



# CHELtenham

## BOROUGH COUNCIL

### Notice of a meeting of Audit Committee

**Wednesday, 12 January 2011**

**6.00 pm**

**Municipal Offices, Promenade, Cheltenham, GL50 9SA**

<b>Membership</b>	
<b>Councillors:</b>	Bernard Fisher, Rowena Hay, Robin MacDonald, Paul Massey (Vice-Chair), Andrew Wall (Chairman) and Paul Wheeldon

The Council has a substitution process and any substitutions will be announced at the meeting

### Agenda

<b>1.</b>	<b>DECLARATIONS OF INTEREST</b>	(Pages 1 - 2)
<b>2.</b>	<b>APOLOGIES</b>	
<b>3.</b>	<b>MINUTES</b> Approval of the minutes of the last meeting (29 September 2010)	(Pages 3 - 10)
<b>4.</b>	<b>PUBLIC QUESTIONS</b> If any	
<b>5.</b>	<b>PROJECT AND PROGRAMME MANAGEMENT GUIDANCE NOTE</b> Discussion paper by the Programme Manager	(Pages 11 - 20)
<b>6.</b>	<b>ANNUAL AUDIT LETTER 2009/10</b> Report by KPMG	(Pages 21 - 28)
<b>7.</b>	<b>GRANTS CERTIFICATION SUMMARY REPORT 2009/10</b> Report by KPMG	(Pages 29 - 34)
<b>8.</b>	<b>FINANCIAL STATEMENTS AUDIT PLAN 2010/11</b> Report by KPMG	(Pages 35 - 54)
<b>9.</b>	<b>PUBLIC INTEREST REPORT ACTION PLAN MONITORING REPORT</b> Report by the Borough Solicitor and Monitoring Officer	(Pages 55 - 92)

10.	<b>INTERNAL AUDIT PARTNERSHIP QUARTERLY PERFORMANCE</b> Report by the Audit Partnership Manager	(Pages 93 - 106)
11.	<b>DRAFT BUDGET 2011/12 - GOVERNANCE ISSUES</b> Report by the Assistant Chief Executive <b>(Please refer to the interim budget papers)</b>	(Pages 107 - 108)
12.	<b>WORK PROGRAMME</b>	(Pages 109 - 110)
13.	<b>ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION</b>	
14.	<b>DATE OF NEXT MEETING</b> 23 March 2011	
	<b>Briefing Notes (for information only)</b> <ul style="list-style-type: none"> <li>• Corporate Governance Group Update</li> </ul>	

**Contact Officer:** Saira Malin, Democracy Officer, 01242 775153  
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**CHELTENHAM BOROUGH COUNCIL**

**Audit Committee**

**DATE: .....**

**DECLARATION OF INTEREST**

**NAME** \_\_\_\_\_

You are asked to complete this form if you intend to declare an interest in connection with any item on this agenda.

Please hand any completed form to the committee administrator at the meeting.

You are reminded that you are still required to declare your interest orally at the commencement of the committee's consideration of the matter.

Agenda item	*Personal interest	*Prejudicial Personal interest	Nature of interest

\* The Council's Code of Members Conduct explains what is a 'Personal Interest' and a 'Prejudicial Interest'. The Code is set out in Part 5A of the Council's Constitution.

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### Audit Committee

**Wednesday, 29th September, 2010  
6.00 - 7.40 pm**

<b>Attendees</b>	
<b>Councillors:</b>	Paul Massey (Chairman), Colin Hay, Rowena Hay and Paul Wheeldon
<b>Also in attendance:</b>	Sara Freckleton (Borough Solicitor), Jane Griffiths (Assistant Chief Executive), Rob Milford (Audit Partnership Manager), Ian Pennington (KPMG), Mark Sheldon (Chief Finance Officer) and Rachael Tonkin (KPMG)

### Minutes

**1. APOLOGIES**

Councillors Wall and MacDonald.

**2. DECLARATIONS OF INTEREST**

None declared.

**3. MINUTES**

The minutes of the last meeting had been circulated with the agenda.

The Chairman highlighted some items that were to be added to the work plan but as yet, had not. Officers agreed that these would be added accordingly.

Upon being put to the vote it was unanimously

**RESOLVED that the minutes of the meeting held on 23 June 2010 be accepted and signed as an accurate record.**

**4. PUBLIC QUESTIONS**

None received.

**5. MONITORING ACTION PLANS APPROVED BY THE COUNCIL**

The Borough Solicitor introduced the report as circulated with the agenda. She explained that Council had delegated responsibility to the Audit Committee to monitor the implementation of the action plans. This was the second report for consideration.

The table in Appendix 1 indicated the progress made to date to implement the agreed actions and she was pleased to report that significant progress had been made to complete the action plan on target.

There were two main elements to the action plan, the first, a guidance note. At the last meeting, the committee were advised that the guidance note had been developed and was now in operation.

The second was the review of the Constitution. The Constitution Working Group had met, and, as a result of changes in circumstances since March 2010, would be reporting to Council recommending deferral of the comprehensive review. Members and the Senior Leadership Team had been consulted on various aspects of the Constitution and the role of the Staff and Support Services Committee. In respect of the requirements of the approved action plan, the Working Group would report to Staff and Support Services Committee in October and Council in December as originally intended. Therefore, the Audit Committee could be assured that the action plan would be implemented, notwithstanding the recommendation to defer the comprehensive review.

The following responses were given to questions from members;

- Those actions due for completion on the 30 September were on target.
- The report, on recommended changes to the Constitution, would go to Staff and Support Services in October and then on to Council in December.
- The new Committee administration system was in operation but due to resource issues within Democratic Services, only in part. Decisions could not yet be tracked and discussions were ongoing as to when this would be possible. Officers were aware that this was a priority.
- Page 18 / recommendation 20 re; addressing the skills gap. Analysis of trained staff was ongoing but future plans would need to be confirmed by HR and circulated outside of the meeting.
- Page 27 / recommendation 9 re; ongoing access to medical records. This would be concluded by the target date (30 September) and whilst worth exploring, the answer was that the Council was not permitted ongoing access. A request would need to be made on each occasion.
- Page 28 / recommendation 12 re; Employees code of conduct. The Council's Employee Code of Conduct outlined actions to be taken by Officers if they had a personal interest, but did not specifically include requirements relating to prejudicial interests. The Standards Committee would be looking at this further.

In closing, the Chairman welcomed the major thrust of work that was coming to fruition and looked forward to it being concluded at the next meeting.

### **6. CORPORATE GOVERNANCE GROUP**

The Chairman introduced the information paper and as there were no recommendations, invited questions from members of the committee.

There were no member questions.

### **7. ANNUAL STATEMENT OF ACCOUNTS 2009-10**

The Chief Finance Officer introduced the covering report as circulated with the agenda. He advised members that there had been no changes to the figures, though two notes had been received from KPMG, a copy of which was



circulated to members (Appendix 1). Other than the two notes, the accounts were as they were back in June.

Ian Pennington introduced his colleague Rachael Tonkin and the KPMG report. He took the opportunity to congratulate the Officers involved in putting the accounts together, commenting that they were exceptional. These were not accurate by luck but due to effective processes and dedicated staff. The supporting papers had also been of a good standard and Officer responses to questions were efficient and effective.

The KPMG Auditors then highlighted certain points contained within the report. Some specific points included;

- There had only been one potential audit adjustment identified of £133,700 but given its small size relative to the accounts it had not justified amending all of the figures.
- No further changes had been identified following the revised CIPFA.
- The IFRS would be reviewed in the Autumn rather than waiting for this same time next year.
- KPMG had not yet followed up the interim recommendations but this would be reviewed as part of their planning for next year.
- The last bullet point to the right of page 13 was an important one. Last year KPMG had, had to raise some exceptions, however this year CBC had been clean on both parts.

In closing, Ian Pennington advised that if the committee were happy, he would look to the Chairman and the Chief Finance Officer to sign the accounts.

The following responses were given to questions from members;

- CBC were recycling more than just paper but this was not being monitored formally. Whilst KPMG had highlighted this as a risk, no cost or benefits had been outlined.
- The Environmental Audit was being drafted and a waste review was planned. The recycling issue would be picked up in one or the other of the two reports and could then be formally passed to the Environment Overview and Scrutiny Committee.
- The Audit Commission would cease to exist under the new Government but they were specifying that next years audit would concentrate on financial resilience for use of resources.

The Chief Finance Officer amended recommendation 2 to include 'sign the amended accounts and'.

Upon being put to the vote it was unanimously

**RESOLVED that;**

- 1. The report of the council's auditors (Appendix 2), KPMG, be adopted and the actions arising be noted.**

**2. The Chair of the Audit Committee (Councillor Massey) be delegated to sign the amended accounts and report back to Council on the conclusion of the audit.**

Councillor C Hay felt that a thank you to the Officers involved in putting the accounts together, be posted on the intranet.

**8. INTERNAL AUDIT MONITORING REPORT**

The Audit Partnership Manager introduced the report as circulated with the agenda.

The report, the first that had been produced for the Audit Committee, was designed to give members of the committee the opportunity to comment on the work completed by the partnership and provide year round assurances on the control environment. This would ensure that there were no surprises for the committee at the time of the Annual Internal Audit Opinion.

He pulled out some key points from within the report and then invited questions from members of the committee.

The following responses were given to questions from members;

- Whilst there were some risks that were specific to CBC, where possible duplication was avoided, shared learning undertaken and best practice adopted. There were however, certain things that were confidential and as such could not be shared across the partnership. There were also some localised differences but attempts were being made to drive these out, which would generate savings.
- There would have been less detail in the monitoring report, had there been higher assurances. The lower the assurance the more information provided.
- If members would prefer the information set out in a similar style to that of the KPMG report (landscape, table) then this was how it would be presented in the future.
- Internal Audit were clear from the outset about their role on various project groups and what they would and wouldn't do. They monitored progress and gave a steer when needed, keeping enough distance that their objectivity and independence was maintained.
- Procedure manuals were specific to the implementation of the GO Programme in April 2012, but the single point failures would be addressed, rather than waiting for GO.
- The monitoring reports would continue throughout the year and members would be made aware of any improving or concerning situations.
- It was impossible to predict how the situation could change over the course of the year and what the assurance opinion could be at the end of the year.

The Chairman thanked the Audit Partnership Manager for the report and welcomed its addition to the work plan.

**9. AUDIT PARTNERSHIP - BUSINESS CASE TO EXTEND THE PARTNERSHIP  
Local Government Act 1972 – Exempt Information**

**RESOLVED** that in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining agenda item as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members if the public are present there will be disclosed to them exempt information as defined in paragraphs 1, 3 and 5, Part 1, Schedule 12A Local Government Act 1972, namely;

**Paragraph 4; Information relating to any consultations or negotiations, or contemplated consultations or negotiations in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the Authority.**

**10. WORK PROGRAMME**

The Assistant Chief Executive referred Members to the two updated and slightly different versions of the work plan circulated at the start of the meeting. She apologised for any confusion, both contained the same items, one had slightly more information and they would be merged and circulated outside of the meeting.

Councillor C Hay was concerned that the Corporate Risk Register did not feature on the work plan, suggesting that this could be a standing item, given Cabinet were now reviewing it on a quarterly basis.

The Chairman reminded members that it was not for this committee to look at the issue and assume a scrutiny role, though he was in favour of regular reports which would offer an overview. He agreed that this would be added to the work plan as a standing item.

Project guidance would be added to the agenda for the next meeting (12 January), as a separate agenda item, rather than being contained within the KPMG report on implementation.

The Assistant Chief Executive tabled 'appointment of external auditors' for discussion at a future meeting. It was felt that this committee should recommend the process for appointment of external auditors.

Ian Pennington of KPMG advised members that a letter had been published on the Audit Commission's website, which outlined their thoughts on this matter.

The Assistant Chief Executive highlighted the number of issues tabled for discussion at the next meeting and suggested that a decision would need to be made at the next Chair's Briefing as to which items would feature on the agenda.

**11. ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND  
REQUIRES A DECISION**

There was no other business.

**12. DATE OF NEXT MEETING**

The next meeting was scheduled for Wednesday 12 January 2011.

Paul Massey  
**Chairman**

**NOTE TO AUDIT COMMITTEE 29<sup>TH</sup> SEPTEMBER 2010****AUDIT ADJUSTMENTS TO ACCOUNTS**

There are no financial adjustments to the 2009/10 Statement of Accounts arising as a result of the independent audit by KPMG LLP.

There was one unadjusted audit difference, in respect of HRA fixed assets; the calculation of the impairment cost of council dwellings demolished during the year. This was considered to be immaterial to the accounts.

There are two additional notes included in the Statements, as a result of changes in legislation since the approval of the Accounts by Council on 29<sup>th</sup> June 2010. These are non-adjusting items, with no effect on the financial statements reported.

**Note 35, page 67: Post Balance Sheet Events**

**There were previously no post balance sheet events reported. This note has been revised to reflect the following:-**

The Chancellor of the Exchequer announced in his emergency budget on 22<sup>nd</sup> June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of the employer's FRS17 liabilities by around 5.7% and the FRS17 balance sheet deficit by around 12.2%. In monetary terms the liabilities and deficit have fallen by around £8.4m.

**Note 32, page 67: Contingent Liabilities – Land Charges**

**This additional paragraph has been added to note 32, to reflect the following:-**

On 17 August 2010 statutory instrument 2010 No.1812 came into force, amending the existing local land charges rules by removing the ability for authorities to charge for personal searches in respect of one or more parcels of land. As such a fee was incompatible with the Environmental Information Regulations 2004(a), which came into force in January 2005, potentially this might result in back claims for overpaid amounts in previous years.

**Mark Sheldon, Chief Financial Officer  
29<sup>th</sup> September 2010**

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# ***Information/Discussion Paper***

## **Audit committee – 12 January 2011**

### **Project and programme management guidance**

This note contains the information to keep Members informed of matters relating to the work of the Committee, but where no decisions from Members are needed

#### **1. Why has this come to audit committee?**

- 1.1 The KPMG public interest report made recommendations (R20 and R21) concerning the council's approach to project and programme management. The committee at their last meeting indicated that they would like to review the council's response to the project and programme management recommendations.

#### **2. Summary of the Issue**

- 2.1 Effective project and programme management is fundamental to the successful delivery of projects. This information paper shows how Cheltenham Borough Council (CBC) has taken steps to improve its capability and capacity in this area.

#### **3. Summary of evidence/information**

- 3.1 Three workstreams have been executed in response to the KPMG R20 and R21 recommendations.
- 3.1.1 The R20 workstream involved the production of a set of project and programme management guidelines which are attached. These guidelines state which project and programme management arrangements must be put in place, depending upon the size and complexity of the project.
- 3.1.2 An HR and OD workstream considered the capacity and capability of our project and programme management resource. This workstream concluded with a series of recommendations as to how to optimise the use of our in-house specialists.
- 3.1.3 Finally, a portfolio management project is underway to improve the way that CBC manages its varied portfolio of projects. The project has successfully delivered a new corporate resource management process.
- 3.2 A short feasibility study outlined three possible resource management approaches. The recommended approach was agreed by the Senior Leadership Team and implemented. Project planning standards were agreed so that plans submitted by project managers were consistent and could easily be aggregated to give a summary view of resource requirements. Project managers (PMs) are now submitting resource plans for projects on a quarterly basis, and the corporate resource plan shows resources 'booked' for the next 12 months. The project has had a really positive impact, delivering:

- 3.2.1 Helicopter view for the senior leadership team of resource requirements stemming from the portfolio of projects and programmes.
- 3.2.2 A definitive register of live projects and programmes.
- 3.2.3 Enhanced project management skills with many of the PM's generating more accurate plans than before.
- 3.2.4 Enhanced (evidence based) project and programme prioritisation, improving the deliverability of priority projects.
- 3.2.5 Improved decision making –the resource plan is now a key support tool for this process, enabling senior managers to identify capacity issues.

#### 4. Next Steps

- 4.1 The committee is invited to review and comment on the workstreams described within this information paper.

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<b>Appendices</b>	Appendix 1 – R20 response (project and programme management guidelines)
<b>Contact Officer</b>	Jon Hyde, Programme manager, 01242 264299, jon.hyde@cheltenham.gov.uk
<b>Accountability</b>	<i>Councillor Colin Hay, Cabinet member corporate services</i>
<b>Scrutiny Function</b>	Economy and business improvement committee



## Project guidance

<b>Author</b>	Jon Hyde
<b>Owner</b>	Jon Hyde
<b>Document location</b>	S:\Corporate\Project Management\R20\r20 response v1.1.doc

<b>Version number</b>	<b>Date</b>	<b>Change summary</b>
0.1	13/08/2010	
0.2	16/09/2010	Amendments based on feedback from Amanda Attfield
1	28/09/2010	Final version based on feedback from SLT: Extra threshold criterion added regarding escalating project costs; Alternative threshold values added for high value, low complexity property development projects; documentation requirements updated; corporate resource planning detail added to project formality definitions.
1.1	04/10/2010	Added discretionary powers for Assistant Directors following feedback from Mike Redman.

**This document requires the following approvals:**

SLT

**This document has been distributed to:**

SLT, Ken Dale, Ian Watkins

## **Introduction**

The KPMG public interest report which included recommendation R20, was produced following the council's unsuccessful high court action against its former Managing Director. R20 states that *"The council should review its scheme of delegation to consider at what level formal project management techniques should be employed. This does not necessarily apply only to capital programmes, IT development or major change projects – but could apply (as in this legal case) to revenue activities."*

This document sets out guidance for project management, starting with an explanation of the sort of activity that constitutes a project, and then presenting a formula for determining whether a project is large, complex, or risky enough to warrant 'more rigorous project management techniques'. The document concludes with recommended project management approaches for the handling of large and small projects.

## **Is it a project?**

It is helpful to review the definition of a project. Prince2 offers two definitions. A project is...:

- a management environment that is created for the purpose of delivering one or more business products according to a specified business case
- a temporary organisation that is needed to produce a unique and predefined outcome or result at a pre-specified time using predetermined resources

Put simply, a project

- has a start and an end
- is often completed by a multi-disciplinary team
- has constraints of cost, time and quality
- has a scope of work that is unique and involves uncertainty

Understanding whether or not a piece of work constitutes a project is the first step. For those activities that do qualify as projects, the next task is to ascertain the level of project management rigour that should be applied.

## **Threshold calculation formula**

The 'threshold calculation formula' to identify the required level of project management rigour is as follows. If any of the conditions apply, then a more robust project management approach should be adopted:

Criteria	Threshold value	
	High expenditure, low complexity property development projects	All other projects
Capital or revenue budgets exceed	£200,000	£100,000

Anticipated cashable benefits exceed	£200,000	£100,000
Project has three or more red risks (scores of 16 – 24) AND capital / revenue budgets, or cashable benefits in excess of	£140,000	£70,000
Due to unforeseen circumstances, cumulative project costs escalate beyond	£200,000	£100,000

These criteria should be applied to all projects (including complex business as usual activity such as legal casework, as explained above) during the start-up phase, and at end of stage reviews to ensure that the appropriate level of project management rigour is applied for each phase of the project. A significant change to the risk profile of a smaller, less complex project must also trigger a review of the project against these criteria.

### ***Project management formality***

Now that we can distinguish projects requiring a more rigorous project management approach from those requiring less formality, it is helpful to define what more and less ‘formality’ means.

Prince2 is a scalable project management methodology. It is therefore recommended that CBC’s Prince2 based approach (as defined in the [project management guide](#)) is used for all projects, large and small, complex and simple. Specific differences between the recommended governance arrangements for larger, riskier, more complex projects versus smaller projects are listed below.

Assistant Directors are empowered to authorise deviations from the recommended approach for projects within their remit, where there is a compelling reason to do so. AD’s will however be accountable for such decisions and may be required to provide a justification, especially where projects are under-performing. There is no element of discretion however regarding the production of the Project Initiation Document incorporating the business case (evidence of how the benefits outweigh the costs) and a high level project plan (who will do what, by when) - this is compulsory for all projects.

