stroud.gov.uk</p> <p>If the Council does not address the weaknesses in the current use and management of procurement and contract management then it is at risk of legal challenge from suppliers and contractors of not complying with EU / UK regulations and its own Contract and Procurement Procedure Rules and cannot demonstrate it is securing best value when procuring.</p>

Legal Implications	The report was not completed by the report deadline and as such there was no opportunity for Legal Services to review in advance of publication. The Legal Services Manager has agreed to separately advise the Committee in advance of its meeting should there be any significant legal implications to report (Ref: KT/Audit/190315/3)
Report Author	Sandra Cowley, Strategic Head (Finance & Business Services) Tel: 01453 754136 Email: sandra.cowley@stroud.gov.uk
Options	None
Performance Management Follow Up	A further report will be brought to the Committee in 2015 to update on progress with delivering the action plan.
Background Papers/ Appendices	Consultants report Appendix A – Procurement Action Plan

Background

1. The Audit & Standards Committee received a report in September 2014, agenda item 12, informing them that an external review of the Council's procurement procedures had been commissioned. This report informs the committee of the outcome of the external review and the action plan drawn up to address the issues in the report is shown in Appendix A.
2. It is important that the Council takes immediate action to address the issues raised in the consultant's report. If the Council does not make significant improvements around procurement, it will be open to potential challenge from suppliers for not complying with EU/UK regulations and its own Contract and Procurement Procedure Rules (CPPRs). This may result in financial penalties and/or a reputational impact. The Council will not be able to demonstrate it is achieving best value when purchasing.

Summary of Findings

3. The overall findings from the review suggest that there is a significant amount of work required to improve the Council's approach to procurement as summarised below:
 - No strategic overview of procurement.
 - Procurement performance is not measured
 - No direct link between procurement and key actions in the Corporate Delivery and Jobs and Growth Plans
 - Minimal corporate governance of procurement
 - Corporate overview of contract management requires improvement
 - Strategy and procedure documents out of date

4. Some good practice was noted around high-risk or high-value contracts for example procuring and managing carbon management, the Dursley Pool extension and the proposals for re-procuring waste management services.
5. There were also examples of good processes for specialist procurement requirements and some collaborative working but concluded that the good practices are not uniformly in place with inconsistent approaches across the Council.

Recommendations

6. The recommendations form the basis of the action plan set out in Appendix A. As a priority, the Council needs to establish a robust governance regime through the formation of a Procurement Board that will provide strategic leadership on all Council spend with third party suppliers and ensure that appropriate strategies are in place to achieve the Council's procurement objectives.
7. The Procurement Board will be responsible for overall leadership of the Council's procurement activities and ensure compliance against regulatory and Council requirements. It will also identify adequate and suitable resource to work on agreed procurement projects. Terms of reference for the board have been drafted and will be agreed at the first Board meeting on 20th March.
8. It is also recommended that a Corporate Procurement Team is established. The consultant's report suggested a lean strategically focused team to give advice and support to service areas and give strategic input to procurement projects. However, Corporate Team is of the view that the procurement team should undertake all procurement above a level to be agreed. Clearly this will need adequately resourcing and this is currently being reviewed.
9. Planning effectively is vitally important to a successful procurement process, and this will be addressed with the forward procurement plan currently being developed. This will provide a clear picture of future procurement activity which will enable decisions to be made about resource requirements and incorporate procurement planning into service delivery.
10. A new Procurement Strategy will be developed which will reflect corporate priorities, provide direction to procurement activity and establish procurement as a tool for achieving savings. Linked to the Jobs and Growth agenda, the strategy will include the development of a local supplier engagement strategy and the development of standard terms and conditions which will include social value clauses.

11. The Council's Contract and Procurement Procedure Rules will be updated and will provide clear direction on how to undertake procurement activity to deliver the Council's requirements and some procurement performance measures will be developed and embedded in a management and reporting framework.
12. A skills gap analysis will be undertaken to develop an effective training plan that will be delivered annually and through the induction process.

