

AUDIT COMMITTEE

MONDAY 4 FEBRUARY 2013
7.00 PM

Bourges/Viersen Room - Town Hall

THE CHAIRMAN WILL ASSUME THAT MEMBERS HAVE READ THEIR PAPERS PRIOR TO THE MEETING TO AVOID UNNECESSARY INTRODUCTIONS TO REPORTS. IF ANY QUESTIONS ARE APPARENT FROM THE REPORTS THEY SHOULD BE PASSED TO THE REPORT AUTHOR PRIOR TO THE MEETING

AGENDA

Page No

- | | | |
|----|--|---------|
| 1. | Apologies | |
| 2. | Minutes of the Meeting held on 5 November 2012 | 1 - 12 |
| 3. | Declarations of Interest and Whipping Declarations | |
| | <p>At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests or is a "pending notification " that has been disclosed to the Solicitor to the Council.</p> <p>Members must also declare if they are subject to their party group whip in relation to any items under consideration.</p> | |
| 4. | Risk Management: Strategic Risks | 13 - 14 |
| 5. | External Audit: Annual Audit Letter and Grant Claims Annual Certification | 15 - 36 |
| 6. | Use of Consultants | 37 - 44 |
| 7. | Feedback Report | 45 - 50 |
| 8. | Work Programme 2012 / 2013 | 51 - 54 |



There is an induction hearing loop system available in all meeting rooms. Some of the systems are infra-red operated, if you wish to use this system then please contact Gemma George on 01733 452233 as soon as possible.

Emergency Evacuation Procedure – Outside Normal Office Hours

In the event of the fire alarm sounding all persons should vacate the building by way of the nearest escape route and proceed directly to the assembly point in front of the Cathedral. The duty Beadle will assume overall control during any evacuation, however in the unlikely event the Beadle is unavailable, this responsibility will be assumed by the Committee Chair.

Committee Members:

Councillors: D Lamb (Chairman), C Harper (Vice Chairman), N Arculus, S Lane, M Fletcher, J Knowles, Y Maqbool and N Sandford

Substitutes: Councillors: P Kreling, E Murphy and A Miners

Further information about this meeting can be obtained from Karen S Dunleavy on telephone 01733 452233 or by email – karen.dunleavy@peterborough.gov.uk

This page is intentionally left blank

Public Document Pack



MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 5 NOVEMBER 2012

Present: Councillors Lamb (Chairman), Harper (Vice Chairman), Arculus, Maqbool, Fletcher and Sandford

Also in Attendance: Councillor Seaton, Cabinet Member for Resources

Officers in Attendance: Steve Crabtree, Chief Internal Auditor
Steven Pilsworth, Head of Corporate Services
Helen Edwards, Solicitor to the Council
Diane Baker, Head of Governance
Louise Cooke, Group Auditor
Julie Taylor, Group Auditor
Kevin Dawson, Group Manger, Construction, Compliance & Resilience
Karen S Dunleavy, Governance Officer

Also in Attendance: Jacqui Dudley PricewaterhouseCoopers

1. Apologies for Absence

Apologies for absence were received from Councillors Lane and Knowles.

2. Declarations of Interest and Whipping Declarations

There were no declarations of interest or whipping declarations.

3. Minutes of the Meeting held on 24 September 2012

The minutes of the meeting held on 24 September 2012, were approved as an accurate and true record subject to the following amendments:

- Item 4: to state that Members were also advised of the role of external audit and their involvement in identifying significant risks, rather than executive risks;
- Item 4: to state that the Audit Commission would not continue to conduct audits after 2011/12.
- Item 4: **RECOMMENDATION** to state: As part of PwC's external audit plan for 2012/2013, PwC would discuss with officers and the Audit Committee an appropriate scope of work to review the governance arrangements with respect to elements of the allocation of expenditure within the Councils budget policy framework, particularly in relation to the Invest to Save Scheme.

4. Risk Management Strategy, Business Continuity Strategy and Update on Risk Management: Strategic Risks

The Committee received presentation from the Group Manger, Construction, Compliance & Resilience on the progress of the Risk Management, Business Continuity and Risk Register. It was important to note that the Risk Register was currently being updated in conjunction

with Corporate Management Team (CMT) and the Strategic Improvement Team and that a report on the current risks was anticipated to be available in December 2012 and to Audit Committee in February 2013.