<b>Project attribute</b>	<b>Large , complex, high risk projects</b>	<b>Smaller, less complex, low risk projects</b>
Experience and qualifications of the project manager	<p>The project manager must have good knowledge and understanding of CBC’s Prince2 based project management approach.</p> <p>The project manager should hold the Prince2 practitioner qualification and have experience of delivering projects of a similar scale and complexity to the new project being undertaken.</p>	<p>The project manager must have good knowledge and understanding of CBC’s Prince2 based project management approach.</p> <p>The project manager should possess the Prince2 foundation qualification, or equivalent knowledge and experience (i.e. knowledge of project management fundamentals and some experience of their practical</p>

Project attribute	Large , complex, high risk projects	Smaller, less complex, low risk projects
		application).
Seniority of the project sponsor	The project sponsor should be at Assistant Director level (or equivalent), or above.	The project sponsor should be at service manager level or equivalent.
Project documentation	<p>For large, complex, high risk and high value projects, the justification for the commitment of resources to the attainment of the stated objectives must be evidenced. Progress must be carefully monitored, and effective risk management and issue resolution processes must be in place.</p> <p>The following documents should therefore be produced and maintained:</p> <ul style="list-style-type: none"> <li>• Project initiation document (incorporating the business case)</li> <li>• Risk and issue logs</li> <li>• Project plans</li> <li>• Highlight reports (submitted to project board on a monthly basis)</li> <li>• End of project report including lessons learned</li> <li>• Project board meeting minutes.</li> <li>• Project board decision log.</li> </ul>	<p>Less documentation is required for smaller, less complex and lower risk projects. The format of optional items is at the discretion of the project sponsor (i.e. could just be verbal updates). 'Required items' should still be documented.</p> <p>Required</p> <ul style="list-style-type: none"> <li>• Project initiation document (incorporating the business case)</li> <li>• Risk and issue logs</li> <li>• Project plans (could just be a high level list of deadlines for the completion of key deliverables)</li> <li>• End of project report including lessons learned</li> </ul> <p>Optional</p> <ul style="list-style-type: none"> <li>• Highlight reports (could just be a verbal update to the project sponsor)</li> <li>• Log of meetings held and key decisions taken.</li> </ul>
Project board	<p>A full project board must be in place. Named individuals must be provided for the following roles:</p> <ul style="list-style-type: none"> <li>• Project sponsor</li> </ul>	<p>A project board must be in place. Named individuals must be specified for the following roles:</p> <ul style="list-style-type: none"> <li>• Project sponsor</li> <li>• Senior user</li> </ul>

Project attribute	Large , complex, high risk projects	Smaller, less complex, low risk projects
	<ul style="list-style-type: none"> <li>• Senior user</li> <li>• Senior supplier</li> <li>• Project assurance</li> <li>• Project manager</li> <li>• Business change manager</li> </ul> <p>These roles will usually be fulfilled by different people.</p> <p>The project board must meet on a regular basis to review project progress, resolve issues, monitor risks and stakeholder engagement and confirm plans for next steps.</p>	<ul style="list-style-type: none"> <li>• Senior supplier</li> <li>• Project assurance</li> <li>• Project manager</li> </ul> <p>One person may fulfil more than one role (e.g. project manager and project sponsor).</p> <p>The project board may just meet at key stages during the project lifecycle (e.g. start-up, at stage boundaries, and to confirm project closure). Issues may be resolved outside of project board meetings through face to face, phone, or email communication between team members.</p>
Project team	<p>An individual or individuals should be identified to fulfil the project support role.</p> <p>Expert leads (who may or may not form part of the project board) must be defined for all relevant specialist fields including:</p> <ul style="list-style-type: none"> <li>• Finance</li> <li>• HR</li> <li>• Legal</li> <li>• ICT</li> <li>• Communications</li> <li>• Procurement</li> </ul>	<p>The project support role will usually be fulfilled by the project manager.</p> <p>Dedicated expert leads are optional, however relevant departments (such as those listed below) must be notified about the project's existence during the start-up phase.</p> <ul style="list-style-type: none"> <li>• Finance</li> <li>• HR</li> <li>• Legal</li> <li>• ICT</li> <li>• Communications</li> <li>• Procurement</li> </ul>
Gateway reviews	<p>Formal gateway review meetings must be held at project stage boundaries e.g. to confirm that the business case is valid; to approve the transition from procurement to implementation; to approve project closure.</p> <p>The gateway review must</p>	<p>Formal gateway reviews are optional on smaller, less complex projects.</p>

Project attribute	Large , complex, high risk projects	Smaller, less complex, low risk projects
	be scrutinised by a project assurance officer who is not involved in the day to day running of the project. Independent external gate reviewers may be appointed for the largest, most complex and highest risk projects.	
Corporate resource planning	All corporate projects and programmes must submit project plans adhering to the planning standards, for the quarterly resource planning exercise.	All corporate projects and programmes must submit project plans adhering to the planning standards, for the quarterly resource planning exercise.

### Appendix A) Risk scorecards

Each identified risk should be scored using the impact and likelihood scorecards presented below. These figures should then be multiplied to arrive at the overall 'severity score' for each risk. A figure of 16 or above equates to a red risk. Projects with three or more red risks may be eligible for a more rigorous project management approach.

#### Impact scorecard

Risk Category	Impacts	Impact	Score
Resources	<10% financial cost impact due to legal issues,	1	1
Resources	<10% of objective's budget,	1	1
Resources	<10% resource cost,	1	1
Resources	Low morale is contained within team and managed.	1	1
Resources	Minimal negative impact on value for money,	1	1
Resources	Risk to personal health & safety is no more serious than a sticking plaster,	1	1
Quality	Brief interruption of non-core service provision,	1	1
Quality	Minor breakdown of joint services or contracts.	1	1
Quality	Negative assessments that do not impact on overall outcome,	1	1
Outcomes	Minimal impact on delivering customer needs.	1	1
Outcomes	No media coverage/minor complaints,	1	1
Outcomes	Poor governance but zero impact on outcomes,	1	1
Outcomes	Targets are missed but only marginally with no impact on other targets or objectives.	1	1
Time	10% or less reduction in capacity with minimal impact on overall outcomes,	1	1
Time	<10% delay in schedule with no impact on other targets,	1	1
Time	<10% staff time with minimal impact on service delivery,	1	1

Risk Category	Impacts	Impact	Score
Resources	11-30% financial cost impact due to legal issues,	2	2
Resources	11-30% of objective's budget,	2	2
Resources	11-30% resource cost,	2	2

Resources	Risk to personal health & safety may result in broken bones/illness,	2	2
Resources	Some hostility from staff and minor non-cooperation.	2	2
Resources	Some negative impact on value for money,	2	2
Quality	Poor assessments with marginal impact on overall outcome,	2	2
Quality	Slightly reduced service provision with marginal disruption,	2	2
Quality	Some breakdown of joint services or contracts with disruption to progress,	2	2
Outcomes	Adverse local media/negative local opinion/formal complaints,	2	2
Outcomes	Governance has been missed/misunderstood/not up-to-date with marginal impact on improvement,	2	2
Outcomes	Some customer needs or expectations may not be met either in time or quality.	2	2
Outcomes	Targets are missed with marginal impact on other targets or objectives and resources,	2	2
Time	11-30% delay in schedule with marginal impact on other targets,	2	2
Time	11-30% reduction in capacity with some disruption to overall outcomes,	2	2
Time	11-30% staff time with marginal impact on service delivery,	2	2

Risk Category	Impacts	Impact	Score
Resources	31-60% financial cost impact due to legal issues,	3	3
Resources	31-60% of budget,	3	3
Resources	31-60% resource cost,	3	3
Resources	Industrial action in the short term/staff leaving.	3	3
Resources	Risk to personal health & safety includes sustained or major illness of 1 or more people,	3	3
Resources	Severe negative impact on value for money inc. risk to reputation & external intervention,	3	3
Quality	Collapse of at least one aspect of joint service or contract with significant disruption or temporary suspended service.	3	3
Quality	Negative assessment require temporary intervention into service service/qualified audit opinions,	3	3
Quality	Service suspended in short term with noticeable disruption,	3	3
Outcomes	Adverse local & national media/member's/senior staff position threatened,	3	3
Outcomes	Governance arrangements have failed with some reputation/legal implication and cost to recover	3	3
Outcomes	Key customer needs or expectations may not be significantly met either in time or quality.	3	3
Outcomes	Targets are missed with significant reputation/legal implication and cost to recover,	3	3
Time	31-60% delay in schedule with significant impact on other targets,	3	3
Time	31-60% reduction in capacity with temporary suspension of services or questionable to proceed,	3	3
Time	31-60% staff time with significant impact on service delivery.	3	3

Risk Category	Impacts	Impact	Score
Resources	61-100% financial cost impact due to legal issues,	4	4
Resources	61-100% of budget,	4	4
Resources	61-100% resource cost,	4	4
Resources	Failure to provide value for money with major risk to reputation & external intervention,	4	4
Resources	Prolonged industrial action.	4	4
Resources	Risk to personal health & safety includes loss of life/large scale illness,	4	4
Quality	Joint service or contract delivery fails, is suspended long term or is a non-starter with major disruption.	4	4
Quality	Negative assessment require long term and high level intervention into service,	4	4
Quality	Service suspended for long term with major disruption,	4	4
Outcomes	Customer needs or expectations are not met.	4	4
Outcomes	Governance arrangements have failed with major reputation/legal implication and	4	4

	cost to recover,		
Outcomes	Situation is remembered for years/members and/or senior staff resign,	4	4
Outcomes	Targets are missed continuously/data is unreliable; major impact on reputation/legal implication and cost to recover,	4	4
Time	61-100% delay in schedule with cancellation of other targets,	4	4
Time	61-100% reduction in capacity with long term suspension or cancellation of services,	4	4
Time	61-100% staff time with major delay or cancellation of other activities.	4	4

### Likelihood scorecard

How likely is it that the risk will occur? The likelihood of a risk is given a rating depending on how possible it is. This is 1-6 (6 being most likely). Use the second table below to identify the risks likelihood.

Probability	Likelihood Description	Likelihood	Score
0% - 5%	Almost impossible	1	1
5% - 15%	Very low	2	2
15% - 30%	Low	3	3
30% - 60%	Significant	4	4
60% - 90%	High	5	5
> 90%	Very high	6	6





PUBLIC SECTOR

# Cheltenham Borough Council

Annual Audit Letter 2009/10

November 2010

AUDIT

# Introduction

The contacts at KPMG in connection with this report are:

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## Background

This Annual Audit Letter summarises the key issues arising from our 2009/10 audit of Cheltenham Borough Council (the Council). Although this letter is addressed to the Members of the Council, it is also intended to communicate these issues to key external stakeholders, including members of the public. The letter will also be published on the Audit Commission website ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)). It is the responsibility of the Council to publish the letter on the Council's website at [www.cheltenham.gov.uk](http://www.cheltenham.gov.uk). In the letter we highlight areas of good performance and also provide recommendations to help you improve performance. A summary of our key recommendations is summarised in Appendix A. We have reported all the issues in this letter to you throughout the year and a list of all reports we have issued is provided in Appendix B.

## Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Audit Commission Act 1998. Our main responsibility is to carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code) which requires us to report on:

<b>Use of Resources (UoR)</b>	We conclude on the arrangements in place for securing economy, efficiency and effectiveness ('value for money') in your use of resources.
<b>Financial Statements</b>	We provide an opinion on your accounts.

## Fees

Our fee for 2009/10 was £105,050 excluding VAT (2008/09: £101,986). Our fee for the certification of grants and returns was budgeted at £32,415 excluding VAT, however the work is yet to be completed so the fee may vary (2008/09: £25,185).

This report is addressed to Cheltenham Borough Council (the Council) and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document. 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 Ian Pennington who is the engagement lead to the Council or Trevor Rees, the national contact partner for all of KPMG's work with the Audit Commission. After this, if you still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. You can contact the Complaints Unit by phone (0844 798 3131), by email ([complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk)), through the audit commission website ([www.audit-commission.gov.uk/aboutus/contactus](http://www.audit-commission.gov.uk/aboutus/contactus)) by textphone/minicom (020 7630 0421), or via post to Complaints Unit, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR.



## Use of Resources

### Use of Resources (UoR) assessment

- In May 2010 the government announced that the Comprehensive Area Assessment (CAA) would be abolished. The Audit Commission subsequently confirmed that work related to CAA should cease with immediate effect. This included work for UoR scored assessments at local authorities. However, there is no change to the requirement in the statutory Code of Audit Practice for auditors to issue a VFM conclusion.
- At the time of the announcement, the vast majority of UoR work for 2010 had already been completed and this therefore informed our 2009/10 VFM conclusion. Our work involved review of the Authority's self-assessment, discussions with key officers for all areas and review of relevant internal and external documentation. No significant recommendations arose from our Use of Resources work.
- As a result of the objections received on the 2008/09 accounts and the public interest report (PIR) issued in March 2010, that year's accounts were not finalised and signed until 14 June 2010. We also revisited and finalised our 2008/09 UoR audit at the same time.
- In doing so, we balanced the findings from the PIR - discussed further on the next page - against those from our 2009 UoR audit. On balance, we concluded that the issues identified in the PIR were of sufficient significance to justify an 'except for' qualification to the 2008/09 VFM conclusion.

### Specific risk based reviews

- There were no reviews planned.

### Our conclusion

- We issued an unqualified value for money conclusion for 2009/10. This means that we are satisfied that the Council did have appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources during the year.
- As noted above, we also revisited and issued our final VFM conclusion for the 2008/09 financial year, following the publication of the PIR. The 2008/09 VFM conclusion was qualified as a consequence of the issues highlighted in the PIR. This means we concluded that the Council had appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources during 2008/09, except for the specific areas highlighted in the PIR which related to:
  - the provision of information to support decision making;
  - the principles of good governance; and
  - effective risk management.

# Headlines

<p><b>Financial Statements</b></p>	<p><b>Annual accounts</b></p>	<ul style="list-style-type: none"> <li>• The Council once again produced good a quality and complete set of accounts. We identified no issues in the course of the audit that are considered to be material or required adjustment.</li> <li>• There were no significant matters which we were required to report.</li> </ul>
	<p><b>Annual Governance Statement (AGS)</b></p>	<ul style="list-style-type: none"> <li>• No significant adjustments were required to the AGS.</li> </ul>
	<p><b>Our conclusion</b></p>	<ul style="list-style-type: none"> <li>• We issued an unqualified opinion on the Council's 2009/10 accounts on 29 September 2010. This means that we believe the accounts give a true and fair view of the financial affairs of the Council and of the income and expenditure recorded during the year.</li> <li>• In addition, during the year we issued our final audit opinion on the Council's 2008/09 accounts, which was also unqualified. This had been delayed because in 2009 we had received formal objections to the accounts from local electors.</li> </ul>
<p><b>Exercise of auditor's powers</b></p>	<p><b>Public Interest Reporting</b></p>	<ul style="list-style-type: none"> <li>• On 2 March 2010 we issued a Public Interest Report entitled <i>The Council's decision making process for the High Court action against its former Managing Director</i>. The issuing of a PIR is a rare event and is only undertaken where there are matters of significance that the auditor believes need to be brought to the attention of the public.</li> <li>• The report noted a number of issues relating to the effectiveness and application of established governance arrangements. We found that the Council's governance processes are generally effective and adhered to, but we highlighted the breakdown, during 2008/09 and in earlier periods, of some established controls around the particular circumstances concerned, which had not been applied fully in the usual way. These centred on governance, risk management and reporting information to Members for decision making. We made 26 recommendations. The Council's Audit Committee has taken responsibility for monitoring the progress of the completion of the recommendations.</li> <li>• The PIR does not undermine the view that the Council has sound governance arrangements, but it did highlight the need to ensure that they are applied fully and consistently. The Council has agreed a detailed action plan to address the issues raised in our PIR and good progress has been made since it was issued in March 2010. We will consider the Council's progress further in 2011.</li> </ul>

# Headlines

<b>Recommendations</b>	<b>High risk recommendations</b>	<ul style="list-style-type: none"> <li>● We have identified one high risk recommendation arising from our 2009/10 audit work. We recommend that the Council should perform a regular testing of IT system backups. Further details are in Appendix A.</li> <li>● Our Public Interest Report also included 26 recommendations which are of high priority.</li> </ul>
<b>High profile issues</b>	<b>Economic Downturn and pressure on the public sector</b>	<ul style="list-style-type: none"> <li>● Following the Comprehensive Spending Review announcement in October 2010, there is now greater clarity on the spending cuts that will affect local government. Local authorities will on average face 7.1% annual cuts representing 26% reductions over the next four years. Although this is less than many commentators had predicted, this still represents one of the biggest cuts for any part of the public sector. Detailed analysis will be required as further details of these funding cuts are clarified. The real impact will not be known until the government departments produce their business plans later this year and organisations have a chance to digest the Chancellor's messages.</li> <li>● The Council has been preparing for cuts of this magnitude for some time. Facing up to these challenges will require revolutionary transformation of public sector services, rather than tinkering. Strong leadership from Members and senior management will be essential.</li> </ul>
	<b>Treasury management</b>	<ul style="list-style-type: none"> <li>● The Council continues to have a significant amount of money placed with two banks that were affected by the October 2009 Icelandic bank crisis. The total amount invested originally was £11m. The Council has already received interim repayments of £3.1m from one of the banks concerned and it envisages receiving further instalments in line with the administrator's published repayment plan.</li> <li>● The Council has applied the accounting treatment prescribed in the appropriate guidance issued by CIPFA, including recognising an impairment cost for the proportion of the original investments which is currently believed likely to be irrecoverable. The Council has also obtained a capitalisation direction from the Government allowing it to spread the cost of this impairment over 20 years.</li> </ul>
	<b>International Financial Reporting Standards (IFRS)</b>	<ul style="list-style-type: none"> <li>● Experience shows that a significant investment of resource is required to deal with the technical accounting requirements for IFRS implementation at an organisation of the size and complexity of a local authority. We have held meetings with the Finance team in recent months to discuss the requirements, which indicate that the Council is making good progress.</li> <li>● This work will continue and accelerate over the next few months, and it is important that the Council undertakes the necessary steps against its project plan and timetable. We will continue to work closely with Finance staff during the coming months.</li> </ul>

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## Future audit work

### Changes to next year's value for money work programme

- Given the scale of the pressures facing public bodies in the current economic climate, the Audit Commission has reviewed its work programme for 2010/11 onwards. As part of this exercise, the Commission has been discussing possible options for a new approach to local value for money (VFM) audit work with key national stakeholders. From 2010/11 we will therefore apply a new, more targeted approach to our local VFM audit work. This will be based on a reduced number of reporting criteria specified by the Commission, concentrating on:
  - securing financial resilience; and
  - prioritising resources within tighter budgets.
- We will determine a local programme of VFM audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities. We will no longer make annual scored judgements relating to our local VFM audit work. Instead we will report the results of all the local VFM audit work and the key messages for the audited body in our annual report to those charged with governance and in a clear and accessible annual audit letter.

### Future audit arrangements

- In August 2010 the Secretary of State for Communities and Local Government announced proposals to abolish the Audit Commission. The proposed abolition will be from 2012 and the government will seek legislation in this session of Parliament.
- There is no immediate change to the current audit arrangements. We will keep you informed about the future audit programme and any changes to audit arrangements.

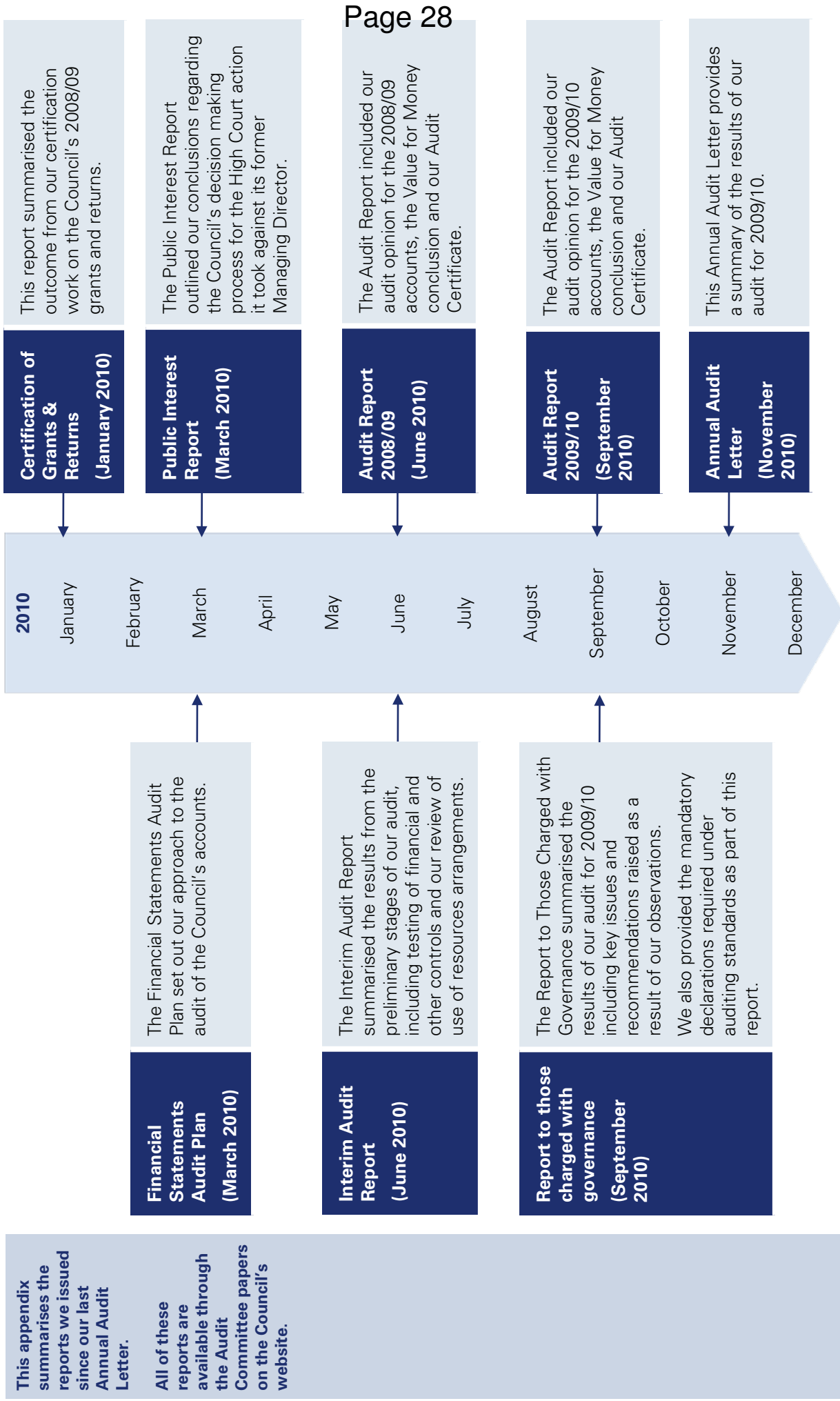
### Acknowledgement

- This has been KPMG's third year as the Council's external auditor following our appointment by the Audit Commission in 2007. We would like to thank the Council's management and staff for the help, support and co-operation they have provided throughout our audit. We look forward to working closely with the Council in the coming year to deliver our next programme of work.