Procurement Action Plan – February 2015

No	Recommendation	Action	Outcome	Target Date	Responsibility
1	Develop Strategic and Governance Model for Procurement	<ul style="list-style-type: none"> • Formation of Procurement Board • To agree TOR • To agree membership • To identify member input 	<ul style="list-style-type: none"> • Robust governance regime providing strategic leadership on all Council spend • Recognised corporate ownership • Ensure strategies are in place to achieve the Council's procurement objectives • Member Champion from S&R 	<p>CT review and sign off – 24 February 2015</p> <p>Subject to CT agreement of the action plan - Initial monthly meetings starting W/C 16 March 2015</p>	Agreed established by Corporate Team manage by SHF&BS
2	Develop a new Procurement Strategy	<ul style="list-style-type: none"> • Develop a new Procurement Strategy 	<ul style="list-style-type: none"> • Reflects corporate priorities • Provides direction to procurement activity • Establish procurement as a tool for achieving savings 	June 2015	PPO to draft Sign off – Procurement Board / CT / Council
3	Create and publish a Forward Procurement Plan	<ul style="list-style-type: none"> • Develop a Forward Procurement Plan and publish on the Council's website • Up to date Contracts Register 	<ul style="list-style-type: none"> • Informs future procurement activity which enables decisions on resource requirements and provides accountability • Links to the MTFP • Incorporates procurement planning into service delivery 	<p>15/16 budgets - March 2015</p> <p>16/17 budgets (linked to MTFP – December 2015</p>	PPO to manage All budget holders to complete Reviewed by Procurement Board / CT
4	Corporate Procurement Team development	<ul style="list-style-type: none"> • Increase the staff levels in the Corporate Procurement team by 1+ FTE • Identify dedicated legal support / advice • Consider the creation of procurement champions within service areas 	<ul style="list-style-type: none"> • Council's strategic procurement hub providing advice and support to service areas • Procurement activity contributes to required savings/cost reduction 	March / April 2015	SHF&BS / AM

Appendix A

	Recommendation	Action	Outcome	Target Date	Responsibility
5	Update the Contract and Procurement Procedure Rules and Financial Regulations	<ul style="list-style-type: none"> Update the Contract and Procurement Procedure Rules Update Financial Regulations 	<ul style="list-style-type: none"> To provide a governance platform and clear directions on how to undertake procurement activity to deliver the Council's requirements 	TBC	PPO to draft CPPRS. Finance to draft Financial Regs Sign off S&R/ Council
6	Develop an effective training plan	<ul style="list-style-type: none"> Skills gap analysis Research appropriate training packages Develop in-house training Provide staff with appropriate procurement training to enable them to become more effective procurers 	<ul style="list-style-type: none"> Annual training plan for staff and members Procurement forms part of Corporate Induction Plan including tailored induction training for staff dependent on the level of procurement activity to be undertaken 	September 2015	PPO / CPT
7	Task day to day procurement activities to the Service Areas	<ul style="list-style-type: none"> Task day to day procurement activities to the Service Areas 	<ul style="list-style-type: none"> Undertake day to day procurement activities following the agreed processes and technology Develop appropriate specifications to describe requirements Manage day to day supplier and contract issues Evaluate the technical and quality submissions from tender bids 	February 2015	CT approval Service level responsibility
8	Develop procurement performance measurements and embed in a management and reporting framework	<ul style="list-style-type: none"> Develop procurement performance measurements and embed in a management and reporting framework 	<ul style="list-style-type: none"> Effective management reports including measures and targets with key performance indicators 	September 2015	CPT to develop Procurement Board / CT sign off All doing procurement activity to follow

Appendix A

	Recommendation	Action	Outcome	Target Date	Responsibility
9	Update a Procurement page on the Council's website	<ul style="list-style-type: none"> • Update Procurement page on the Council's web site • Standard T&Cs • Up to date forward procurement plan and contracts register 	<ul style="list-style-type: none"> • Provide an easy to follow guide on 'How to do business with the Council' • Provide suitable information to suppliers to enable them develop their services / supplies • Improve contract and supplier management 	December 2015	CPT
10	Update the Procurement toolkit on the intranet.	<ul style="list-style-type: none"> • Update Procurement toolkit on the intranet. 	<ul style="list-style-type: none"> • An easy to follow procurement toolkit developed to help officers to understand and adhere to the procurement process 	December 2015	CPT
11	Develop a council wide approach to contract and supplier management	<ul style="list-style-type: none"> • Contracts Register and all contracts managed centrally • Map actual spend to contracts • Contract peer review prior to awarding • Contractor vetting process 	<ul style="list-style-type: none"> • Improve local spend • Improve contract and supplier management 	December 2015	CPT
12	Develop a vibrant supplier engagement strategy	<ul style="list-style-type: none"> • Map supplier base in terms of capability and capacity • Remove barriers for local suppliers and SMEs • Seminars and workshops to inform local suppliers of how to do business with the Council 	<ul style="list-style-type: none"> • Knowledge of suppliers capacity and capability to meet the Council's needs • Improve local spend • Improve contract and supplier management • Package contracts in a way that does not restrict opportunities for local suppliers. 	December 2015	CPT