The key points within the report included:

- CMT workshop in November 2012 to review the Corporate Strategic Risk Register;
- Separate policies produced for both Business Continuity (BCM) and Risk Management (RM);
- Revised self assessment scores and new starter scores for strategic and project risks;
- Operation risk assessment process had assisted the review and update of Business Continuity Plans (BCP);
- Completion of an operational risk profile;
- Revision of Service and Corporate BC plans;
- Review of Strategic (corporate) risk register;
- Co-ordination of Strategic and Departmental Risk Registers;
- Regular risk “conversations” within and between services at all levels;
- Updates on Insite, web and E-Learning;
- Strategic issues such as introducing and embedding RM/BCM into procurement; and
- Processes, induction briefings and business plans.

Comments and responses to questions were as follows:

- In clarification sought over the training offered to Members, the Committee were advised that it was intended to roll out training to all PCC Councillors. Members commented that consideration should be given to deliver RM training to Members at an All Party Policy meeting for early 2013;
- Members commented that the RM policy had been produced to a clear and high standard;
- The Group Manager Construction, Compliance and Resilience advised Members that the lead Member for Risk Management was Councillor Seaton;
- The Group Manager Construction, Compliance and Resilience advised Members that BC owners were the risk champions;
- Members commented that it was good to see the introduction of training for risk management for Councillors and that consideration should be given to include a section within reports on how the RM policy had been applied.
- The Group Manager Construction, Compliance and Resilience advised Members that quarterly RM reports on high level projects was supplied to CMT on a regular basis; and
- Following clarification sought by Members over the reference of the Cabinet Member recommendation within the covering report, it was advised that the information was provided in error and that it should state that the recommendation was for the Audit Committee to consider.

ACTION AGREED:

The Committee:

1. Considered the revised Risk Management and Business Continuity Strategies; and
2. Approved the delivery of a relevant training and awareness programme to all Members, which would include both induction and ongoing training.

The Committee Further Agreed:

- That the Group Manager Construction, Compliance and Resilience, would include Members of the Audit Committee in the distribution of the quarterly Risk Management reports following agreement with CMT;
- A further update would be provided at the February 2013 meeting on the Strategic Risk Register; and
- That CMT was to confirm to Audit Committee, which Executive Director had been delegated the appropriate seniority and authority to be accountable for the BCM policy and its implementation.

5. RIPA: Progress Report to 30 September 2012 and an Update on RIPA Policy Changes

The Committee received a report from the Head of Governance on the use of RIPA powers for the three month period from 1 July 2012 to 30 September 2012.

The following key points within the report included:

- That there were no requests for authorisations either for surveillance or access to communications data during July to September 2012; and
- An update on the provisions under RIPA for Local Authorities to obtain approval from a Justice of the Peace before utilising RIPA.

The Head of Governance advised the Committee that there were plans underway to roll out training to all PCC Officers on the new RIPA approval process, which was scheduled for 12 December 2012.

Comments and responses to questions were as follows:

- Following a question raised over the application to the Magistrates' Court for the Council to use RIPA, Members were advised by the Head of Governance that PCC were seeking clarification on the process;
- Members commented that consideration should be given to referring RIPA applications to various Magistrates rather than to the same one for every application;
- In response to a question raised regarding the regularity of the use of RIPA, the Head of Governance confirmed that RIPA would only be used as an investigation tool as a last resort and that other less intrusive methods were applied where possible; and
- Following comments from Members on the use of RIPA, the Head of Governance advised that PCC was recently commended by the Office of Surveillance Commissioner for its correct use of RIPA.

ACTION AGREED:

The Committee received, considered and endorsed the report on the use of RIPA for the three months from 1 July 2012 to 30 September 2012.

The Committee Further Agreed:

That the Head of Governance would organise a report to be provided to Members, which would detail information regarding the number of investigations that were carried out following referrals from the public, internal departments and regulatory checks.

6. Member Code of Conduct

The Committee received a report from the Solicitor to the Council on the newly adopted Member Code of Conduct. This formed part of the Committee's statutory duties, in order to adhere to regulations introduced by the Localism Act 2011.

The following key points within the report included:

- Blanket dispensations;
- Individual Dispensations;
- Sub-committee to the Audit Committee (Hearings Panel);
- The Hearings Panel functions;
- Progress of the Recruitment of Independent Person and Deputy Independent Person;
- Applications from Members seeking dispensation;
- Hearings Panel Procedure; and
- Independent Person Application Pack.