## Appendix A: Key Recommendations

#	Risk	Issue, Impact and Recommendation	Management Response / Responsible Officer / Due Date
<p>This appendix summarises all high risk recommendations raised in 2009/10.</p> <p><b>In addition, our Public Interest Report contained 26 recommendations. These have not been repeated here due to their volume, but both our Report and the Council's response are available on the Council's website.</b></p>	<p>● <b>High</b></p>	<p><b>Issue – Testing of data backups</b></p> <p>There is no formal testing of data back ups. Whilst restoration of end user files is performed when requested, formal restores of financial application data has not been performed during the year. Without periodic testing of the backups in relation to financial application data, it is not possible to ensure integrity of the backup media.</p> <p><b>Recommendation</b></p> <p>The Council should consider: ensuring tapes contain data; restoring test files to a test environment; conducting a programme of full test restores as part of Disaster Recovery testing; and documenting the approach to recording and testing any restores to the live environment that may become necessary.</p>	<p><b>Paul Woolcock</b></p> <p>Regular restores from daily backups are performed. Restores / testing to be reviewed after site to site replication has been installed.</p>

## Appendix B: Summary of Reports issued







PUBLIC SECTOR

# Certification of grants and returns 2009/10

Cheltenham Borough Council

12 January 2011

AUDIT

# Certification of grants & returns 2009/10

## Contents

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If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Ian Pennington, who is the engagement leader to the Authority (telephone 02920 468087, e-mail [ian.pennington@kpmg.co.uk](mailto:ian.pennington@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail [trevor.rees@kpmg.co.uk](mailto: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 Investigation Officer, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: [complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk). Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421

## Certification of grants & returns 2009/10

### Headlines

<b>Introduction &amp; background</b>	<p><b>This report summarises the results of our work on the certification of the Council's 2009/10 grant claims and returns</b></p> <ul style="list-style-type: none"> <li>For 2009/10 we certified six grants.</li> </ul>	-
<b>Certification results</b>	<p><b>We issued unqualified certificates for all grants and returns</b></p>	<b>Pages 3 – 4</b>
<b>Audit adjustments</b>	<p><b>Adjustments were necessary to two of the Council's grants as a result of our certification work this year</b> However, all adjustments were insignificant in nature. See Summary Outcomes section for further details.</p>	<b>Pages 3 – 4</b>
<b>The Council's arrangements</b>	<p><b>The Council has good arrangements for preparing its grants and returns and supporting our certification work</b></p>	<b>Page 3</b>
<b>Fees</b>	<p><b>Our overall fee for the certification of grants and returns has been contained within the original estimate.</b> The fee for grants and certification is £26,232 which represents a saving of £6,128 against fee proposed earlier in the year.</p>	<b>Page 5</b>

## Summary of certification work outcomes

Overall, we certified six grants and returns

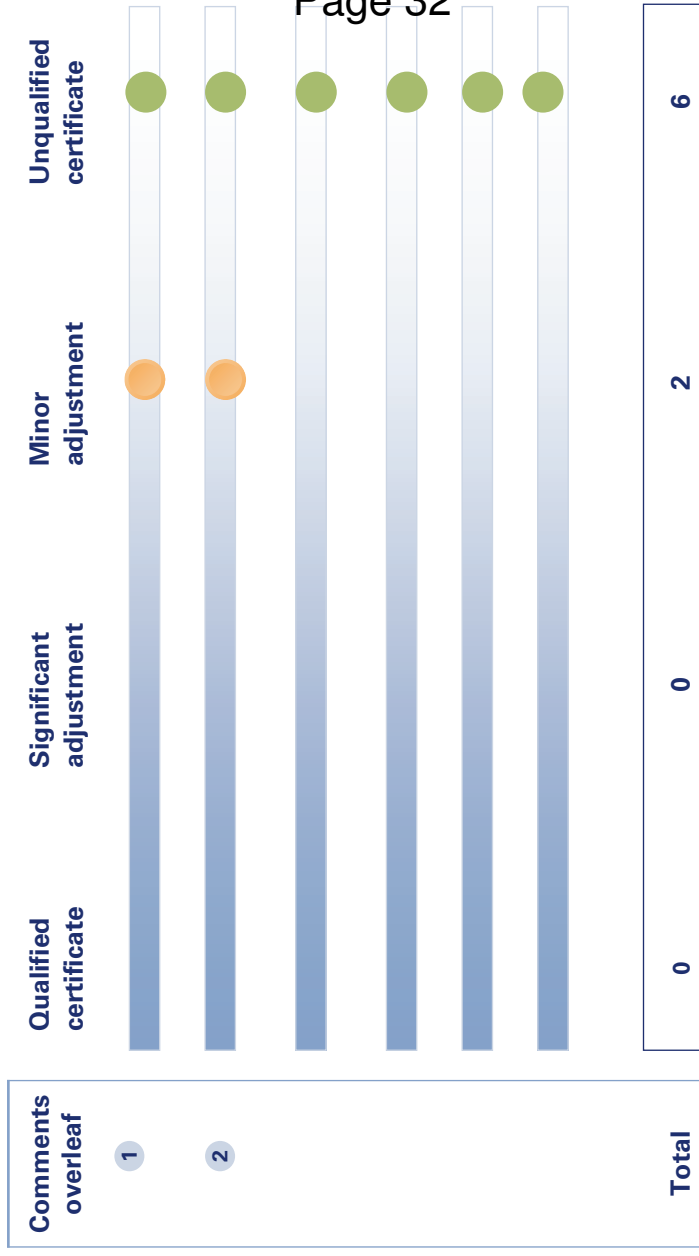
- four were unqualified with no amendment
- two were unqualified but required some amendment to the final figures

- none required a qualification to our audit certificate

Detailed comments are provided overleaf

Detailed below is a summary of the key outcomes from our certification work on the Council's 2009/10 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.



## Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments that were identified on the previous page

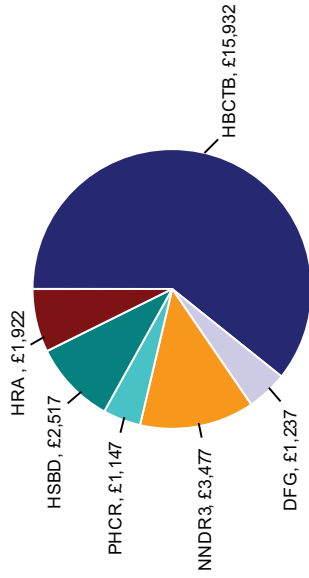
Ref	Summary observations	Amendment
1	<p><b>Housing Benefit and Council Tax Benefit claim</b></p> <p>We noted during our testing one 'overpayment misclassification' which resulted in a reclassification of £140 within the claim. We extended our sample size and identified no more errors.</p>	£140
1	<p><b>Disabled Facilities Grant</b></p> <p>During the fieldwork, we requested support for the number of cases provided and a breakdown of those cases per type. It was found that the supporting schedule per case type did not match the classification per the claim form.</p> <p>Due to new requirements in the period greater judgement was needed to classify cases correctly. The figures provided to KPMG had not been reviewed by the departmental manager and the above error was flagged for their attention.</p> <p>The claim was updated to reflect underlying data.</p>	No direct financial impact

# Certification of grants & returns 2009/10

## Fees

Our overall fee for the certification of grants and returns has been contained within the original estimate. This reflects continued good grants co-ordination and accurate grants preparation by the authority.

Breakdown of certification fees 2009/10



Breakdown of fee by grant / return	2009/10 (£)	2008/09 (£)
Housing Benefit and Council Tax Benefit 2009/2010 claim	£15,932	£16,055
Disabled Facilities Grant 2009/2010	£1,237	£1,185
National Non Domestic Rates Return (NND/R3)	£3,477	£2,745
Pooling of Housing Capital Receipts (PHCR)	£1,147	£945
Housing Subsidy Base Data return (HSB/D)	£2,517	£2,390
Housing Subsidy (HRA)	£1,922	£1,865
<b>Total fee</b>	<b>£26,232</b>	<b>£25,185</b>

Our initial estimated fee for certifying 2009/10 grants and returns was £32,400. The actual fee charged of £26,232 is £6,168 lower than the original fee proposal.



PUBLIC SECTOR

# Cheltenham Borough Council

Financial Statements Audit Plan 2010/11

12 January 2011

AUDIT

AUDIT ■ TAX ■ ADVISORY

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# Summary

Our audit is divided into:

- use of resources; and
- financial statements.

This document describes how we will deliver our audit work for Cheltenham Borough Council.

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

The Audit Commission's Code summarises our responsibilities into two objectives, requiring us to review and report on your:

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

The Audit Commission's Statement of Responsibilities of Auditors and Audited Bodies sets out the respective responsibilities of the auditor and the Council. The table below summarises the work we will do this year.

Our Responsibility	Risks, Proposed work and output
<p><b>Financial Statements and Annual Governance Statement</b></p>	<p>Key emerging audit risks are as follows:</p> <ul style="list-style-type: none"> <li>● Implementation of International Financial Reporting Standards: All local authorities are required to implement IFRS in 2010/11, including restating prior period figures. This will result in some fundamental differences in accounting and will require significant planning to ensure your financial statements reflect the new standards (see page 6 for more details).</li> <li>● The progression of the 'GO' project could have implications on the Council's internal control environment as key finance and other staff are seconded into the project team.</li> </ul> <p>Our work will encompass:</p> <ul style="list-style-type: none"> <li>● Review of the controls over the completion of the accounts. We will rely on Internal Audit wherever possible to avoid duplication.</li> <li>● A detailed audit of the financial statements, associated disclosure notes and the Annual Governance Statement.</li> </ul> <p><b>The findings of this work support the audit opinion that we issue on your financial statements.</b></p>
<p><b>Use of Resources / Value for Money work</b></p>	<ul style="list-style-type: none"> <li>● In response to the changing financial environment, the Audit Commission has introduced a new approach to local value for money (VFM) work at those bodies previously subject to a use of resources (UoR) assessment. The new, more focused approach will reduce the work auditors do to the minimum necessary to meet their statutory VFM responsibilities.</li> </ul> <p>Our work will encompass:</p> <ul style="list-style-type: none"> <li>● A risk assessment to identify the amount and focus of local VFM work.</li> <li>● Where applicable, undertaking local VFM work to address the risks identified in the risk assessment.</li> </ul> <p><b>The findings of this work will inform our value for money conclusion.</b></p>

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. The remainder of this document provides details of our risk assessment, proposed work and fees for our work on the financial statements audit. It supplements the high level audit plan presented earlier in 2010.

# Audit overview

We undertake our work on your financial statements and Annual Governance Statement (AGS) in four key stages.

Our work results in our audit opinion on your financial statements.

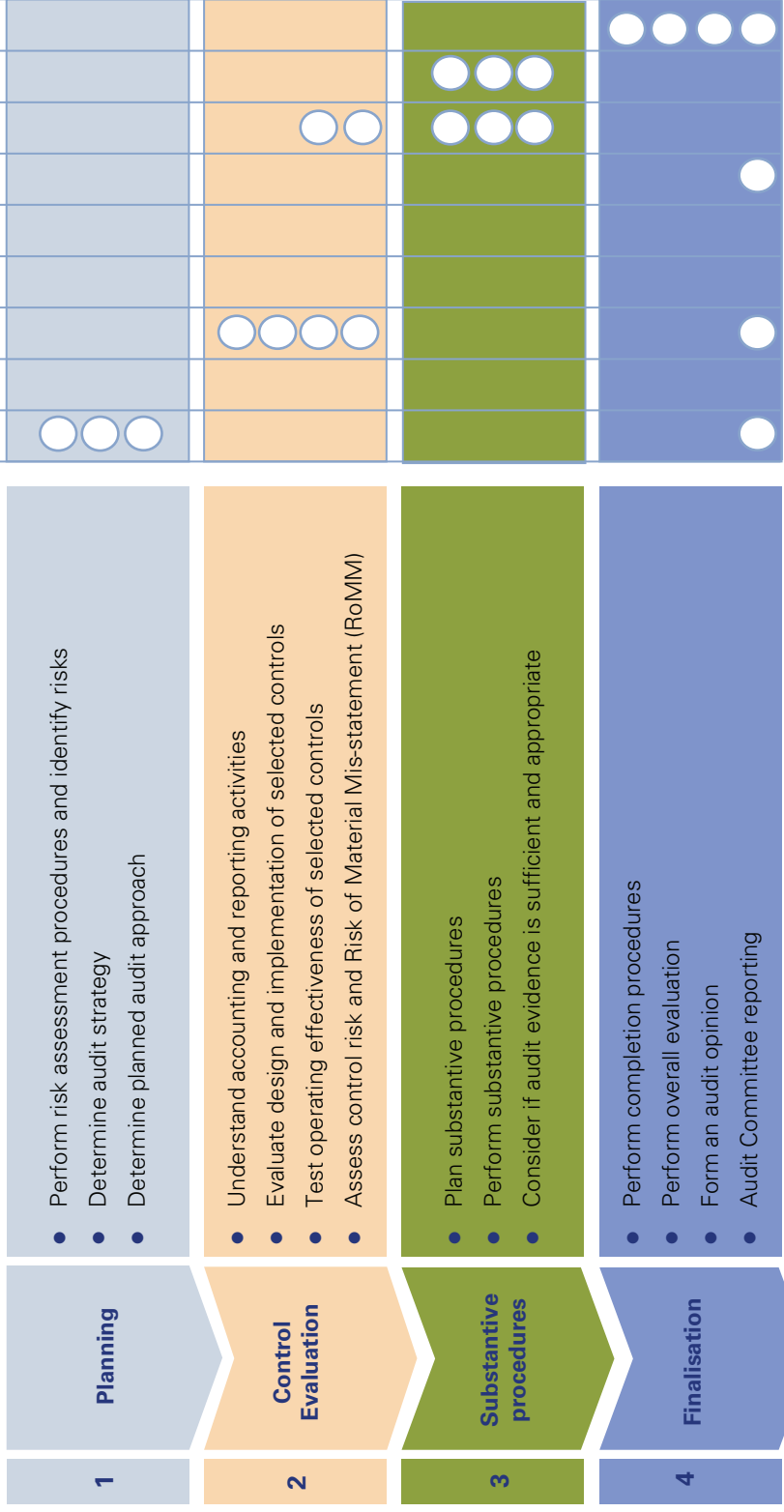
We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We are required to provide an audit opinion on the accounts.

We are also required to satisfy ourselves that your AGS is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this opinion.

In addition to the Council's financial statements which includes the consolidated group accounts, we are also required to audit and provide an opinion on the Whole of Government Accounts return submitted to central government.

## Our Audit Process

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



# Audit overview (continued)

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

## **Our Audit Process (continued)**

As part of our audit process, we will work closely with the finance team to understand and continually improve the accounts production process. At the planning stage of our audit we will issue the Council with a 'prepared by client' list which will include a detailed schedule of information requests to support the financial statements.

Our audit procedures also include an assessment of your arrangements to deliver your responsibilities to prevent and detect fraud. The auditing standard for fraud, ISA240 (revised), responds to the increased sensitivity to fraud and the importance given to auditors' work on fraud. Additionally, the Fraud Act 2006 and the Government Review of Fraud 2006 may impact on your responsibilities to manage fraud.

## **Liaising with internal audit**

We have a strong working relationship with Internal Audit and we will continue to work closely with them to maximise the effectiveness of their work on core financial systems and governance at the Council.

## **International Financial Reporting Standards (IFRS)**

All Local Authorities are required to implement IFRS, moving away from UK GAAP for 2010/11 financial statements. We will continue to work closely with the finance team to ensure the smooth transition to IFRS. We will audit the restated 2009/10 balances prior to the final visit in order to provide early assurance on key aspects of your IFRS migration work, identify any issues on a timely basis and also ensure some accounting and audit effort is brought forward to alleviate the busy closedown and final accounts audit season over the summer.

## **Whole of government accounts (WGA)**

KPMG are required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office. The 2010/11 WGA consolidated pack will need to be produced in accordance with the International Financial Reporting Standards (IFRS).

## **National Fraud Initiative**

The Council participates in the National Fraud Initiative, which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated against public bodies. During our audit we will review the Council's progress and actions in following up the matches identified

## **Electors 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.

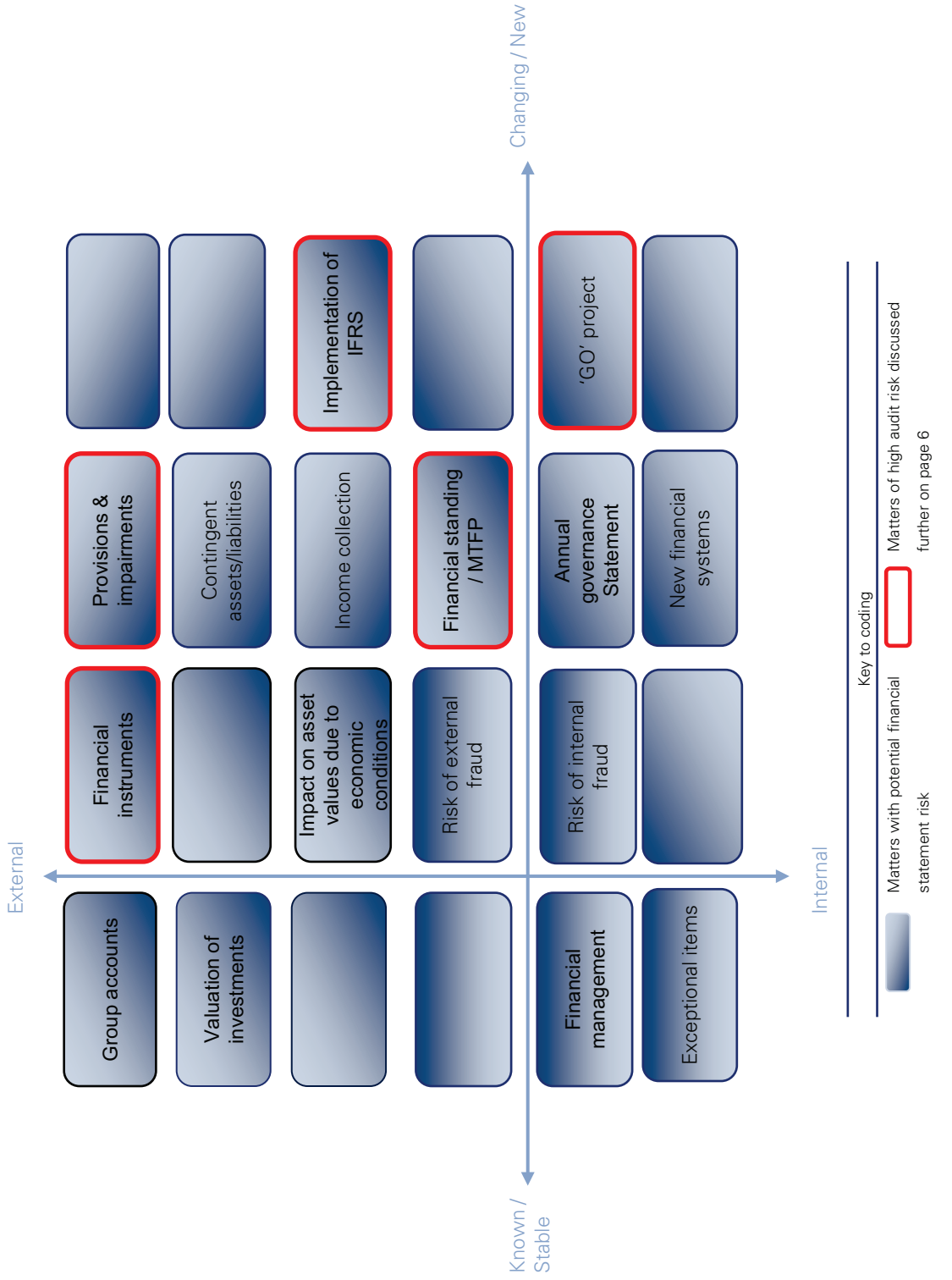
As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on any elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised. The costs incurred in responding to questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

# Key financial statement audit risks

These are the key financial statement risks identified for 2010/11 and some examples of other risks that we will consider during the audit. We seek to tailor our audit approach to reflect this risk assessment.



We have increased our risk assessment in the following area:

- Implementation of IFRS
- 'GO' project





The above risk assessment has been completed in December 2010 and will be revisited before the final audit commences to update for any new or increasing risks

# Key financial statement audit risk - IFRS

	KEY audit risks	Impact on audit plan
<p>For each key risk audit area we have outlined the impact on our audit plan.</p> <p>We will provide updates to the Audit Committee on these risk issues throughout our audit.</p> <p><i>Transitions to IFRS represents the largest change in accounting for a number of years. We have detailed within the next slides the major implications of the new standards and how our audit work will be adapted to address these key risks.</i></p>	<div style="display: flex; align-items: center; justify-content: center;"> <div style="text-align: center; margin-right: 20px;">  <p><b>IFRS conversion process</b></p> </div> <div style="border: 1px solid black; padding: 5px; width: 200px;"> <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>• Restated opening balances</li> <li>• Various balances and disclosures within 2010/11 financial statements</li> </ul> </div> </div>	<p><b>IFRS conversion process</b></p> <ul style="list-style-type: none"> <li>• The Council will require a lot of planning and resources to ensure a smooth and successful transition to IFRS.</li> </ul> <p><b>Our audit work</b></p> <ul style="list-style-type: none"> <li>• We will audit the re-stated 2009/10 financial statement figures in January. During this time we will assess the processes being undertaken by the Council and provide advice on how this can be improved to ensure the final years figures are compliant with the standards.</li> <li>• We will keep in regular contact with the finance team during this period, discussing emerging issues and current guidelines.</li> <li>• During the final accounts audit we will audit all figures in line with IFRS.</li> </ul>
	<div style="display: flex; align-items: center; justify-content: center;"> <div style="text-align: center; margin-right: 20px;">  <p><b>Leases</b></p> </div> <div style="border: 1px solid black; padding: 5px; width: 200px;"> <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>• Lease classification</li> <li>• Disclosures</li> </ul> </div> </div>	<p><b>Leases</b></p> <p><b>Impact of IAS 17</b></p> <ul style="list-style-type: none"> <li>• Potentially increased number of finance leases as IAS 17 gives a broader definition of finance leases than SSAP 21 resulting in more assets coming on to balance sheet.</li> </ul> <p><b>Our audit work</b></p> <ul style="list-style-type: none"> <li>• During the interim we will assess the Council's process for ensuring that there is a complete record of all leases and these are reviewed under the requirements of IAS 17.</li> <li>• During the final phase we will review all material leases and contracts to determine whether they have been correctly treated as an operating lease or finance lease under IAS 17.</li> </ul>

# Key financial statement audit risk – IFRS (continued)

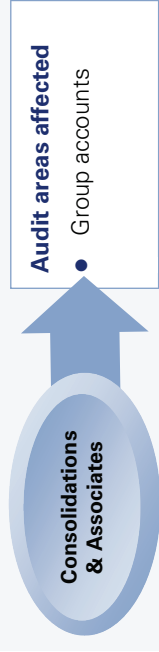
	KEY audit risks	Impact on audit plan
<p>For each key risk audit area we have outlined the impact on our audit plan.</p> <p>We will provide updates to the Audit Committee on these risk issues throughout our audit.</p> <p><i>Transitions to IFRS represents the largest change in accounting for a number of years. We have detailed within the next slides the major implications of the new standards and how our audit work will be adapted to address these key risks.</i></p>	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>Liabilities</li> </ul> </div> <div style="text-align: center;">  <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>Tangible fixed assets</li> </ul> </div> </div>	<p><b>Employee benefits</b></p> <p><b>Impact of IAS 19</b></p> <ul style="list-style-type: none"> <li>New liability to be recognised on the balance sheet when there is a requirement to pay wages and salaries, bonuses and particularly holiday pay.</li> </ul> <p><b>Our audit work</b></p> <ul style="list-style-type: none"> <li>During the audit of the re-stated 2009/10 balances we will assess whether the Council with the current payroll system can provide the information needed to calculate the obligation.</li> <li>During the final process we will audit the balance using the data collated by the Council to ensure it is in line with the requirements of the standard.</li> </ul> <p><b>Property, plant and equipment</b></p> <p><b>Expected impact of IAS 16</b></p> <ul style="list-style-type: none"> <li>Local authorities are to “component account” for any additions or valuations on or after 1 April 2010. This means when an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately.</li> </ul> <p><b>Our audit work</b></p> <ul style="list-style-type: none"> <li>During the interim visit we will assess the controls in place to ensure that additions/valuations are being addressed as components and appropriately recorded in the fixed asset register.</li> <li>During the final phase of our audit we will substantively test additions and valuations to ensure that these are correctly accounted for in line with the component requirements of IAS 16.</li> </ul>

# Key financial statement audit risk – IFRS (continued)

For each key risk audit area we have outlined the impact on our audit plan. We will provide updates to the Audit Committee on these risk issues throughout our audit.

*Transitions to IFRS represents the largest change in accounting for a number of years. We have detailed within the next slides the major implications of the new standards and how our audit work will be adapted to address these key risks.*

## KEY audit risks



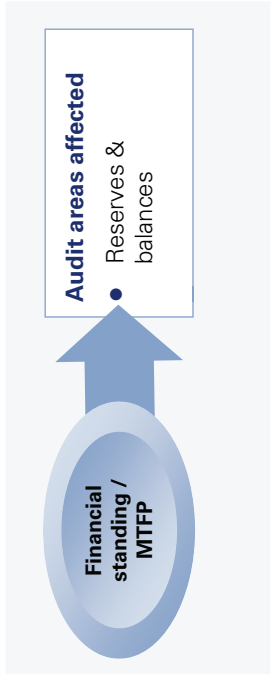
## Impact on audit plan

**Consolidations and Associates**  
**Expected impact of IAS 27 & 28**

- UK GAAP emphasises the substance of control whereas IFRS considers the power to control. As a result there may be a different interpretation of those entities consolidated into group.

**Our audit work**

- During the interim audit we will consider the Authority's evaluation of its relationships with external partners to assess whether they should now be consolidated under the new standards.
- We will audit the consolidated statements during the final phase in line with IAS 27 & 28.



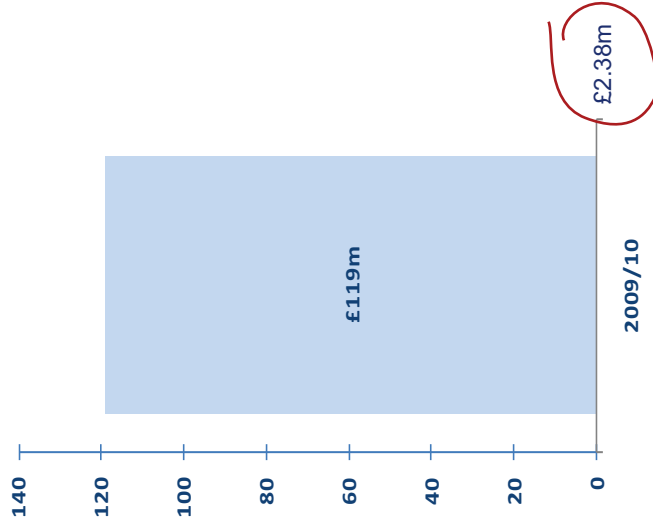
**Financial standing / medium term financial planning**

- Linking with our use of resources audit work, we will consider the Authority's general financial standing and in particular its approach to medium term financial planning.
- We will consider the potential impact of the outcome from this work on our financial statements audit.

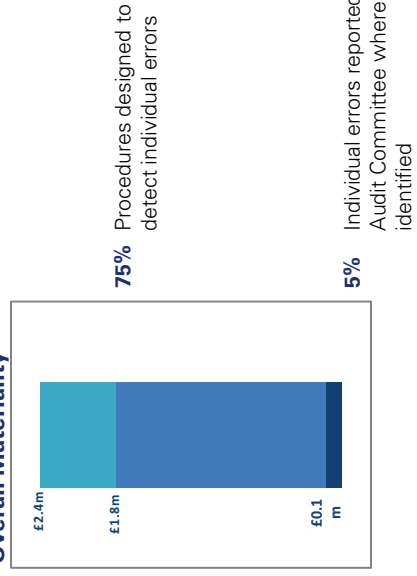
# Materiality

Our audit work is planned to detect errors that are material to the accounts as a whole.

Gross operating expenditure



Overall Materiality



## What do we mean by materiality?

In layman terms, materiality is the margin of error we will accept before we qualify our opinion on the accounts.

## Why do we have a level of materiality?

We only have a limited time in which to complete our work. As a result, we focus our testing on a sample of transactions rather than everything. To make our sample testing most effective, our work is driven by an assessment of risk and a level of materiality. This means we sample test the transactions that are more likely to be prone to significant fraud or error.

## Determining materiality

- We consider quantitative and qualitative factors in setting materiality and in designing our audit procedures. This includes our assessment of the council's track record in preparing accounts.
- Materiality has been set at £2.38m which is 2% of gross operating expenditure.
- We design our procedures to detect errors at a lower level of precision, i.e. £1.8m. We have some flexibility to adjust this level downwards

## Reporting to Audit Committee

- To comply with auditing standards, the following three types of audit differences will be presented to the Audit Committee:
  - summary of adjusted audit differences
  - summary of unadjusted audit differences
  - summary of disclosure differences (adjusted and unadjusted).
- We will not report audit and disclosure differences that are considered to be trivial.
- Individual errors above £120,000 will be reported to the Audit Committee where identified.

**Note:** Materiality will be updated on receipt on the draft 2011 financial statements

**Source:** 31 March 2010 financial statements



# Independence confirmation

**Our independence and objectivity responsibilities under the Code are summarised in Appendix 3.**

**We confirm our audit team's independence and objectivity is not impaired.**

## **Independence and objectivity confirmation**

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

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

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

## **Confirmation statement**

We confirm that as of 12 January 2011, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Appointed Auditor and audit team is not impaired.

## Audit fees

The audit fee has not changed from that agreed in the high level audit strategy in April 2010.

We agreed our fee for the audit with the Authority earlier this year. The fee is calculated with reference to a number of factors including your turnover and our assessment of audit risk and control environment. This year's fee represents a 6% increase over last year (2009/10 = £105,050). This is due to the additional audit costs associated with the follow up work to the Public Interest Report and the implementation of IFRS, although the Authority has been reimbursed directly by the Audit Commission for these one-off costs.

Element of the audit	Fee 2010/11
Audit of Financial Statements (Systems and Final)	£113,989
Follow up to Public Interest Report	£5,000
Less: IFRS Reimbursement	(7,627)
<b>TOTAL AUDIT FEE</b>	<b>£111,363</b>

## Page 46

To enable you to benchmark our fee proposal we provide below some comparative information. Please note that the nature of the locally determined work changes each year so that direct comparison between years may not be valid.

Source of fee comparative / benchmark	£
Audit Commission suggested fee range	£100,300- £156,079
Audit Commission suggested scale fee	£125,375
2010/11 audit fee	£111,363

## Audit fees (continued)

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

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

### Audit fee assumptions

The audit fee is indicative and is based on you meeting our agreed expectations as outlined in Appendix 2. 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 2009/10;
- 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 within your 2010/11 financial statements (note 2010/11 is the first year based on IFRS);
- your financial statements are made available for audit in line with the agreed timescales;
- you will make available the re-stated 2009/10 figures in line with the agreed timescales and ensure they are in line with IFRS requirements;
- 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 completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors.

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

### Changes to the audit plan

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

- new significant audit risks emerge;
- additional work is required of us by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Director of Finance.

# Audit timeline & deliverables

Our key deliverables will be delivered to a high standard and on time.

We will discuss and agreed each report with the Council's officers prior to publication.

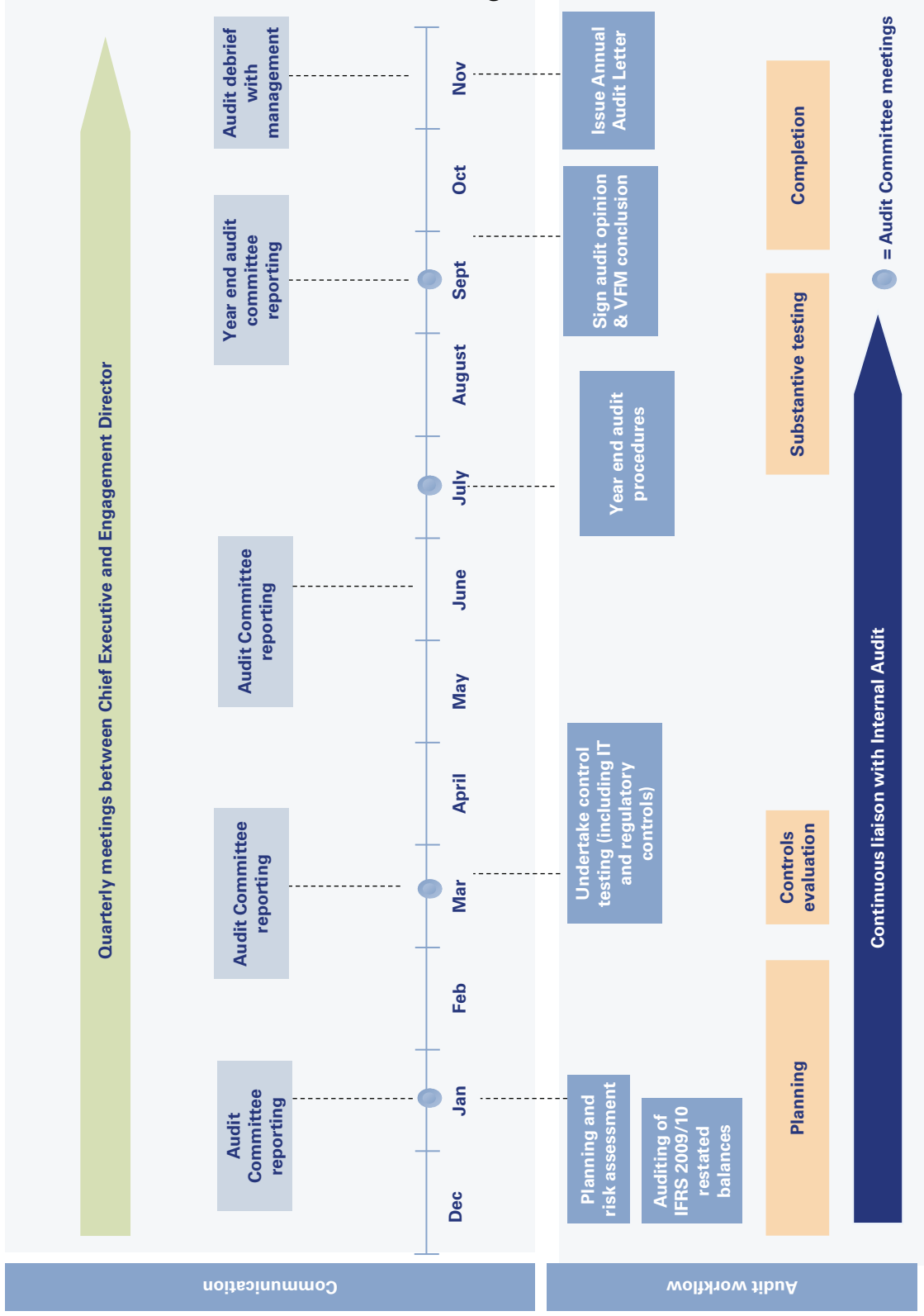
Deliverable	Purpose	Timing
<b>Planning</b>		
<b>Audit plan</b>	<ul style="list-style-type: none"> <li>Outline audit approach</li> <li>Identify areas of audit focus and planned procedures</li> <li>Confirm plan with Audit Committee</li> </ul>	<b>January 2011</b>
<b>Interim</b>		
<b>Interim report</b>	<ul style="list-style-type: none"> <li>Details and resolution of control and process issues</li> </ul>	<b>June 2011</b>
<b>Report on restated 2009/10 figures</b>	<ul style="list-style-type: none"> <li>Feedback on audit work undertaken on 2009/10 restated balances in line with IFRS</li> <li>Identify areas of improvement to ensure 2010/11 financial statements are fully compliant with IFRS</li> </ul>	<b>June 2011</b>
<b>Year end audit</b>		
<b>Report to those charged with governance (ISA 260)</b>	<ul style="list-style-type: none"> <li>Commentary on Cheltenham Borough Council financial statements</li> <li>Commentary on Cheltenham Borough Council value for money arrangements</li> <li>Details the resolution of key audit issues</li> <li>Communication of adjusted and unadjusted audit differences</li> <li>Performance improvement recommendations identified during our audit</li> </ul>	<b>September 2011</b>
<b>Opinion on financial statements</b>	<ul style="list-style-type: none"> <li>Independent auditors' report to the Members of Cheltenham Borough Council</li> </ul>	<b>September 2011</b>
<b>Annual audit letter</b>	<ul style="list-style-type: none"> <li>Summaries the audit we have performed with key audit issues and outputs</li> </ul>	<b>November 2011</b>

# Audit timeline & deliverables (continued)

Key formal interactions with the Audit Committee are:

- March: IFRS review
- June: Interim issues
- September: Year end conclusions.

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



# Appendix 1: Meeting your expectations

## How we will conduct ourselves

### *Communications*

- We will be proactive in developing relationships with your staff where our audit work requires their input.
- We will ensure that all letters and emails are answered within five working days of receipt. All telephone messages received will receive a response within 24 hours, either by the individual concerned or Rachael Tonkin.
- We will ensure that all recommendations, and in particular those relating to our performance management work, are included within our Annual Audit Letter only after having been agreed with relevant Directors.
- Ian Pennington or Rachael Tonkin will attend Audit Committee meetings and ensure that other relevant KPMG staff are invited as appropriate.
- We have been working with you throughout 2009/10 providing guidance on key issues in the transition to IFRS. We will continue working with the finance team to provide advice and review progress during 2010/11.

### *Working together*

- We will ensure that the Director of Finance, Chief Accountant and other key members of staff are kept informed of the progress of our audit work throughout the year.
- We will liaise with staff at all levels of the Council to ensure that our work is appropriately planned and completed and where recommendations are made these are agreed with the likely responsible officer.

### *Cooperating with the Council*

- We will continue to coordinate our work with that of internal audit and ensure that we provide appropriate proactive commentary to the finance function on issues that affect the Council's accounts.
- We will respond promptly to requests for comment on aspects of the Council's operations, where appropriate.

## Our expectations of your support

### *Audit Plan*

- Brief our staff on key issues affecting the Council.
- Review and agree the draft plan.

### *Interim Audit*

- Facilitate the completion of internal audit's work (particularly on core financial systems) to timetable.
- Ensure that key officers are available for the duration of our audit.
- Respond to and agree our draft reports in good time.

### *Accounts Audit*

- Ensure that a full draft of the accounts is available at least one week prior to the agreed start date of our audit, and that only agreed adjustments are put into the accounts following receipt of this draft.
- Produce the documents listed within our prepared by client request by the agreed start date of our audit.
- Ensure that the mandatory content of the Annual Report is available at the agreed time of our final account audit.

### *Annual Audit Letter*

- Discuss and agree our draft Annual Audit Letter in good time for the Audit Committee.
- Ensure that all action plans are agreed and followed up in due course.

### *IFRS*

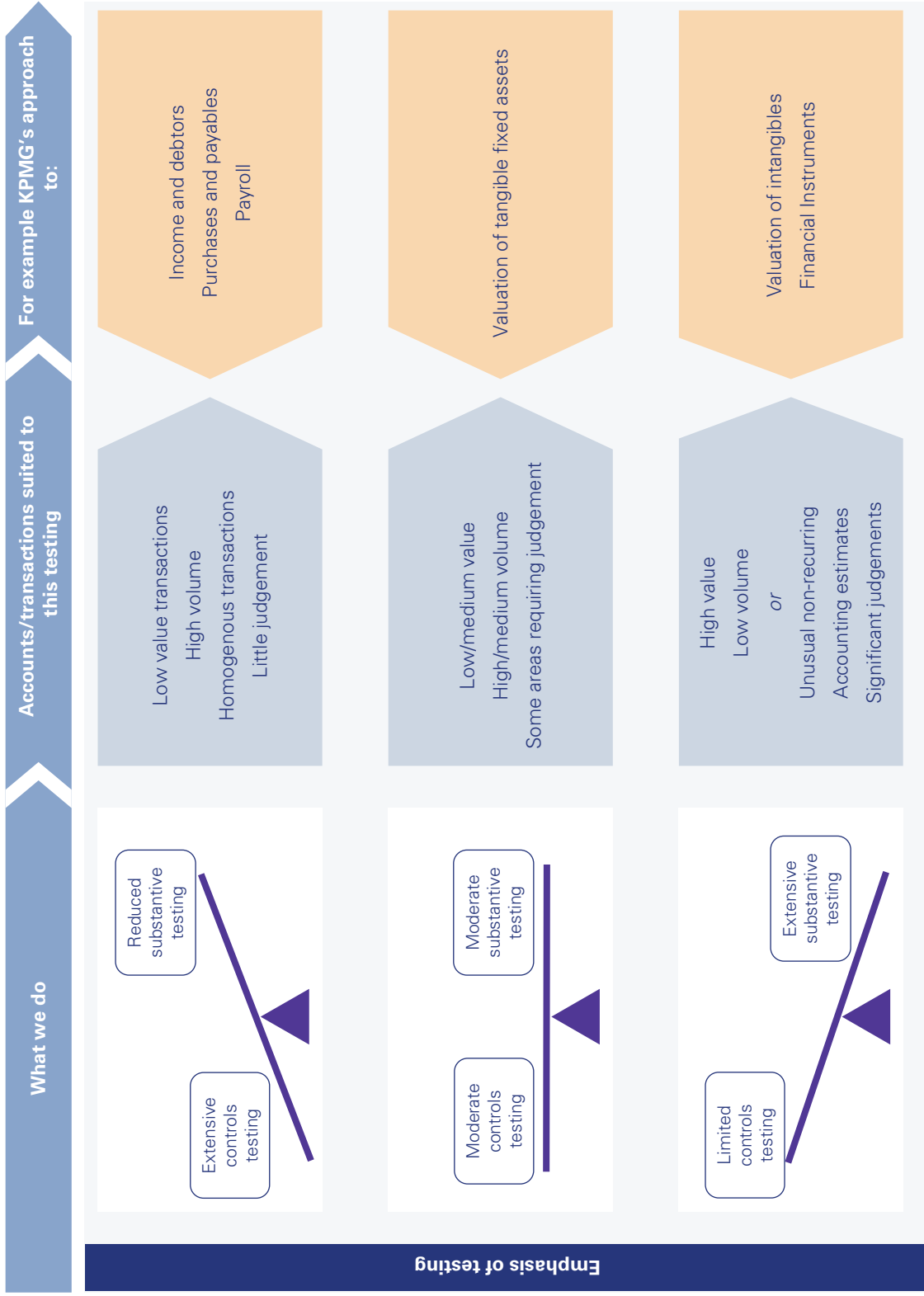
- Ensure a full set of 2009/10 restated figures compliant with IFRS are available to audit in good time prior to the final visit.