The Audit Committee was requested to consider individual Member dispensations. The applications submitted to Audit Committee for Members individual dispensations to speak and vote (however, the dispensation would not apply in any circumstances in which the common law rules of bias or where predetermination may apply) included:

- Councillor Judy Fox for contributions to debates on voluntary sector services; and
- Councillor Marion Todd to speak on matters concerning allotment land generally, unless it related to plot four Allotment, Burton Street, Peterborough.

Members also received an update from the Solicitor to the Council regarding the recruitment process for the Sub-Committee to the Audit Committee Independent Members. The Solicitor to the Council advised Members that three candidates from the Cambridgeshire area had been identified. Members were further advised that one candidate had held no previous involvement in the old standards regime, whereas the remaining two had held previous appointments to a Standards Committee.

The Solicitor to the Council proposed to Audit Committee that they consider recommending to Council the:

- First candidate with no Standards Committee involvement for immediate appointment; and
- The remaining two candidates with Standards Committee experience as deputy appointments for a period of 12 months pending Council's anticipated review of the Standards regime after the first year of operation.

Comments and responses to questions were as follows:

- Following clarification Members were advised by the Solicitor to the Council that the reference regarding ceremonial honour within the report was to cover issues such as the Freedom of the City or Honorary Alderman's status;
- Following clarification sought regarding the blanket Members dispensation to discuss school meals, the Solicitor to the Council advised Members that it may be argued that a number of Members would require a dispensation in order to allow them discuss and vote on matters regarding school meals, which would be within the public interest for them to do so;
- Following clarification sought over the ruling detailing that a Member would not be able to vote on matters regarding council tax setting if the Member was in arrears with council tax themselves, the Solicitor to the Council advised that the ruling would not be overturned by granting the blanket dispensation;

- In clarification sought by Members over declarable interests, the Chair of Audit Committee advised that Members would seek advice from the Solicitor to the Council if they were unsure over the relevancy of disclosures;
- Following a question regarding complaint referrals, the Solicitor to the Council advised that she would be responsible for initial complaints and that matters of a more serious nature would be referred to the Sub-Committee of the Audit Committee;
- Following clarification sought over the composition of the Sub Committee of the Audit Committee, the Solicitor to the Council advised Members that selection would be based on the availability of Members and the Independent Person. Members were further advised that it was intended to ensure that a good political balance was adopted at hearings and that if any Member had a good reason to believe that an appointed panel Member may not be able to judge fairly, these views would be taken into consideration;
- Members raised a question regarding whether consideration should be given to approach a candidate of the right calibre for the Sub-Committee to the Audit Committee rather than advertise for one, the Solicitor to the Council advised Members that any recommendations would be welcomed, subject to the candidate meeting the relevant criteria including not being in allegiance to any political party;
- The Solicitor to the Council confirmed that three candidates had been shortlisted for the panel, one of whom had no previous involvement with the Standards regime, and the other two candidates had experience as Chairs of Standards Committees. Members were further advised that the independent persons would be appointed subject to the Audit Committee's recommendation and followed by agreement at Council;
- Members commented that they should not rush into making recommendations for the three appointments put forward, particularly in relation to the two candidates that had been involved in the previous standards regime. The Solicitor to the Council advised Members that it was sensible to appoint at least two Independent Panel Members to the Sub-Committee to the Audit Committee as the person accused of misconduct also had a right to consult the Independent person, and it would be preferable for it not to be the same person as the one consulted by the Monitoring Officer or Deputy Monitoring Officer, in order to maintain a fair process. In addition, Members were advised that there would also be an opportunity for Independent Members to be available to political groups, to offer advice to group meetings to discuss behavioural issues; and
- Following clarification sought by Members over the timescale of dispensations granted to speak and vote at meetings, the Solicitor to the Council advised that requests for dispensations could be made for either one meeting or until an elected term of office ends up to a maximum four years. If a Member was re-elected, following an election, the dispensation would require a new application.