### *Other work*

- Agree a key Council contact as a focal point for the study or work.
- Discuss and review our findings so that action plans can be fully completed and implemented.

# Appendix 2: Balance of internal controls and substantive testing

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



Note: Assuming controls are found to operate as designed

## Appendix 3: Independence and objectivity requirements

This appendix summarises auditors' responsibilities regarding independence and objectivity.

### Independence and objectivity

Auditors are required by the Code to:

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

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

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

- Any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Partner.
- Audit staff are expected not to accept appointments as lay school inspectors.
- Firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a local protocol with the body concerned.
- Auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on each audit at least once every five years (subject to agreed transitional arrangements). Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- The Commission must be notified of any change of second in command within one month of making the change. Where a new Engagement Lead or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.



## Appendix 4: Quality assurance and technical capacity

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

We recruit the best staff through our rigorous selection and assessment criteria. In addition, we expect that future talent to develop with our application of most effective in-house and external training support.

Our audit methodology determines that we use a standardised audit approach and pro forma work papers. We also have standards of audit evidence and working papers including requirements for working paper retention.

At critical periods of the audit we conduct both manager and engagement leader review of the work completed. Upon final completion, managers and directors complete a checklist to indicate the satisfactory conclusion of the audit under the audit methodology.

Partners who meet certain skills and experience criteria, conduct quality control reviews of individual audits depending on the level of audit risk. Their role is to perform an objective evaluation of the significant accounting, auditing and financial reporting matters with a high degree of detachment from the audit team. This provides an objective internal assessment on the quality of our audit. Peer review is undertaken across the firm, with an annual sample of our work being undertaken from a different national office. This encourages a constant focus on quality and ensures there is continuous improvement and that best practice is shared.

### Our quality review results

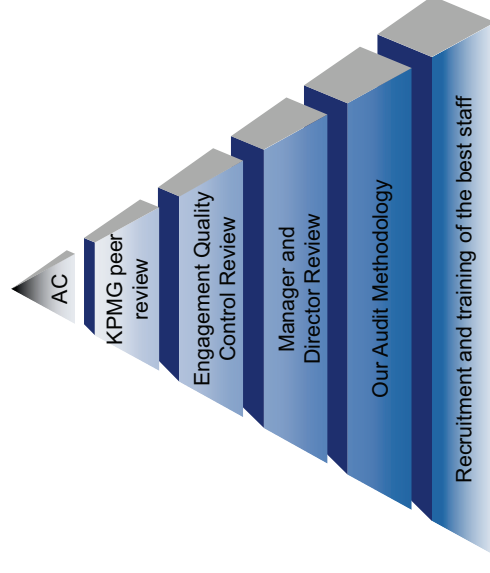
We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The results of the Audit Commission's annual quality review process is made publicly available each year ([www.audit-commission.gov.uk/reports/](http://www.audit-commission.gov.uk/reports/)). The latest report dated October 2010 showed that we performed highly against all the Commission's criteria.

### Resolving Accounting and Financial Report Issues and Emerging Issues with the Independent Regulator

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 (based in our London office) who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA and the Audit Commission) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals (that meets on a quarterly basis) and is chaired by our national technical director.
- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's Code of Audit Practice.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based bi-monthly technical training.

When dealing with the Audit Commission, as you would expect we both attend and cascade across the firm the papers considered by their various technical groups for auditors. In addition, as the Audit Commission has developed we have established a series of formal and informal relationships. These benefit both the Audit Commission and our Local Authority clients. As a result of all of these factors, and combined with our overall audit approach, we seek to offer early warnings of issues arising with the independent regulator and provide pragmatic solutions.



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## Cheltenham Borough Council

### Audit Committee – 12 January 2011

#### Monitoring of Action Plans approved by the Council

<b>Accountable officer</b>	<b>Andrew North, Chief Executive</b>
<b>Accountable scrutiny committee</b>	<b>Economy and business improvement</b>
<b>Ward(s) affected</b>	<b>None directly</b>
<b>Executive summary</b>	<p>On 22<sup>nd</sup> March 2010, the Council approved Action Plans in response to recommendations made by the Council's Auditors, KPMG in a report in the Public Interest relating to the Council's decision making processes and to recommendations made by a Member Working Group set up to review employment and dispute resolution processes.</p> <p>The Council delegated responsibility to the Audit Committee to monitor implementation of the Action Plans. Monitoring reports have been considered by the Committee in June and September 2010. A table has been produced at Appendix 1 indicating the progress which has been made to date to implement the agreed actions.</p>
<b>Recommendations</b>	<b>The Committee considers the information set out in Appendix 1 and reviews progress against the actions.</b>

<b>Financial implications</b>	<p>There are no financial implications arising directly from this report.</p> <p><b>Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk, 01242 264123</b></p>
<b>Legal implications</b>	<p>There are no legal implications arising directly from this report.</p> <p><b>Contact officer: Sara Freckleton, sara.freckleton@teWKesbury.gov.uk, 01684 272011</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>There are no HR implications arising directly from this report.</p> <p><b>Contact officer: Amanda Attfield, amanda.attfield@cheltenham.gov.uk 01242 264186</b></p>
<b>Key risks</b>	See attached report risk template.
<b>Corporate and community plan Implications</b>	<p>Producing an action plan that is monitored by the Audit Committee meets the Council's corporate commitment to comply with KPMG and Review Working Group recommendations.</p> <p>A corporate risk has been identified and placed on the Corporate Risk Register (Appendix 2). The actions described within the action plan will minimise the risk to the Council's reputation and financial resources.</p>

## **1. Background**

- 1.1 On 22<sup>nd</sup> March 2010, the Council considered a report in the Public Interest (PIR) which was issued by KPMG regarding the Council's decision making processes arising from a review of the Council's decision making processes for the High Court litigation against its former Managing Director. At the same meeting, the Council received a report from a Member Working Group which was set up to review the KPMG report, recruitment and appointment processes and the internal processes for dispute resolution.
- 1.2 The Council accepted the recommendations made by KPMG in the PIR and by the Working Group and approved Action Plans in response to each.
- 1.3 Responsibility was delegated to the Audit Committee to monitor the implementation of the Action Plans which were approved by the Council. This Committee has now reviewed progress against the Action plans on two occasions, in June and September 2010.

## **2. Progress against Action Plans**

- 2.1 The table attached as Appendix 1 sets out the action approved by the Council together with the due date for completion. The table is divided into Part A (Action plan in response to KPMG recommendations) and Part B (action plan in response to Review Working Group recommendations) and indicates the progress made against each of the individual action points. The text for those actions which have been completed / implemented is shown in grey.
- 2.2 It is clear from Appendix 1 that the majority of the actions have now been completed and that progress has been made in respect of the remaining actions with the current position being set out within the attached table. It is pleasing to be able to report that 23 of the 26 recommendations from KPMG have been fully completed / implemented with the remaining three recommendations (R8, 16 & 21) having been partially completed. As far as the Review Working Group recommendations are concerned, 11 of the 13 proposed actions have been fully implemented / completed and progress is being made on the remainder. The current progress against the outstanding actions is shown in bold text within the progress report contained within Appendix 1.

## **3. Reasons for recommendations**

- 3.1 To comply with the decision of the Council that the Audit Committee should monitor the approved Action Plans

## **4. Alternative options considered**

- 4.1 None

## **5. Consultation and feedback**

- 5.1 None

## **6. Performance management –monitoring and review**

- 6.1 A further monitoring report will be considered by the Committee at its meeting on the 23rd March 2011.

<b>Report author</b>	<b>Contact officer: Sara Freckleton, sara.freckleton@teWKesbury.gov.uk, 01684 272011</b>
<b>Appendices</b>	<ol style="list-style-type: none"><li>1. KPMG/Review Working Group Action Plans Progress Table</li><li>2. Risk Template</li></ol>
<b>Background information</b>	<ol style="list-style-type: none"><li>1. Reports to and Minutes of Extraordinary Council Meeting held on the 22<sup>nd</sup> March 2010</li></ol>

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# **Action Plan to implement KPMG and Review Working Group Recommendations**

**As agreed at  
Council 22<sup>nd</sup> March 2010  
and  
Reviewed at Audit committee;**

<b>23<sup>rd</sup> June 2010</b>
<b>29<sup>th</sup> September 2010</b>
<b>12<sup>th</sup> January 2011</b>

## Part A - Action Plan in response to KPMG RECOMMENDATIONS

<b>RECOMMENDATIONS</b>			
<b>The Role of the Borough Solicitor</b>			
R1. Review the constitution to make clear what the Borough Solicitor can and cannot do regarding decisions to instigate and continue legal action, whether financial limits should apply to the Borough Solicitor's delegated authority, and when and from whom further sanction is required for financial expenditure above that limit.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
<p>1. That the powers delegated to the Borough Solicitor will be considered as part of the review of the Constitution (including the Employee Delegation Scheme). Specific consideration will be given to the scope of delegation of decisions to instigate and continue legal action and to any financial limits which should apply and, how and from whom authority to exceed that limit is obtained.</p> <p>2. That the Borough Solicitor is tasked to undertake a comprehensive review of the Constitution and to produce a report by the 30<sup>th</sup> September 2010 for consideration by the Staff and Support Services Committee.</p>	<p>Completed.</p> <p>1. On the 13<sup>th</sup> December 2010, the Council approved revisions to the Council's Constitution which include amendments to the Employee delegation scheme and which address this recommendation.</p> <p>2. On the 11<sup>th</sup> October 2010, the Council approved a revised timetable for the comprehensive review of the Constitution and it is now intended that this be completed in time for the next municipal year in May 2011.</p>	30 <sup>th</sup> September 2010	Borough Solicitor Page 60



Recommended Action	Progress report	Due Date	Lead officer
<p>1. That the Employee Delegation Scheme to be reviewed by the Borough Solicitor as part of the review of the Constitution. The review will consider whether there is sufficient clarity as to the financial restrictions which should appropriately apply and how and from whom authority to exceed any limits is obtained.</p> <p>2. That the Borough Solicitor is tasked to undertake a comprehensive review of the Constitution and to produce a report by the 30<sup>th</sup> September 2010 for consideration by the Staff and Support Services Committee.</p>	<p>1. Completed see R1 above.</p> <p>2. See R1 above.</p>	<p>30<sup>th</sup> September 2010</p>	<p>Borough Solicitor</p>

<b>RECOMMENDATIONS</b>			
<b>The Role of the Borough Solicitor</b>			
R3. Ensure that where there are alternative people or bodies who could take a lead decision making role, that all options are evaluated and the conclusion is documented clearly.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
That a process, to be implemented corporately, be devised whereby, in circumstances where there are alternative officers or committees who could make a particular decision, the options for the decision making are evaluated and the conclusion clearly documented. The process is to be explained within the guidance note being prepared by the Assistant Chief Executive for the Senior Leadership Team (SLT) and Service Managers.	Completed. A guidance note has been issued and training has been undertaken with report authors so that they are aware of the process for the evaluation of decision-making options.	30 <sup>th</sup> June 2010	Assistant Chief Executive

<b>The Role of Members</b>			
R4. Review the need for, and remit of, the S&SSC and other committees. In a Cabinet/Scrutiny model, a Council may only need regulatory committees (Licensing, Audit, Planning). Mixing decisions between Cabinet and S&SSC can be confusing. It may be possible for many operational matters to be delegated to the officers and the Chief Executive as head of paid service, perhaps supported by ad hoc Member Panels or other for a for advisory purposes.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
<ol style="list-style-type: none"> <li>1. That the need for and remit of the Staff and Support Services Committee and other Committees should be reviewed as recommended as part of the comprehensive review of the Constitution.</li> <li>2. That a Member Working Group be established to undertake the review of the remit of Committees and any other aspect of the Constitution as is deemed appropriate by the Staff and Support Services Committee.</li> <li>3. That the Borough Solicitor is tasked to undertake a comprehensive review of the Constitution and to produce a report by the 30<sup>th</sup> September 2010 for consideration by the Staff and Support Services Committee.</li> </ol>	<p><b>1 &amp; 2 Completed.</b></p> <p><b>On 13<sup>th</sup> December 2010, the Council, having considered the Constitution Working Group's report reviewing the remit of the Staff &amp; Support Services Committee, resolved that the S&amp;SSC should be discontinued.</b></p> <p><b>3. On the 11<sup>th</sup> October 2010, the Council approved a revised timetable for the comprehensive review of the Constitution and it is now intended that this be completed in time for the next municipal year in May 2011.</b></p>	30 <sup>th</sup> September 2010	Borough Solicitor & AD Human Resources

R5. Review constitutionally whether 'key decisions' made by committees should be subject to similar procedural and notification requirements as those made by Cabinet.			
Recommended Action	Progress report	Due Date	Lead officer
<p>1. That consideration as to whether there should be procedural and notification requirements for decisions made by Committees which are similar to the procedures for "key decisions" to be included as part of the comprehensive review of the Council's Constitution.</p> <p>2. That the Borough Solicitor is tasked to undertake a comprehensive review of the Constitution and to produce a report by the 30<sup>th</sup> September 2010 for consideration by the Staff and Support Services Committee.</p>	<p>1. Completed. On 13<sup>th</sup> December 2010, the Council considered the report of the Constitution Working Group which included recommendation for changes to Article 13 (Decision Making) of the Council's Constitution. The Council approved the introduction of a definition of "Significant Decisions". In the light of the decision to discontinue the S&amp;SSC, it was not considered it to be necessary to introduce a procedure for notification of Significant Decisions.</p> <p>2. On the 11<sup>th</sup> October 2010, the Council approved a revised timetable for the comprehensive review of the Constitution and it is now intended that this be completed in time for the next municipal year in May 2011.</p>	30 <sup>th</sup> September 2010	Borough Solicitor

<b>RECOMMENDATIONS</b>			
<b>The Role of Members</b>			
R6. When important constitutional questions are raised, then the Council should take care to answer the precise question and also to look further at the underlying implications.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
<ol style="list-style-type: none"> <li>That the requirement to identify, answer and consider underlying implications of important constitutional questions should be included within the guidance note being prepared by the Assistant Chief Executive for the Senior Leadership Team (SLT) and Service Managers.</li> <li>That the Corporate Governance Group recommends a process / procedure to ensure that constitutional questions are identified and dealt with.</li> </ol>	<p><b>1 &amp; 2 Completed.</b>  <b>A guidance note has been issued and training has been undertaken with report authors so that they are aware of the process.</b></p>	30 <sup>th</sup> June 2010	Assistant Chief Executive

<b>R7. Where decisions are made by committees or officers, ensure there is sufficient briefing of, and involvement from, the relevant Cabinet leads at appropriate stages.</b>			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
<ol style="list-style-type: none"> <li>This has been implemented.</li> <li>That the need for timely and sufficient briefing of Cabinet Leads (and Shadow Leads as appropriate), be included within the guidance note which is being prepared for the Senior Leadership Team and Service Managers.</li> </ol>	<p><b>1. Implemented</b>  <b>2. Completed.</b>  <b>A guidance note has been issued and training has been undertaken with report authors so that they are aware of the need for timely and sufficient briefing of Members as appropriate.</b></p>	Implemented 30 <sup>th</sup> June 2010	Assistant Chief Executive

<b>RECOMMENDATIONS</b>			
<b>Objectives and Option Appraisal</b>			
R8. Review the process for taking forward, and reporting back on, decisions made by committees to ensure agreed actions are delivered (or explanations provided as to why they are not).			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
<ol style="list-style-type: none"> <li>1. Implement a centralised log of decisions taken with mechanisms for recording and monitoring actions taken in accordance with those decisions.</li> <li>2. Devise a mechanism whereby Committees review progress of implementation of decisions which they have made.</li> </ol>	<p>1. The new committee administration system has been implemented but the module for logging and tracking decisions is not yet fully operational. Cabinet decisions are now logged via the system but require manual update to status. Other decisions are yet to be logged this way. The new system is only available via the intranet and it is proposed that it will be accessible via the intranet which will then enable officers to update progress on decisions. The delay has been caused because of reduced resources in the democratic services team and a phased approach to implementation of Modern.Gov, using internet capabilities first.</p> <p>2. Completed.</p> <p>A new report template has been devised which includes a section on how the recommendations will be monitored and reviewed. Training has been undertaken with report authors and the new template is to be used for the meetings in September onwards.</p>	30 <sup>th</sup> June 2010	Assistant Chief Executive

<b>RECOMMENDATIONS</b>		
<b>Objectives and Option Appraisal</b>		
R9. Ensure that all relevant options are assessed when considering crucial decisions.		
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>
<p>1. The assessment of all relevant options should be included within the reports placed before Committees and the corporate Committee report template should be revised to incorporate options evaluation.</p> <p>2. A process whereby the evaluation of options in respect of decisions taken under delegated powers should be devised and implemented.</p> <p>3. The requirements in respect of the drafting of reports and decisions made within delegated authority should be included within the guidance note which is being prepared for the Senior Leadership Team (SLT) and Service Managers.</p>	<p>1. Completed. A new report template has been devised which includes a specific section on the evaluation of all relevant options. Training has been undertaken with report authors and the new template is to be used for the meetings in September onwards</p> <p>2 &amp; 3. Completed. A guidance note has been issued and training has been undertaken with report authors so that they are aware of the process for the evaluation of options, drafting of reports and decisions to be made in respect of decisions taken under delegated powers.</p>	30 <sup>th</sup> June 2010
		Assistant Chief Executive
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<b>RECOMMENDATIONS</b>			
<b>Objectives and Option Appraisal</b>			
<p>R10. Options should be reassessed throughout decision processes. This includes revisiting the overall objective and ensuring that the strategy being followed remains appropriate for delivering the objective. The council needs to remain flexible, and be prepared to change objectives, options and decisions on a timely basis if information changes.</p>			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
<p>That the need to apply project management principles and to reassess risks during throughout a decision process should be included within the guidance note which is being prepared for the Senior Leadership Team (SLT) and Service Managers. The Project Management Principles should include defining at the outset, the period for reviewing the project, its purpose and objectives.</p>	<p><b>Completed.</b>                      SLT has received a presentation on projects and risks and criteria for managing projects is being developed. The risk assessment template has been updated and identifies the need to consider risks which may impact on the delivery of the strategic outcomes. The revised report template also includes a section on how decisions will be monitored and reviewed.</p>	<p>30<sup>th</sup> June 2010</p>	<p>Assistant Chief Executive</p>



<b>RECOMMENDATIONS</b>			
<b>Professional Advice</b>			
R11. The Council should, in all instances, take decisions based on a balanced range of success factors including service needs, legal issues, financial implications and risk. Decisions should be informed by appropriate risk scenarios or possible outcomes.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
<ol style="list-style-type: none"> <li>Revise the Council's standard report template to ensure that a balanced range of success factors, legal and financial implications and risks are required to be fully considered within each report to the Council and its Committees.</li> <li>Devise a procedure to ensure that the same range of factors as set out above are demonstrably considered in respect of crucial decisions taken under authority delegated to officers and implement the procedure.</li> </ol>	<ol style="list-style-type: none"> <li>Completed. A new report template has been devised which requires report owners to ensure that a balanced range of success factors, legal and financial implications and risks are fully considered within each report. Training has been undertaken with report authors and the new template is to be used for the meetings in September onwards</li> <li>Completed. The guidance note includes reminders to involve the appropriate officers when drafting reports, and covers delegated decisions. Training has been undertaken with report authors.</li> </ol>	30 <sup>th</sup> June 2010	Assistant Chief Executive
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<b>Recommended Action</b>			
R12. Before starting legal proceedings that are likely to incur significant costs, estimate the potential risks and costs and revisit this analysis throughout the process, and certainly whenever there is a sea change in the case.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
The action recommended is as set out above in R10 and R11.	Completed. See R10 and R11.	30 <sup>th</sup> June 2010	Assistant Chief Executive

<b>RECOMMENDATIONS</b>			
<b>Crucial Decision Points</b>			
R13. The Council should recognise that not taking an explicit decision (e.g. use of “The Committee notes”) can amount to a positive decision to continue with the existing course of action. In sensitive or important issues, officers should carefully draft recommendations so that it is clear what will happen as a result.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
<p>Include guidance to report authors to ensure careful drafting of recommendations to Committee and what Officers should seek from Members in considering those recommendations will be included in a guidance note to the Senior Leadership Team (SLT) and Service Managers.</p>	<p><b>Completed.</b> The guidance note has been issued and includes the need for clarity as to the recommendations and decisions required. Training has been undertaken with report authors</p>	<p>30<sup>th</sup> June 2010</p>	<p>Assistant Chief Executive</p>

<b>RECOMMENDATIONS</b>			
<b>Crucial Decision Points</b>			
R14. The Council should apply its usual governance processes to all decisions brought to Members, in whatever committee or forum, and explain the reason for any deviation from the processes.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
<p>1. Devise a process to ensure, through the Democratic Services, that all matters brought to members for a decision follows the usual governance processes, and to include specific provisions for the recording of any deviations from the standard process.</p> <p>2. That the process be incorporated within the guidance note which is being prepared for the Senior Leadership Team (SLT) and Service Managers.</p>	<p><b>1 &amp; 2 Completed.</b>  <b>The guidance note has been issued and makes it clear that the normal governance process must be followed when decisions are taken and any deviations documented. Training has been undertaken with report authors</b></p>	30 <sup>th</sup> June 2010	Assistant Chief Executive

<b>Involvement of Officers Corporately</b>			
R15. The Strategic Directors, Assistant Directors and Service Managers should immediately review all major service and corporate issues that they are individually dealing with, and check whether they are being managed properly and reported through the appropriate channels . There should be an on-going process to ensure that significant issues are escalated to the right people. (See also risk management below).			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
<p>Action has already been instigated by the Chief Executive for an immediate review of all major services and corporate issues being dealt with by Strategic Directors, Assistant Directors and Service Managers to ensure the proper management and reporting. The ongoing process will be reviewed regularly through both the internal audit as part of its audit plan and the corporate governance group. The Chief Executive has issued an email to Strategic Directors, Assistant Directors and Service Managers asking them to undertake the review.</p>	<p><b>Completed.</b>                      This has been implemented. SLT have received a presentation on projects and risks and criteria for managing projects is being developed. All ADs are producing service plans for their areas and as part of this process are looking at the way in which projects and programmes are being managed.                      SLT discuss risks on a regular basis and now have a section on their agenda which enables concerns to be raised.                      The project and programme guidance has been updated to ensure that it is clear how project risks can be escalated to either programme or corporate level.</p>	<p>Implemented with a Due Date of the 30<sup>th</sup> April 2010 for completion of the initial reviews</p>	<p>Chief Executive</p>

<b>RECOMMENDATIONS</b>			
<b>Risk Management</b>			
R16. Undertake mandatory risk management training to appropriate officers and Members. This should include Directors, Assistant Directors and Service Managers. The training should be specific to Cheltenham's own risk management process.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
<ol style="list-style-type: none"> <li>1. Consider the needs of Members and Officers for risk management training.</li> <li>2. Develop a training programme for Members and Officers.</li> <li>3. <b>Implement the training programme.</b></li> <li>4. That risk management training be a pre-requisite for Members who serve on the Audit Committee and the Treasury Management Panel.</li> </ol>	<p>1 and 2 are completed:  <b>Induction for new members for 2010 has taken place, with the six new member's allocated specific senior manager "buddies" to work with them over the next 6 months regarding orientation into the council and development needs. Needs are to be recorded by individuals on the learning gateway. From this, a learning plan will be developed. Similarly, those members of specific committees will need to log their learning needs and achievements on the learning gateway. A list has been drawn up of the training each member of each committee will be expected to undertake, reminders will be issued, and information checked. Risk management training approach for relevant officers has not yet been finalised as appraisals are currently underway that will determine training needs. E-learning modules will be developed for roll-out. Recruitment is underway to help delivery capacity in the team.</b></p> <p>Analysis of risk training requirements from appraisals is taking place, and the support to create e-learning modules is now in place and training in the module creation process is underway.</p> <p><b>3. Budgets reductions mean there is no funding for any external support in current year, and for 2011-12. The e-learning module is underdevelopment in-house. Capacity for this development is therefore limited due to competing</b></p>	<p>1 &amp; 2 - 30<sup>th</sup> September 2010</p> <p>3 &amp; 4 - October 2010 - March 2011</p>	AD Human Resources

	<p><b>priorities. Regarding Audit and Treasury management members, only one member has not yet had the risk management training; this is being addressed as an additional learning requirement. Target for completion of the e-learning risk module is end of December. It will be rolled out to ADs &amp; service managers between January and March 2011. Module will be rolled out to members and the remaining workforce by the end of September 2011.</b></p> <p><b>4. Completed.</b> All members will be automatically added to risk training via the cbc learning gateway.</p>		
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<b>RECOMMENDATIONS</b>			
<b>Risk Management</b>			
R17. Immediately review all risks on the corporate and service risk registers to ensure that they are complete, appropriate and that the descriptions and risk assessments continue to reflect the current state. Any high scoring service risks should be transferred to the corporate risk register where appropriate. The updated corporate risk register should be presented to Members for consideration.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
<p>1. The Corporate and Service Risk Registers have recently been reviewed by the Senior Leadership Team, Service Managers and the Corporate Governance Group.</p> <p>2. That the Corporate Risk Register is in future to be presented to the Audit Committee on a quarterly basis, commencing in June 2010.</p>	<p><b>Completed.</b>  SLT have reviewed the corporate risk register which was considered by Cabinet on 1 June.  The Corporate Risk Register is now a standing item on the SLT agenda.  The new service plan template includes a Divisional Risk Register and there is clarity that risks scoring more than 16 need to be brought to SLT for discussion and inclusion on the Corporate Risk Register.  The register was considered by the Audit Committee on 23 June.</p>	<p>Review of Corporate and Service Registers completed  June 2010</p>	<p>Assistant Chief Executive</p>

<b>RECOMMENDATIONS</b>			
<b>Project Management</b>			
R18. All legal case work should have a formally appointed Instructing Officer and a written scoping document. In practice, the Borough Solicitor or other members of the legal team should only be the Instructing Officer in rare circumstances. All legal actions and defences should continue to be channelled through the legal team.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
To be included in revised case management procedures.	Implemented.	Immediate	Borough Solicitor
R19. On any occasion where the Borough Solicitor is the Instructing Officer rather than acting on behalf of other service departments, the Council should consider the controls in place to ensure an appropriate corporate oversight is maintained.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
That the Chief Executive provide a corporate oversight should the circumstances arise in which the Borough Solicitor is the Instructing Officer.	Implemented.	Immediate	Chief Executive



<b>RECOMMENDATIONS</b>			
R20. The Council should review its scheme of delegation to consider at what level formal project management techniques should be employed. This does not necessarily apply only to capital programmes, IT development or major change projects – but could apply (as in this legal case) to revenue activities.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
<p>Directors and Assistant Directors to</p> <ol style="list-style-type: none"> <li>1. review which Officers within the organisation are responsible for implementation of projects requiring project management skills.</li> <li>2. identify whether those Officers require either project management training or dedicated project management support in order to effectively implement the project.</li> </ol>	<p>This is being achieved alongside the development of service plans for 2010-11, where specific “projects” are being identified, with the responsible senior officer for each project (or programme) clearly identified. Guidance as to what level of project needs what degree of formal project management input, based on an assessment of risk and opportunity, is being developed to better enable an informed match of project management skills to size of project. A survey of Officers with current project management training and qualifications is also underway.</p> <p>Analysis of existing training records has been completed, However, project management training is not corporately funded, so the work is underway to create a more comprehensive list from service specific training records. A proposal for addressing skills gaps is being drafted. This will take into consideration the lack of funding available for externally provided training.</p> <p>1&amp;2 A framework for categorisation of projects and the level of project management support has been agreed by SLT. In line with budget cuts, skills gaps for managers will be addressed by completion of the project management e-learning module and use of experienced project managers as coaches. The project management group will continue to assist all those involved in managing projects, ensuring that project management is pitched at the right level for the complexity of each project. A summary report has been prepared for Senior Leadership Team.</p>	30 <sup>th</sup> September 2010	Assistant Director of Human Resources

R21. The Council should review the project management skills base within its workforce, and seek to train more people if necessary, or to find ways of sharing the resource among different projects.			
Recommended Action	Progress report	Due Date	Lead officer
<ol style="list-style-type: none"> <li>1. Draw up a list of those officers with project management qualifications.</li> <li>2. Prepare a report on the project management resource available to specifically include details of external spend.</li> <li>3. Prepare a forward plan as to how the project management skills will be utilised.</li> <li>4. Identify whether there are any deficiencies in project management resource.</li> <li>5. Report on proposals as to how any deficiencies may be addressed.</li> </ol>	<p><b>1. Completed.</b></p> <p><b>2 &amp; 3 Completed – survey of project management resource has been completed including the external support. All future requests are to be considered in line with “nil recruitment” position and budget restraints on business case basis. Project management capacity is now being reviewed on a continuing basis as part of the “resource management” at Commissioning Programme Board.</b></p> <p><b>4 &amp; 5. In line with budget cuts, skills gaps for managers will be addressed by completion of the project management e-learning module and use of experienced project managers as coaches.</b></p> <p><b>The project management group will continue to assist all those involved in managing projects, ensuring that project management is pitched at the right level for the complexity of each project. A summary report has been prepared for Senior Leadership Team.</b></p>	<ol style="list-style-type: none"> <li>1. 30<sup>th</sup> June 2010</li> <li>2. 30<sup>th</sup> September 2010</li> <li>3. 31<sup>st</sup> December 2010</li> <li>4. 30<sup>th</sup> September 2010</li> <li>5. 31<sup>st</sup> January 2011</li> </ol>	<p>Assistant Director of Human Resources / Assistant Director Customer Access and Service Transformation</p> <p style="text-align: right;">Page 78</p>

<b>RECOMMENDATIONS</b>			
R22. Significant legal casework should be supported by a budget and monitored accordingly. If further budget provision then becomes necessary, this should be considered through established virement processes.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
<p>1. Implementation of recommended actions specified in recommendations 10, 11 and 12 above.</p> <p>2. That a requirement that the financial implications of any significant legal casework which is proposed to be commenced should be fully assessed, that any financial restrictions on the exercise of authority complied with and that the necessary budget is available to be included in the guidance note which is being prepared for the Senior Leadership Team (SLT) and Service Managers.</p> <p>3. Implementation of recommendations 11 &amp; 12 will ensure that the financial implications are reviewed in accordance with sound project and risk management principles.</p>	<p>1, 2 and 3 Completed.</p> <p>Recommendations 10, 11 and 12 have been implemented and therefore have addressed the actions required. The guidance note has been issued and together with the revisions to the standard report template, ensures that the financial and budgetary implications are fully assessed when decisions are taken.</p>	<p>30<sup>th</sup> June 2010</p>	<p>Assistant Chief Executive</p>

<b>RECOMMENDATIONS</b>			
<b>Pre-Meeting Briefings</b>			
R23. Ensure Chairs and Vice Chairs of committee meetings are always briefed sufficiently on crucial matters such as those concerning significant legal cases, to allow them to manage the debate at committee and facilitate appropriate challenge by Members.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
<ol style="list-style-type: none"> <li>1. Already implemented.</li> <li>2. Procedures for ensuring that Chairs and Vice-Chairs of Committee meetings are sufficiently briefed on crucial matters to be set out in the guidance note which is being prepared for the Senior Leadership Team (SLT) and Service Managers.</li> </ol>	<ol style="list-style-type: none"> <li>1. Implemented.</li> <li>2. Completed - chair's briefings do take place and democratic services are present. The guidance note includes reference to the need to ensure that chairs are fully briefed and training has been undertaken with report authors</li> </ol>	Immediate  30 <sup>th</sup> June 2010	Assistant Chief Executive

<b>Format of Member Reporting</b>			
R24. Ensure that written reports to committee meetings are clear on what decision is required of Members. Noting update briefings may often be appropriate but where decisions are required, or officers are seeking endorsement or support for decisions, specific recommendations should be made.			
<b>Recommended Action</b>	<b>Progress report</b>	<b>Due Date</b>	<b>Lead officer</b>
That the requirement for clarity as to the decision being sought from a Committee or Council be included within the guidance note being prepared for the Senior Leadership Team (SLT) and Service Managers.	Completed. SLT is already ensuring that there is clarity on recommendations and the guidance note reinforces this requirement for clarity.	30 <sup>th</sup> June 2010	Assistant Chief Executive

<b>RECOMMENDATIONS</b>		
R25. Exempt minutes must record the names of those attending the meeting and include sufficient detail to record discussions and decisions fully.		
<b>Recommended Action</b>	<b>Progress report</b>	<b>Lead officer</b>
Ensure that all exempt minutes record the names of those attending the meeting and include sufficient discussion to enable full understanding of the decision and the reason for it.	Implemented.	Assistant Chief Executive

R26. Develop guidance on the circumstances when it may be appropriate to record the number of people voting for, against and abstaining. This might apply in sensitive matters, and exempt proceedings might be expected to be sensitive.		
<b>Recommended Action</b>	<b>Progress report</b>	<b>Lead officer</b>
As part of the review of the Constitution, develop guidance on the circumstances in which it might be appropriate to record the names of those Members voting for, against or abstaining from the decision on any item of business.	Completed. On 13 <sup>th</sup> December 2010, the Council approved revisions to its Constitution which include amendments to the Rules of Procedure to require that, except where decisions are taken by affirmation, the numbers of votes for, against or abstaining, shall be recorded in the minutes of the meeting.	Borough Solicitor

## Part B - ACTION PLAN - IMPLEMENTATION OF REVIEW WORKING GROUP RECOMMENDATIONS

RECOMMENDATIONS			Due Date	Lead Officer
<b>A. Recommended changes to Council's pre-appointment processes</b>				
<u>Recommendation 1</u> That the Council adopts a Recruitment Protocol for Chief Officers to include the Councils intentions as to how it will:- <ul style="list-style-type: none"> <li>• Manage the recruitment process for Chief Officer / Statutory Officers and in particular               <ul style="list-style-type: none"> <li>○ Whether external agencies will be engaged to manage the recruitment process</li> <li>○ How advertising for the vacancy will take place</li> <li>○ How the feedback to successful and unsuccessful candidates (both internal and external) will take place</li> <li>○ Guidelines for making conditional offers of employment</li> <li>○ Timescale for making written offer of employment</li> <li>○ Timescale for issue of contract of employment</li> </ul> </li> <li>• Include in the final selection process significant Councilor involvement as well as involvement from partners and employees</li> <li>• The process which will be undertaken to obtain medical clearance for the employment of the successful candidate</li> <li>• Induction processes as appropriate to a senior position</li> </ul>	30 <sup>th</sup> September 2010	Assistant Director Human Resources		
<b>Recommended Action</b> Introduce a Cheltenham Borough Council Recruitment Protocol.	<b>Progress report</b> Completed. Best practice in recruitment research has been introduced, including engagement, timing, process, stakeholder engagement, timing, competency basis. A report with the findings and recommendations was presented to and agreed by Staff and Support Services Committee on 29 <sup>th</sup> July 2010.			

<p><u>Recommendation 2</u> The Council includes, as part of the recruitment process for Chief Officers / Statutory Officers / Assistant Directors, a requirement for the candidates for the post to undertake relevant job related competency based person profiling (e.g. leadership / personality profiling)</p>			
<p><b>Recommended Action</b></p>	<p><b>Progress report</b></p>	<p><b>Due Date</b></p>	<p><b>Lead Officer</b></p>
<p>Devise a competency based recruitment process for the Council's senior appointments.</p>	<p>Completed. As 1 above.</p>	<p>30<sup>th</sup> September 2010</p>	<p>Assistant Director Human Resources</p>
<p><u>Recommendation 3</u> When commencing a recruitment process for a Chief Officer / Statutory Officer, careful consideration should be given to the timing of the process and the date for the Council meeting to make the appointment to avoid dates where there are likely to be significant member absences due to holiday (e.g. avoid Christmas / New Year period).</p>			
<p><b>Recommended Action</b></p>	<p><b>Progress report</b></p>	<p><b>Due Date</b></p>	<p><b>Lead Officer</b></p>
<p>Ensure that the timing of any recruitment process for posts which require to be appointed by the Council take into account statutory holiday periods.</p>	<p>Completed.</p>	<p>Immediate</p>	<p>Assistant Director Human Resources</p>
<p><b>B. Recommended changes to Council's appointment processes</b></p>			
<p><u>Recommendation 4</u> That the Council sets up an Appointments Committee to make recommendations to the Council on appointments to posts which are required to be made by the Council with Terms of Reference which include recommending a preferred candidate to Council for approval following a full interview and assessment process being carried out by the Appointments Committee.</p>			
<p><b>Recommended Action</b></p>	<p><b>Progress report</b></p>	<p><b>Due Date</b></p>	<p><b>Lead Officer</b></p>
<p>Report on this recommendation to be prepared for consideration by the Staff and Support Services Committee</p>	<p>Completed. On 13<sup>th</sup> December 2010, the Council approved revisions to its Constitution which include the establishment of an Appointments Committee.</p>	<p>30<sup>th</sup> September 2010</p>	<p>Assistant Director Human Resources</p>

<p><u>Recommendation 5</u> That the Council amends the Council Rules of Procedure to require that the appointment of any Statutory Officer (Head of Paid Service, Section 151 Officer and Monitoring Officer) should be approved by 2/3rds of the Members who are present at the meeting and voting.</p>			
<p><b>Recommended Action</b></p>	<p><b>Progress report</b></p>	<p><b>Due Date</b></p>	<p><b>Lead Officer</b></p>
<p>Report on this recommendation to be prepared for consideration by the Staff and Support Services Committee</p>	<p>Completed. On 13<sup>th</sup> December 2010, the Council approved revisions to its Constitution which include amendments to the Rules of Procedure on voting to reflect this recommendation.</p>	<p>30<sup>th</sup> September 2010</p>	<p>Assistant Director Human Resources / Borough Solicitor</p>
<p><u>Recommendation 6</u> That the Council sets a target of 28 days, from the date of the acceptance by the employee of the offer of employment, for the issue of an employee's Statement of Particulars of Employment.</p>			
<p><b>Recommended Action</b></p>	<p><b>Progress report</b></p>	<p><b>Due Date</b></p>	<p><b>Lead Officer</b></p>
<p>Issue Statements of Particulars of Employment to new employees within a target of 28 days from acceptance by the employee of the Council's offer of employment.</p>	<p>Completed.</p>	<p>Immediate</p>	<p>Assistant Director Human Resources</p>
<p><u>Recommendation 7</u> That the Council's appointment / recruitment / absence management and dispute resolutions policies be reviewed regularly to ensure that they continue to be up to date, robust and fit for purpose.</p>			
<p><b>Recommended Action</b></p>	<p><b>Progress report</b></p>	<p><b>Due Date</b></p>	<p><b>Lead Officer</b></p>
<p>Include within the Human Resources Policy Review Timetable the regular review of the Council's appointment, recruitment, absence management and dispute resolution policies to ensure that they continue to be up to date, robust and fit for purpose.</p>	<p>Completed. The timetable for review of key policies has been reviewed and key policies due for review included in Corporate Governance arrangements with timescale for review (e.g. Whistleblowing, Code of Conduct due for review 2010-11).</p>	<p>30<sup>th</sup> April 2010</p>	<p>Assistant Director Human Resources</p>



**C. Recommended changes to Council's procedures to ensure that disputes are resolved efficiently and effectively**

**Recommendation 8**

That the Council reviews the membership and functions of the JNC Disciplinary Committee to ensure that they are consistent with the guidance in the 2009 version of the JNC for Local Authority Chief Executives (National Salary Framework and Conditions of Service).

**Recommended Action**

Include, within the report of the review of the Council's Constitution, recommended revisions to the membership and functions of the JNC Disciplinary Committee to reflect the 2009 version of the JNC for Local Authority Chief Executives (National Salary Framework and Conditions of Service).

**Progress report**

Completed.  
On 13<sup>th</sup> December 2010, the Council approved revisions to its Constitution which include amendments to the JNC Disciplinary Committee and the introduction of a JNC Appeals Committee which address this recommendation.

**Due Date**

30<sup>th</sup> September 2010

**Lead Officer**

Borough Solicitor

**Recommendation 9**

That the Council explores the possibility and appropriateness of incorporating within the conditions of contract of Officers, an ongoing requirement for the Council (by instructing an occupational health practitioner) to have access to medical records, subject to safeguards and clarity as to what event would trigger that consent being used and subject also to legislation relating to disclosure of medical records.

**Recommended Action**

Consider whether the Council is permitted, within the relevant employment and access to medical records legislation, to seek ongoing access to medical records from employees and, if this is permissible, to implement the necessary changes.

**Progress report**

Completed.  
Advice has been received from IMASS, the new Occupational Health provider, that such a requirement would be contrary to medical practitioner guidance and data protection legislation.