ACTION AGREED:

The Committee:

1. Recommended the first candidate for immediate appointment subject to approval by Council;
2. Recommended that the applications of the candidates who held previous involvement with the old Standards Committee regime were to be put on hold in order to explore further potential applications;
3. Agreed that Members of the Audit Committee would be consulted over the appropriateness of Member nominations put forward for a Sub-Committee to the Audit Committee hearing panel;
4. Granted a general dispensation to all Members who may have a disclosable pecuniary interest in any business of the authority where that business relates to the functions of the authority in respect of:

- i Housing, where you are a tenant of your authority provided that those functions do not relate particularly to your tenancy or lease;
 - ii School meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;
 - iii Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;
 - iv An allowance, payment or indemnity given to Members;
 - v Any ceremonial honour given to Members; and
 - vi Setting council tax or a precept under the Local Government Finance Act 1992
5. Considered and granted applications made by Members with a disclosable pecuniary interest seeking individual dispensations to speak and vote;
 6. Approved the process by which a sub-committee to the Audit Committee is selected and review the Hearings Panel procedure; and
 7. Received an update on the progress made regarding the recruitment of the Council's Independent Person and Deputy Independent Person.

The Committee Further Agreed:

1. That a further recruitment exercise was to be conducted in order to invite applicants for the vacant Deputy Independent Member positions.

It was advised that the Solicitor to the Council would circulate details to Audit Committee Members of the first candidate recommended for appointment to the Sub-Committee to the Audit Committee, prior to seeking approval at Council.

7. Treasury Management: Update

The Committee received a report from the Head of Corporate Services regarding the Treasury Management Strategy Prudential Indicators for 2012/13. The report was presented as part of the Public Services, Code of Practice, which was intended to provide a mid-year performance review to the Committee.

Members of the Audit Committee were also advised by the Head of Corporate Services that the Council did not borrow money to finance day to day activities, such as the payment of salaries or to run Committees. Members were informed that those costs were balanced by the income that the Council received.

The following key points within the report included:

- The 2012/13 Prudential Indicators;
- Impact by the continuing Eurozone crisis and the down grading of British Banks credit rating;
- Credit rating of the Council's own banking provider; and
- Reduction of the amount held in the Council's call account to £5m from £15m.

Comments and responses to questions were as follows:

- In clarification sought by Members over the Invest to Save scheme and the rolled over budget amounting to £96.8m, the Head of Corporate Services advised Members that capital programme expenditure, once agreed, would be set over a ten year period and would automatically slip forward for continued use, unless there was a specific decision to remove it. Members were also advised that the rolled over amount would be included in the full capital programme and would appear in the

budget presented to Council in February, where Members would be given the opportunity to comment accordingly.

ACTION AGREED:

The Committee reviewed and noted current performance against the Treasury Management Strategy (TMS) set in the Medium Term Financial Strategy (MTFS).

8. Internal Audit: Mid Year Progress Report

The Committee received a report from the Chief Internal Auditor on the Mid Year Progress Report. The report was submitted to Audit Committee as a routine planned report within the work programme of the Committee. In addition, the report had set out Internal Audit performance and progress with regards to the 2012 / 2013 Audit Plan.

The purpose of the report was to inform Members of the Audit Committee on Internal Audit activities and performance progress against the Annual Audit 2012 / 2013 as at 30 September 2012.

The following key points within the report included:

- Assurance Opinion;
- Status of the higher risk assessed activities;
- Status of the specific management requests;
- Operational Plan that was agreed by the Audit Committee on 26 March 2012 i.e. the Audit Plan;
- Carry forward activities for 2011 / 2012;
- Reserve list of audits progress; and
- Other internal performance monitoring such as days sickness per person and post audit customer satisfaction questionnaires.

Comments and responses to questions were as follows:

- Members praised the work conducted by the Audit team and commented on the high standard shown in the production of the report provided;
- In clarification sought by Members over the case of a Peterborough City Council (PCC) ex-employee that had accessed information regarding a procurement exercise, the Group Auditor advised that there were adequate procedures in place for PCC's removal of the ex-employees access, however, there was a one off compromise of the web based procurement system. Members were also advised that further analysis was underway to revise Council procedures in relation to web based systems access;
- In clarification sought by Members over the data compromised, the Group Auditor confirmed that the information was in relation to a tender exercise and was archived data rather than "live" data. Members were also advised that the procurement system accessed had a very good in-built auditing system, where it was possible to review the types of information that had been accessed;
- In clarification sought by Members over the breach of access to procurement data, the Group Auditor advised that the ex-employee had received a formal caution by the Police;
- In clarification sought by Members over the company identified as being in receipt of compromised tender information in relation to a contract, the Group Auditor confirmed that the company had withdrawn from the bidding process;
- Members commented that the company in receipt of the compromised tender information should not be included in any further tender exercises for PCC. The Cabinet Member for Resources advised Members of the Audit Committee that it was

clear throughout the investigation, that the company in receipt of the compromised tender information was unaware how the information had been obtained and that they had relied on a consultant to produce the bidding documentation;