**Due Date**

30<sup>th</sup> September 2010

**Lead Officer**

Assistant Director  
Human Resources

<p><u>Recommendation 10</u> That the Council introduces a procedure whereby nominated Officers deputise for Chief Officers / Statutory Officers during any extended absence e.g. sickness, and are given full authority to act in that capacity.</p>			
<p><b>Recommended Action</b></p> <p>Introduce a formal procedure for the nomination of deputies to act for Chief and Statutory Officers during any extended absence and measures to ensure that the deputies are provided with the necessary authority to act in that capacity.</p>	<p><b>Progress report</b></p> <p>Nominated deputies are in place for the Chief Executive, s151 Officer and the Monitoring Officer. <b>Regarding the necessary authority to act in the event of extended absence, this will be picked up as part of the comprehensive review of the Constitution (see R1 above).</b></p>	<p><b>Due Date</b></p> <p>30<sup>th</sup> September 2010</p>	<p><b>Lead Officer</b></p> <p>Borough Solicitor /Assistant Director Human Resources</p>
<p><u>Recommendation 11</u> That the Council amends its guidance on managing sickness absence, to ensure that:</p> <ol style="list-style-type: none"> <li>1. employees who are certified as being unfit for work are clear about the circumstances and purposes for which they can attend the workplace</li> <li>2. guidance is in place to ensure that employees who are certified as being unfit for work do not issue inappropriate instructions or requests to other employees and the guidance should be such that employees who receive inappropriate instructions or requests are clear that they are able to refer these to their manager</li> <li>3. the Council include in its guidance on managing absence, nominated post(s) with responsibility for managing any absence of the Chief Executive/Head of paid Service.</li> </ol>			
<p><b>Recommended Action</b></p> <p>Introduce amendments to the Council's guidance on managing sickness to satisfy items 1-3 of the recommendation.</p>	<p><b>Progress report</b></p> <p>Completed.</p>	<p><b>Due Date</b></p> <p>30<sup>th</sup> September 2010</p>	<p><b>Lead Officer</b></p> <p>Assistant Director Human Resources</p>

<p><u>Recommendation 12</u> That the Council makes an appropriate amendment to the Employees Code of Conduct to ensure that Officers who have an interest in any matter which would, in the case of any Member of the Council, amount to a "prejudicial interest", should not participate in or seek to influence the outcome of that matter.</p>			
<p><b>Recommended Action</b></p>	<p><b>Progress report</b></p>	<p><b>Due Date</b></p>	<p><b>Lead Officer</b></p>
<p>Prepare a report for the Standards Committee/Council to suggest revisions to the Employees Code of Conduct to clarify the requirements regarding personal interests, as identified in the recommendation.,</p>	<p>The Standards Committee has included the review of the Employees Code of Conduct within its current workplan. A revised draft of the Employee Code of Conduct has been drawn up and will now be the subject of consultation for approval by the Council in 2011.</p>	<p>31<sup>st</sup> December 2010</p>	<p>Borough Solicitor / Assistant Director Human Resources</p>
<p><u>Recommendation 13</u> That the Standards Committee be asked to undertake a review of the Protocol for Member / Officer Relations to ensure that it reflects best practice.</p>			
<p><b>Recommended Action</b></p>	<p><b>Progress report</b></p>	<p><b>Due Date</b></p>	<p><b>Lead Officer</b></p>
<p>Request the Standards Committee to review the Protocol for Member / Officer relations as specified in the recommendation.</p>	<p>Completed. A revised protocol for Member/Officer Relations was approved by the Council on 13<sup>th</sup> December 2010.</p>	<p>30<sup>th</sup> September 2010</p>	<p>Borough Solicitor</p>

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**Action Plan to implement  
KPMG and Review Working Group Recommendations  
Risk template**

**Appendix 2**

Risk ref.	The risk			Original risk score (impact x likelihood)			Managing risk				
	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
CR1	If the council does not implement the recommendations and action plan arising from the public interest report and working group report and put in place preventative measures based on lessons learnt then there is a potential local and national reputation risk and potential adverse audit assessment.	Chief Executive Andrew North	10th March 2010	3	2	6	Reduce	All recommendations agreed by council.  Action plan has been developed following discussions with officers and has been incorporated within the council's corporate strategy and will be reported through the corporate performance management system. Monitoring of the action plan is to be undertaken by	Deadlines as per the action plan. First monitoring report June 2010. Audit committee September 2010, January and March 2011	Assistant Chief Executive Jane Griffiths	Third monitoring report has been drafted for audit committee and actions are on track for completion. Internal audit have undertaken a review of the action plan.  <b>Suggest that this risk is closed following the final update report to audit committee on the 23rd</b>

CR2	If councillors and officers do not "draw a line" under the review and move forward as recommended by both the judge and KPMG there is a reputation risk, as well as a risk that further resource both financially and time could be incurred	Chief Executive Andrew North	10 March 2010	3	3	9	reduce	<p>the audit committee on a quarterly basis. Internal audit have set time aside in their audit plan.</p> <p>KPMG will review progress as part of the annual audit of accounts.</p> <p>CEX has discussed the matter with the group leaders. Clear action plan developed on lessons learnt. Letter of apology signed by CEX and Group leaders.</p> <p>CEX to discuss with group leaders should any further issues arise.</p>	May 2010	Chief Executive Andrew North	<p>Corporate Risk Register. It would appear that councillors have responded constructively in learning lessons from the review without blame. However, points of tension may still arise and continued vigilance is required.</p>
March 2011.											

Types of risks could include the following:

- Potential reputation risks from the decision in terms of bad publicity, impact on the community or on partners;
- Financial risks associated with the decision;
- Political risks that the decision might not have cross-party support;
- Environmental risks associated with the decision;
- Potential adverse equality impacts from the decision;
- Capacity risks in terms of the ability of the organisation to ensure the effective delivery of the decision
- Legal risks arising from the decision

Remember to highlight risks which may impact on the strategy and actions which are being followed to deliver the objectives, so that members can identify the need to review objectives, options and decisions on a timely basis should these risks arise.

**Risk ref**

If the risk is already recorded, note either the corporate risk register or TEN reference

**Risk Description**

Please use “If xx happens then xx will be the consequence” (cause and effect). For example “If the council’s business continuity planning does not deliver effective responses to the predicted flu pandemic then council services will be significantly impacted.”

**Risk owner**

Please identify the lead officer who has identified the risk and will be responsible for it.

**Risk score**

Impact on a scale from 1 to 4 multiplied by likelihood on a scale from 1 to 6. Please see [risk scorecard](#) for more information on how to score a risk

**Control**

Either: Reduce / Accept / Transfer to 3rd party / Close

**Action**

There are usually things the council can do to reduce either the likelihood or impact of the risk. Controls may already be in place, such as budget monitoring or new controls or actions may also be needed.

**Responsible officer**

Please identify the lead officer who will be responsible for the action to control the risk. For further guidance, please refer to the [risk management policy](#)

**Transferred to risk register**

Please ensure that the risk is transferred to a live risk register. This could be a team, divisional or corporate risk register depending on the nature of the risk and what level of objective it is impacting on.



## Cheltenham Borough Council

### Audit Committee – 12<sup>th</sup> January 2011

#### Internal Audit Monitoring Report

<b>Accountable member</b>	<b>Cabinet member corporate services - Councillor Colin Hay</b>
<b>Accountable officer</b>	<b>Audit Partnership Manager – Robert Milford</b>
<b>Accountable scrutiny committee</b>	<b>Economy and business improvement</b>
<b>Ward(s) affected</b>	<b>All</b>

<b>Executive summary</b>	<p>The council must ensure that it has sound systems of internal control that facilitate the effective management of all the council's functions. The work delivered by Audit Cotswolds, the council's internal audit service, is one of the control assurance sources available to the Audit Committee, the Senior Leadership Team and supports the work of the external auditor.</p> <p>The Annual Internal Audit Opinion presented to Audit Committee provides an overall assurance opinion at the end of the financial year. This Internal Audit Monitoring Report however is designed to give the Audit Committee the opportunity to comment on the work completed by the partnership and provide 'through the year' comment and assurances on the control environment.</p>
<b>Recommendations</b>	<b>The Audit Committee considers the report and makes comment on its content as necessary</b>

<b>Financial implications</b>	<p>There are no financial implications arising from this report.</p> <p><b>Contact officer: Mark Sheldon, Chief Finance Officer</b>  <b>mark.sheldon@cheltenham.gov.uk,</b>  <b>01242 264123</b></p>
<b>Legal implications</b>	<p>None specific arising from the report recommendation.</p> <p><b>Contact officer: Peter Lewis, peter.lewis@teWKesbury.gov.uk, 01684 272012</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>No additional HR implications arising from this report.</p> <p><b>Contact officer: Julie McCarthy, HR Operations Manager</b>  <b>julie.mccarthy@cheltenham.gov.uk,</b>  <b>01242 26 4355</b></p>
<b>Key risks</b>	<p>That weaknesses in the control framework, identified by the audit activity, continue to threaten organisational objectives, if recommendations are not implemented.</p>

<b>Corporate and community plan Implications</b>	
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## 1. Background

- 1.1 The Annual Audit Plan was aligned with the corporate and service risks facing the Council as identified in consultation with the Senior Leadership Team and supported by such systems as the risk registers. At the time of preparing the 2010/11 plan, the Councils Corporate Strategy 2010-2015 was being compiled and, as internal audit is there to help the organisation to achieve objectives, part of the plan has been aligned to elements of this strategy. However, to inform the audit plan we have also reviewed other key documents, such as the recently prepared Medium Term Financial Strategy, change programme agendas and updates to the business plan, many of which contain risk assessments.
- 1.2 There is also a requirement to support the work of the External Auditor (KPMG). This is in the form of financial audits governed by the Joint Working Agreement, and the governance audits to support such activities as Use of Resources.
- 1.3 The audit plan also considered risks that may evolve during the year. The consultation process has sought to identify these areas considering where internal audit could support and add value to the risk control process. This report identifies work we have completed in relation to the planned audit work.

## 2. Reasons for recommendations

- 2.1 The environment in which Cheltenham BC and other Local Authorities now operates has presented significant drivers for change. The continual effort to meet the organisational objectives within a constrained budget has resulted in core systems coming under review for change e.g. the GO Programme impacting on core financial systems, Shared Services impacting on core governance arrangements, etc.
- 2.2 Therefore Internal Audit needs to be responding to the changing environment and the areas where the organisation now requires assurances. This prompts the requirement to move to a more flexible and risk based plan. It is anticipated that the 2011/12 plan will include a new risk based element that allows for far more flexibility and responsiveness for the internal audit service than previously considered.
- 2.3 It should also be recognised that the service is now a three-way partnership so coordinating resources across multiple organisations is critical to the success of the partnership.
- 2.4 This report highlights the work completed by internal audit and provides comment on the assurances provided by this work.

## 3. Internal Audit Output

- 3.1 The internal audit service commenced the quarter with full resources as operated under the Cheltenham & Cotswold Audit Partnership. Moreover, the partnership expanded to include West Oxfordshire with effect from the 1<sup>st</sup> November 2010. The partnership is now called Audit Cotswolds.

3.2 Internal Audit has concluded the following audits in the quarter:

<b>Audit</b>	<b>Report status</b>	<b>Assurance</b>
Environmental and Sustainability Management Audit*	Final	Satisfactory
Performance Management	Final	Satisfactory
Procurement	Final	Satisfactory
Core Financial Audit – interim systems evaluation	Final	High
Cemetery & Crematorium	Final	Satisfactory
KPMG Public Interest Report follow-up recommendations	Final	Satisfactory
Depot Rationalisation	Final	N/A

3.3 Further detail specific to each audit finalised is shown in **Appendix 1**.

**\*The environmental audit is to be discussed with the Audit Committee in more detail following this report.**

3.4 Audit Cotswolds has also undertaken the following:

- Audit support for the GO-Programme (see section 4 below)
- Business Continuity Planning – Health Check
- Debtors/Creditors for West Oxfordshire
- Cheltenham Borough Homes – client (audit days delivered)
- Audit support for the Commissioning Programme
- Audit Support for the other key Change Programmes

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- 3.5 Internal Audit was required to conduct two investigations that were triggered in the latter part of 2009/10. These have used considerable audit resources and as such two areas of planned activity have been deferred – Corporate/Service Delivery Planning and Governance Compliance. Any details relating to the investigations will be provided to the Audit Committee when it is appropriate to do so.

### 4. Possible changes to the Annual Audit Plan & Resources

- 4.1 There are no additional changes to report to the Audit Committee following the last meeting and the agreement to continue to provide assurances for the GO Programme.
- 4.2 The partnership has now expanded to include West Oxfordshire, with effect from the 1<sup>st</sup> November 2010. This has brought new skills into the team and improved resilience. This has been demonstrated by the ability of the team to manage a maternity absence with no additional staffing.

### 5. Conclusion

- 5.1 Audit Cotswolds has been established, with effect from 1<sup>st</sup> November 2010, as a three-way audit partnership.

**Report author:** Robert Milford, Audit Partnership Manager, 01242 7264115,  
Robert.milford@cheltenham.gov.uk

**Appendices : 1. Internal Audit Monitoring Report**

**Background information**



**Appendix 1**

**Internal Audit Monitoring Report ~ Detail**

<b>Audit</b>		<b>Assurance</b>
<b>Environmental and Sustainability Management</b>		<b>Satisfactory</b>
<p><b>Objective</b></p> <p>This first audit review of environmental and sustainability management was prompted by an initial request from the Audit Committee for assurance on the council's management of its own environmental impact and sustainability objectives. It is important to note that sustainability is an integral part of each of the Council's main objectives, as stated in the Corporate Strategy, and is broader than environmental protection and climate change adaptation.</p> <p>To carry out this review we have asked the question, "what is practicable and achievable given real resource constraints, competing demands and current expectations"? Delivering sustainability involves the whole council but in reality attention is focused on the responsibilities of a few. Most of the key officers are members of the officer led internal Carbon Reduction Group. The council also facilitates the LSP Low Carbon Partnership with members from the private, voluntary and public sectors.</p> <p>At the heart of progress is partnership working; minimising inputs through economies of scale and controlling outputs and impacts across a wider range of activity. The main driver for most public sector organisations now is savings. Initiatives to achieve savings and protect core services should also be sustainable, both financially and in the broader sense. This is being tested as we speak by the proposed transition of the Council to become a Commissioning Authority, rather than assuming direct service provision. Our review will take account of a Commissioning approach, as well as recent messages from central government on the expectations for sustainability and tackling climate change.</p>	<p><b>Result</b></p> <p>The Council has a proactive and well informed approach to managing its environmental and sustainability objectives. Most success has been achieved at operational level; increasing recycling rates for the borough, reducing internal electricity consumption and introducing sustainable maintenance of parks and open spaces. Given these successes and the continuing drive for efficiency and sustainable solutions it makes sense to embed sustainable thinking at service level. This can be done by including responsibility for sustainability in job descriptions, appraisal processes and putting sustainable criteria at the centre of commissioning decisions and contract management.</p> <p>Higher level and broader strategies, such as the Climate Change Strategy and Green Space Strategy represent important statements which commit the council to pursuing sustainability objectives. At the time they were written they were a significant catalyst for innovation, but are now proving less successful at driving improvements at service level; either because they do not have identifiable benefits which can be tracked or monitored, the pace of change, new technology and national and international commitments have overtaken original plans or the current spending cuts have forced reprioritisation at local level.</p> <p>Despite this, the council is in a good position to maintain and improve on successes to date. Commissioning in particular is a huge opportunity to set consistent and good practise standards for developing sustainable solutions to deliver services.</p>	

Performance Management	Satisfactory
<p><b>Objective</b></p> <p>The objective of the audit was to carryout an overview of the performance reporting arrangements and to assess the data quality controls in place for the generation and then reporting of performance information; to include performance indicators and planned outcomes to ensure:</p> <ul style="list-style-type: none"> <li>• The accuracy of data is sufficient for its intended purpose</li> <li>• The validity of data is sufficient to ensure compliance with relevant requirements including the correct application of any rules and definitions</li> <li>• The data is reliable in order to report a stable and consistent result that reflects real changes rather than variations in data collection</li> <li>• The data is collected in a timely manner and reported within a reasonable time frame</li> <li>• The data collected is relevant for the purposes for which it is used</li> <li>• The data collected is complete for a specified requirement</li> </ul> <p>Follow-up:</p> <ul style="list-style-type: none"> <li>• That recommendations agreed with management from the previous audit have been implemented</li> </ul> <p><b>NOTE:</b></p> <p>Since the completion of the field work for this audit review we are aware of the changes to national performance reporting being implemented by the coalition government; the sweeping away of the national performance indication framework. As a result greater emphasis will be placed on the development of local indications that reflect the measurement of the services delivery based on outcomes</p>	<p><b>Result</b></p> <p>The primary risk identified is that procedures for compilation of the indicators do not clearly allow for verification on the accuracy of the data provided. Internal Audit understands that reliance is placed on the Service Manager to ensure the figures reported are correct. However Internal Audit testing identified that 4 out of the 12 indicators sampled could not be re-performed to the reported figures. The reasons for the variances are as follows:</p> <ul style="list-style-type: none"> <li>• 2 of the reported figures were incorrect due to poor data quality in terms of accuracy and reliability (CAST16 and WC14)</li> <li>• 1 was due to third party interpretation of CBC data and therefore out of CBC control (NI195a-d)</li> <li>• 1 was not completed due to uncertainty around its compilation (NI159)</li> </ul> <p>The fundamental control, that of internal check, which should ensure the accuracy of the performance indicator report; this did not occur hence the variances identified for PI CAST16 &amp; WC14. For some areas tested where the data and the indicator calculation was correct, internal check had not operated and therefore had an error occurred this may not have been detected.</p> <p><b>Management Response</b></p> <p>We welcome Internal Audit's views on the ways in which the council collects and reports on performance indicators.</p> <p>We acknowledge that there are issues with sign-off processes and we will explore this with the Hi-Tec who manage the TEN software.</p> <p>However, in a way, this report is already out of date due to:</p> <ul style="list-style-type: none"> <li>• The introduction of the council's new TEN system which has simplified our approach to collecting and reporting information.</li> <li>• The new coalition government's announcement to remove statutory reporting on the national indicator set.</li> </ul>



meeting local need.

As their new outcome based target achievement and indicators are developed it will be important that internal audit has opportunity to review aim, measurement, definition, data availability gathering and analysis and the calculation, monitoring and reporting arrangements.

The latter announcement in particular now gives us a relative free rein to use/devise meaningful indicators that are easy and cheap to collect. It is likely that the council will stop using 5-6 of the indicators you looked at due to the complexity of collecting the data.

This work has already started and a report on this will go to SLT on 9 Nov with a view to having new indicators in place for the 2011-12 corporate strategy.

**Internal Audit Comment**

We accept management's response and agree that the demise of the national indicator set has resulted in changes in the way the council reports its performance externally. However the issues highlighted in terms of data quality and monitoring performance are valid and important points to take forward. Most significantly, the council is proposing to establish itself as a strategic commissioning authority. Much more reliance will be placed on robust performance data to support sound decision making about how services will be provided. Therefore new local indicators will need to ensure that they are fit for purpose, accurate and reliable. It should be the responsibility of the current service provider to produce the data to required data quality standards and for strategic commissioners and their support teams to use the data effectively to make decisions and monitor outcomes. This will be the focus of future audit work....

In terms of addressing the recommendations in the action plan, there may be an opportunity to incorporate these as specifics within the annual assurance statement so that data quality and performance management is an integral part of the process.

Procurement	Satisfactory
<p><b>Objective</b></p> <p>The objective of the audit was to assess controls in place for Procurement to ensure:</p> <ul style="list-style-type: none"> <li>• The adequacy and effectiveness of internal controls operating in respect of Procurement;</li> <li>• that the processes met the requirements of internal policy, procedural standards and targets; and</li> <li>• that the processes met external codes of practice, professional good practice and statutory regulations as applicable.</li> </ul> <p><b>Management Response</b></p> <p>All recommendations accepted and agreed</p>	<p><b>Results</b></p> <p>Officers responsible for purchasing across the Council are not aware of Procurement team activity (i.e. setting up corporate contracts). As a result, the Procurement team is not being kept informed of relevant procurement activity across the Council. For example, the Public Protection team have just purchased new uniforms, while the Procurement Manager is in the process of placing a corporate contract for uniforms. If the Procurement Manager had been aware of the Public Protection team's need for uniforms, their requirements could have been included in the specification for the contract, and it might have saved the Council some money. If the Procurement team is not made aware of procurement activity across the Council, the full benefits of category management will not be realised.</p> <p>Contract monitoring is the responsibility of contract owners; guidance is provided by the Procurement team and via the intranet. However, it appears to be conducted on an informal basis (for example, the catering contract for the Town Hall and Pump Rooms, and the Leisure@gym replacement contract). If contract monitoring and performance management became more formalised and were conducted more thoroughly, it could help the Council identify areas where further savings could be achieved.</p> <p>In some instances, Terms and Conditions for contracts under £10,000 are not being attached to Purchase Orders and sent to suppliers. This leaves the Council in a weakened position when challenging suppliers if the goods/services provided do not meet the Council's requirements.</p> <p>There are discrepancies between budget figures produced by the Finance team and actual spend figures (based on figures from suppliers) produced by the Procurement team. Procurement and Finance teams should continue to work together to ensure all spending is captured, and prevent unrealistic savings targets being set.</p> <p>The Procurement team will be key to the Commissioning project; this is likely to stretch their resources and could have an impact on the team's ability to achieve savings targets placed on them.</p>

<b>Core Financial Audit – interim systems evaluation</b>		<b>High</b>
<p><b>Objective</b></p> <p>The objective of the audit was to undertake an initial review of core financial systems:</p> <ul style="list-style-type: none"> <li>• Treasury Management</li> <li>• Main Accounting System</li> <li>• Bank Reconciliation</li> <li>• Capital Accounting</li> </ul>	<p><b>Results</b></p> <p><i>Main Accounting System</i></p> <ul style="list-style-type: none"> <li>• Action yet to be taken following recommendation from the previous audit: evidence of an accountancy check of new users and access permissions on the system. This was due to coincide with the planned implementation of ERP in April 2011, which has now been put back to April 2012. A decision should be made as to whether the check of new users and access permissions can wait until the implementation of ERP, or should be brought in now.</li> </ul> <p><i>Bank Reconciliation</i></p> <ul style="list-style-type: none"> <li>• The bank reconciliation is currently being completed 2 months after the end of the relevant accounting period (i.e. the reconciliation for June was completed at the end of August). Plans are in place to speed this process up by at least a month.</li> <li>• The bank reconciliation is a key financial control yet no reference is made to it in the Financial Rules. Consider adding a section on the bank reconciliation to the Rules, including how often it should be completed, how promptly it should be done and who should sign-off. The process should become more automated with the implementation of ERP, which should make it easier to complete on a regular basis.</li> </ul> <p><b>Management Response</b></p> <p>All recommendations accepted and agreed</p>	

Cemetery & Crematorium	Satisfactory
<p><b>Objective</b></p> <p>This audit was undertaken as part of the agreed audit plan for 2010/11.</p> <p>The objective of the review has been to provide management with independent assurance that adequate and effective internal controls are operating in respect of Cemetery and Crematorium procedures and practices and that processes meet the requirements of internal policy, statutory regulations and professional good practice.</p>	<p><b>Results</b></p> <p>On going project developments for the site and service in line with the business plan have been successfully delivered (e.g. the chapel area and changes to cremation times and services, a staffing restructure, a pricing restructure, development of a Jewish area) and others are in hand (e.g. the first major phase of full burials at Charlton Kings, the infrastructure is in place for a children's memorial garden, further car parking areas identified).</p> <p>At the review control procedures were generally found to be sound. Most procedures appear well managed with officers aware of their roles and responsibilities. Evidence was seen of the opportunity having been taken to review and strengthen procedures in response to an operational issue that arose earlier this year.</p> <p>Current major business risks include the need to replace the three cremators and this issue is in hand with tenders for replacement of them with two new ones currently being evaluated. Other major business risks identified relate to management arrangements needed to cover the imminent departure of the Bereavement Services Manager and the need to increase the number of staff trained with the certificate of competence for cremator operatives.</p> <p>Other comments and recommendations that have arisen from the results of testing undertaken during the course of the review are discussed in the key issues section below. None of these are significant enough to affect the satisfactory audit opinion given.</p>

KPMG Public Interest Report follow-up recommendations	Satisfactory
<p><b>Objectives</b></p> <p>To establish whether:</p> <ul style="list-style-type: none"> <li>i) there is evidence that the Action Plan recommendations are being actioned in accordance with the agreed timetable and</li> <li>ii) that the Plan is being properly updated and reported</li> </ul> <p>To establish whether the Audit Committee is taking on its agreed delegated responsibilities for monitoring and implementation of the Action Plans.</p> <p>To take a sample of recommendations and determine that where agreed action is required and they have are noted as completed/part completed, that the stated position is correct.</p> <p>To assess whether the CBC defined 'Recommended Actions' in the Action Plans have been agreed by KPMG and Members and that these properly deliver the additional control required</p>	<p><b>Results</b></p> <p>Our attendance at the Audit Committee meetings, supported by examination of the respective minutes, confirms that this group has properly undertaken its monitoring responsibilities and challenged actions and progress as they deemed appropriate. Such review meeting have taken place quarterly as originally required.</p> <p>We also note that, following a request from Audit, the Chief Executive's, Monitoring Report, which accompanied the Action Plan, submitted to the 29 September, Audit Committee, now includes a supporting comment on updatedness and appropriateness.</p> <p>We have also concluded that appropriate actions have been set by CBC for implementation against the KPMG recommendations made and that, in the main, implementation dates were well set and that these have been delivered within the Action Plan timescales.</p> <p>The only exception to this being, KPMG's, Recommendation 16 – which involves risk management and related training. At the time of our review, very little had been achieved in this area. We were advised by the HR – Learning &amp; Development Manager, that from the HR point of view, this was partly due to budget restraints and staffing shortages, plus the need to liaise with the Assistant Chief Executive to obtain up to date CBC based, risk management information. We have established that risk management in CBC is currently undergoing some major changes, which have been necessary, in respect of simplification of risk registers, requirements for improved risk register data management and, it is recognised that the Risk Management Policy will have to be updated. We accept that it is difficult for HR to consider the risk management training message and explain related practices when the operational situation is fluid.</p>

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## Cheltenham Borough Council

### Audit Committee – 12 January 2011

#### Draft budget 2011/12 – governance issues

<b>Accountable member</b>	<b>Cabinet member finance, Councillor John Webster</b>
<b>Accountable officer</b>	<b>Assistant chief executive, Jane Griffiths</b>
<b>Accountable scrutiny committee</b>	<b>Economy and business improvement</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Not applicable</b>
<b>Executive summary</b>	<p>At a meeting of cabinet on 21 December 2011, the draft budget for 2011/12 was agreed for consultation. Given the scale of the funding gap, £2.9m, the budget contains a significant number of proposals to either reduce services or cut expenditure.</p> <p>The committee are asked to consider the budget proposals and determine whether there are any areas of concern in respect of governance arrangements for the council which need to be brought to the attention of cabinet during the consultation process.</p>
<b>Recommendations</b>	<b>The committee are asked to consider what response if any they wish to make to the cabinet in relation to the draft budget 2011/12</b>

<b>Financial implications</b>	<p>None arising from the report</p> <p><b>Contact officer: Mark sheldon@cheltenham.gov.uk, 01242 264123</b></p>
<b>Legal implications</b>	<p>None arising from the report</p> <p><b>Contact officer: , @tewkesbury.gov.uk, 01242</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>INone directly arising from this report, the report to Cabinet contained the HR implications in terms of consultation on planned reductions/ redundancies and the processes that the council would need to follow.</p> <p><b>Contact officer: amanda.attfield@cheltenham.gov.uk, 01242 264186</b></p>
<b>Key risks</b>	Refer to Appendix 1 of the main budget report.
<b>Corporate and community plan Implications</b>	None arising from the report
<b>Environmental and climate change implications</b>	None arising from the report

**1. Background**

- 1.1 Each year the cabinet produce a draft budget for consultation. This gives the public, key stakeholders and members an opportunity to comment on the proposals before they are finalised and considered by council in February.
- 1.2 This year the council has had to find £2.9m worth of savings and increases in income in order to balance its budget. This has resulted in a significant number of proposals which are set out in appendix 4 of the budget papers.

**2. Reasons for recommendations**

- 2.1 The audit committee’s role is to flag up any governance issues arising from the proposals and to bring these to the attention of the cabinet.

**3. Alternative options considered**

- 3.1 None

**4. Consultation and feedback**

- 4.1 None

**5. Performance management –monitoring and review**

- 5.1 If the committee identify any governance issues and these are subsequently not dealt with by Cabinet or Council the committee may want to monitor the impact during the course of the year and bring these to the attention of Council as part of the annual governance statement in June 2012. If the governance issues are very significant then the committee may wish to revisit the final budget at the meeting in March and if not satisfactorily resolved determine whether reference needs to be made to the issues as part of the annual governance statement for 2011.

<b>Report author</b>	<b>Contact officer: Assistant chief executive, Jane Griffiths , jane.griffiths@cheltenham.gov.uk,  01242 264126</b>
<b>Appendices</b>	none
<b>Background information</b>	1. Interim budget proposals 2011/12 – Cabinet 21/12/10



**Audit Committee – Work Programme 2010 - 11**

<b>12 January 2011</b>	Internal audit partnership quarterly performance and revision to audit charter	Rob Miilford
	Interim budget proposals 2011/12 – to review the governance, audit and control issues of the budget proposals	Jane Griffiths
	Annual Audit Letter 2009/10 – annual summary of KPMG audit work over the previous year, produced as a public facing document	KPMG
	Public Interest Report action plan monitoring report - update on progress on action plan	Sara Freckleton
	Project and Programme Management guidance note – review the guidance note that has been developed	John Hyde
	Grants certification summary report 2009/10 – summarises the results of KPMG certification of grant claims and returns	KPMG
	Financial statements audit plan 2010/11 – detailed audit plan setting out KPMG’s approach to auditing the Council’s financial statements in the coming year	KPMG
<b>Date of Meeting:</b> 12 January 2011	<b>Agree agenda by:</b> w/c 22 November	<b>Despatch:</b> 23 December 2010
<b>23 March 2011</b>		
	Review of Corporate Risk process	Bryan Parsons
	Internal audit plan – outline plan for internal audit activity for year ahead	Rob Miilford
	Public Interest Report action plan monitoring report – update on progress on action plan.	Sara Freckleton
	Audit fee letter 2011/12 – sets out high level audit strategy and fee for 2011/12 audit (NB: depending on timing this may go to June)	KPMG
<b>Date of meeting:</b> 23 March 2011	<b>Agree agenda by:</b> w/c 14 Feb 2011	<b>Despatch:</b> 15 March 2011
<b>22 June 2011</b>		
	Review of Annual Statement of Accounts	Mark Sheldon

	Annual governance report – conclusion and analysis of work collated in arriving at the annual governance statement supporting the Statement of Accounts.	Jane Griffiths
	Annual internal audit report – conclusion from annual work of internal audit division.	Rob Milford
	KPMG Interim audit report 2011/12 – summarises the results of KPMG's interim audit testing, including testing of financial and other controls.	KPMG
<b>Date of Meeting:</b> 22 June 2011	<b>Agree agenda by:</b> w/c 16 May 2011	<b>Despatch:</b> 14 June 2011
<b>FUTURE ITEMS</b>		
	Environmental Audit Report - Update on environmental audit work being undertaken by the audit partnership.	
	Consider any governance issues arising from commissioning (subject to approval by Council to the S4 report)	
	Changes to the appointment process for an external auditor (abolition of the Audit Commission)	

# Briefing Notes

Committee name: Audit Committee

Date 12 January 2011

Responsible officer: Bryan Parsons

## Corporate Governance Group

This briefing paper contains information to keep Members informed of matters relating to the work of the Committee, no decisions are required but members can make comments on the work of the group or suggestions for additional action.

### 1. Why has this come to Audit Committee?

1.1 To update the Committee on the work of the Corporate Governance Group (CGG).

### 2. Summary

2.1 The council has a statutory duty to prepare an annual governance statement (AGS) to be approved as part of the annual statement of accounts. The AGS includes a Significant Issues Action Plan (SIAP); this is approved by the Audit Committee and indicates how the council is complying with the code of corporate governance including internal control arrangements. The audit committee need to satisfy itself that the AGS fairly reflects the arrangements within the council.

2.2 The CGG which is chaired by the Chief Executive and routinely meets to;

- monitor and challenge the internal controls (Annual Certificates of Assurance checklist),
- monitor progress against any recommendations that arise from external audit assessments,
- consider progress against the SIAP; and
- monitor the risk management procedures.

The minutes of the CGG since the last the last Audit Committee along with an updated version of the SIAP are being provided to the Audit Committee so that they will have a more informed view of the issues when the AGS is presented to it for approval.

### 3. Conclusion

The CGG have agreed terms of reference and considers information from a range of internal control sources and assurance checks. These issues and the outcomes from the checks are placed within appropriate action plans, discussed and monitored. The CGG would welcome any comment or input from the audit committee on progress against the action plan or items recorded within the CGG minutes.

### 4. Summary of supporting information

- Appendix 1 minutes of the Corporate Governance Group meeting on the 22<sup>nd</sup> October 2010
- Appendix 2 minutes of the Corporate Governance Group meeting on the 9<sup>th</sup> December 2010
- Appendix 3 significant Issues Action Plan as reviewed by CGG 9<sup>th</sup> December 2010.

### 5. Further information

5.1 If you require any further information on any of these issues please contact

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**Corporate Governance Group  
Minutes  
22<sup>nd</sup> October 2010  
2.00pm Sherbourne Room**

Item	Subject	notes
1	Apologies; received from Mark Sheldon and Rob Millford	Duncan Edwards attended for Rob Millford
2	Minutes of the last meeting 12 <sup>th</sup> August 2010	The minutes were agreed
3	Risk - CIPFA Risk Maturity Matrix. Self assessment update.	The group were informed that a great deal had been improved in respect of identifying and managing risk both at divisional and corporate level. A follow up survey would be undertaken by Audit in the new year to determine the amount of improvement.
4	Significant Issues Action Plan	<p>The group were informed that monitoring of the SIAP indicated that many of the issues had been addressed and all of the others should be cleared by year end. SF informed the group that progress had been made in respect of improving resilience by providing additional resource for pay roll</p> <p>The issue relating to awareness of the policies listed within appendix A of the Code of Corporate Governance was discussed. JG will write to ADs reminding them of the requirement to raise awareness of these policies. The reminder will also include reference to policies where they have an impact corporately+ or in other divisions for example the new Debt management policy or the Asset management plan, staff should be made aware of them and be setting and managing any targets they include.</p>
5	PIR action plan update are we on target to complete all recommendations?	The Borough Solicitor informed the group that a report had been presented to Audit Committee and It was pleasing to be able to report that those actions required to have been completed so far have been, so that 18 of the 26 recommendations from KPMG and 6 of the 13 recommendations from the Review Working Group have already been addressed. The remainder are proceeding on target

6	<p>RIPA</p> <ul style="list-style-type: none"> <li>- Cabinet approval</li> <li>- Training</li> <li>- Letter to OSC</li> </ul>	<p>The group were brought up to date in respect of progress in respect of implementing the recommendations in the OSC report. These include the additional training for staff and the approval by cabinet of the guidance procedures. A letter to the OSC would be sent immediately following Cabinet on the 26<sup>th</sup> October.</p>
7	<p>Review of Annual assurance certification – action plan</p>	<p>A wide ranging discussion took place regarding the pros and cons of revising the assurance process particularly in respect of capacity (Service Manager level).  DE said that the 3 new checklists addressed the issues raised within the internal audit assurance check.  It was decided that the new assurance process should be put to SLT in November so that they could decide on the process for 2010/11. AF asked if consideration could be given to identifying a simple on-line method for completing the checklists.</p>
8	<p>AOB</p>	<p>There was no other business.</p>
9	<p>Date of next meeting 9<sup>th</sup> December 2010</p>	

**Corporate Governance Group  
Minutes  
9<sup>th</sup> December 2010  
2.30pm Sherbourne Room**

Item	Subject	
1	Apologies;	
2	Minutes of the last meeting 22 <sup>nd</sup> October 2010	Minutes accepted
3	Assurance process for 2010-11 Annual Governance Statement	The new proposed assurance certificates were discussed along with comments made by SLT on the 7 <sup>th</sup> December. The assurance checklists for service managers are being tested by a number of service managers and feedback will be provided to SLT on the 4 <sup>th</sup> January
4	Significant Issues Action Plan	The significant issues action plan was considered and updated there were no additional issues and all were being managed in line with the proposed actions.
5	PIR action plan – deadline review?	The KPMG action plan was discussed and SF considered that the recommendations were all being addressed. The review of the constitution had been reported to committee and would be going to full council in June 2011
6	Corporate Risk <ul style="list-style-type: none"> <li>- New corporate register</li> <li>- Divisional registers</li> <li>- programme risks - monitoring</li> </ul>	JG updated the group on the discussions at SLT regarding the comments made by E&BI and SLT on the reporting of exceptions or where it was felt that deadlines would not be met. BP updated the group on the new excel version of the register. A discussion was held regarding the management of programme risk and how they fed into the corporate risk register (if necessary) it was felt that current reporting system through SLT programme boards were sufficient.
7	KPMG Interim Audit report - Action plan update - Standards com - Code of Conduct for employees	MS updated the group on progress against KPMG interim audit reports. It was felt that the action plan required more detail on the actions that had taken place and MS would discuss the issues with ICT before they are reported to Audit.
8	AOB	JG said that MS was now the councils rep on the Audit Partnership board and that she had been asked how the portfolio member could become more engaged in what was taking place. MS said that he would discuss that matter with the councillor Hay to see how he could become more involved.
9	Date of next meeting 3 <sup>rd</sup> February 2011	

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Significant governance issues Action Plan following the 2009-10 annual governance statement

Control issue and source April 2009-10	Action	Comments as at the 1 <sup>st</sup> December 2010	Lead officer
<p>The Risk Management Policy was approved by Cabinet 17th March 2009. The policy states that training will be given to elected members and officers so that they can identify, evaluate, control and monitor the risks associated with the services they provide, or govern should be identified through the appraisal process.</p> <p>Also where required, training in corporate governance should be provided, of which risk management is a part, should be identified through the induction process for all new employees and members.</p> <p>Governance control work</p>	<p>Ensure responsibilities for Risk and corporate governance are adequately covered within, induction and training programmes,</p>	<p>A risk management training session is available on the Learning Gateway. <b>Cleared</b></p> <p>Induction and checklist has been updated for Corporate Governance but not for risk.</p> <p>A Corporate Governance module for the learning gateway for staff and members. Online training –has been drafted and awaiting HR to update learning gateway.</p> <p>An apprentice has been recruited to assist with converting material into e-learning modules. However, before this can be done, the draft material requires re-crafting into an appropriate format to facilitate learning. This work is ongoing and it is envisaged the module will be ready by the end of December 2010 and rolled out to managers between January and March 2011, then to all employees and member by September 2011.</p>	<p>AD HR and OD</p> <p style="text-align: center;">Page 117</p>

Control issue and source April 2009-10	Action	Comments as at the 1 <sup>st</sup> December 2010	Lead officer
<p>The council received a public interest report during 2009/10 from its external auditors KPMG. The report highlighted a number of recommendations to improve the council's decision process including risk management and programme and project management.  <b>KPMG public interest report</b></p>	<p>To implement the action plan which was produced in response to the report and approved by Council on 22 March 2010</p> <p>The audit committee to monitor the implementation of the action plan on a quarterly basis.</p>	<p>A combined KPMG and internal working group action plan has been produced and approved by the Audit committee</p> <p>The first review of the action plan was carried out by the audit committee on the 23<sup>rd</sup> June. The next review is due on the 29<sup>th</sup> September 2010.</p> <p>Many of the recommendations related to the report procedures and report template and these have been updated and training given to report authors. A cross party working group has been set up to deal with constitutional issues.</p>	<p>CEO BS&amp;MO</p>
<p>Processes need to be put in place to ensure compliance with all the requirements of the documents listed in appendix A of the code of corporate governance and that staff are aware of the documents and</p>	<p>Assistant directors to raise via their divisional management teams and through service planning actions</p>	<p>Annual assurance check raised the issue with AD's  Email sent to all AD's to remind them of the process</p>	<p>ACE</p>

Control issue and source April 2009-10	Action	Comments as at the 1 <sup>st</sup> December 2010	Lead officer
<p>have had training on their application as appropriate Governance assurance</p>	<p>Discussions to be held with HR&amp;OD as to how the Learning Gateway can be used to support the process of awareness</p>	<p>Request made of L&amp;D as to how learning needs relating to policies and procedures identified.</p>	<p>Assistant CEO</p>
<p>The current audit of payroll highlights that controls could be put at risk due to anticipated short term resource constraints in the payroll team. Audit Assurance report</p>	<p>The shared service with TBC HR is no longer proceeding. The payroll resilience issue is now being addressed through temporary recruitment of expertises as required. In addition the GO4 partnership project will address resilience issues in the longer term.</p>	<p>The shared service with TBC is no longer proceeding. The resilience issue has been partly addressed through temporary recruitment of expertise which commenced 20<sup>th</sup> September 2010. Skills and knowledge transfer is now taking place. The former "personnel" and "payroll" teams are now working together as one team. Resilience issues continue albeit now for different reasons - one officer seconded full time to the GO programme from November 2010, and one due to retire in mid 2011. These issues will need short term measures to address until the Centre of Excellence is created and the new ERP system comes on stream from 01 04 2012.</p>	<p>AD HR&amp;OD Page 119</p>

Control issue and source April 2009-10	Action	Comments as at the 1 <sup>st</sup> December 2010	Lead officer
Processes need to be improved to ensure that all policies are reviewed and assessed in line with the equalities impact assessment process. Governance assurance	The new report template will include a reference to equality impacts of any recommendations and decisions. The new service planning template includes a section on equalities.	The new Cabinet report risk template has been amended to include risks associated with equality impact assessments  Cleared	All ADs
The Use of Resource assessment identified the need to review member training to ensure that it is delivering outcomes <b>Use of resources assessment</b>	Human Resources now have the service lead for member training and are encouraging all members to use the learning gateway. The member induction programme for new councillors has included a "buddying" system so that new members are supported in their first six months. Service managers and ADs are being encouraged to liaise with the learning and development team when arranging seminars to ensure that outcomes are clear.	The new buddying system was working and ADs are encouraging Members to make use of the Learning Gateway  <b>Cleared</b>	AD HR&OD  Page 120
The Use of Resources assessment has identified a need to develop targets for income collection and recovery of arrears KPMG Use of Resources Assessment 2007-08	A draft corporate debt recovery policy with clear targets and performance monitoring arrangements has been produced and will be considered by council in July	The new Debt management policy has been approved by cabinet targets need to be set and reported to Performance Board on regular basis.  <b>Cleared</b>	AD CAST

Control issue and source April 2009-10	Action	Comments as at the 1 <sup>st</sup> December 2010	Lead officer
The use of resources assessment identified the need to develop a more proactive approach to contract monitoring	There were recruitment difficulties with the appointment of an officer, but an appointment has been made and they will during the course of 2010/11 develop effective contract monitoring mechanisms	Cleared	AD CAST

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