- Members commented that companies invited to tender by PCC, should be under an obligation to implement procedures in order to provide assurances that the information they were receiving was from a legitimate source;
- The Group Auditor further advised that the ex-employee that had accessed the tender information had admitted to the Police that the company was unaware how the information had been obtained;
- In response to a question raised by Members regarding introduction of a system where companies were required to prove that their information had been provided by a legitimate source, the Cabinet Member for Resources advised that such a system would be difficult for companies to administer;
- In clarification sought over the costs for the hire of a single supplier for the City Water Festival, the Chief Internal Auditor advised that the actual cost was £15k, excluding VAT; which had been made up of two payments of £7,500;
- Members were informed by the Chief Internal Auditor that the total costs for the City Water Festival had reached £25k, which had included VAT and other sundry costs such as barriers, security, provision of toilets, general advertisement and posters;
- Members sought clarification over the discrepancies that had been highlighted within the report which related to direct payments and whether the issues had been resolved. The Group Auditor confirmed that a follow up report was underway and that an update on the various actions in place, would be presented to a future meeting of Audit Committee;
- In response to a question by Members on how the number of issues highlighted within the report and the level of high priority for each issue had been identified, the Chief Internal Auditor advised that management teams and their risk registers were often consulted in order to identify high risks and to develop a robust audit plan;
- Members were also informed by the Chief Internal Auditor that there were areas within PCC that the Audit team would receive information for, which would build a flavour for what issues the Council may be experiencing; and
- The Cabinet Member for Resources highlighted that repeat audits should be conducted on PCC travel and subsistence in order to ensure that the correct procedures were being followed.

ACTION AGREED:

The Committee

Received the Internal Audit Update Report to 30 September 2012 and noted in particular:

1. Progress made against the plan and the overall performance of the section.

The Committee Further Agreed:

- That the Group Auditor would provide Members of the Audit Committee with the appropriate details surrounding who had put together the tender information for the company identified as being provided with an unfair advantage over a tender bidding exercise following an ex-employees access to procurement systems;
- Provide the audit report to Members of the Audit Committee, which had detailed the investigation into the City Water Festival payment allegations; and
- The Group Auditor would provide Members with details of the critical action identified for Direct Payments.

9. Use of Consultants

The Committee received a report on the use of Consultants from the Head of Corporate Services. The report was submitted to Audit Committee following the Sustainable Growth Scrutiny Committee review into Peterborough City Council's use of consultants, the subsequent endorsement of their recommendations by Cabinet, and the agreement of Audit Committee to undertake an on-going monitoring role.

The following key points within the reports included:

- The information included within the report was that specifically requested by Audit Committee at its meeting in March 2012;
- The Consultancy report objectives;
- Recommendations of the Consultancy Review Group and the adoption by Cabinet;
- Progress of the recommendations implemented;
- Comments of the Sustainable Growth Scrutiny Committee on the draft policy guiding the use of consultants and interims;
- Cabinets approval of the policy guiding the use of consultants and interims;
- Training on the Council's Contract Regulations, which had included the policy guiding the use of consultants and interims;
- On-going monitoring of the use of consultants;
- Recent figures on the use of consultants;
- List of consultancy companies used in the last year; and
- Spend by department and example projects.

Comments and responses to questions were as follows:

- In a question raised by Members, the Head of Corporate Services advised that the list of consultant companies used by PCC were detailed within the report, however, it would not list individual consultants who were sourced by the Council as interims appointments;
- The Head of Corporate Services confirmed to Members that PCC held a framework contract for Amtec in the periods covered by the report;
- Members sought clarification over a list which had detailed personnel as well as companies and whether it would be sensible to identify those personnel that were engaged as consultants. The Head of Corporate Services advised Members that in some cases individuals were named due to the status of sole traders and that all services procured through them were for contracted services and not for staff;
- In a concern raised by Members over capturing National Insurance (NI) payments for interims, the Head of Corporate Services advised that where personnel were employed as members of staff and were fulfilling posts within the PCC structure on an interim basis, the details had been disclosed separately in order to capture any NI element of such payments;
- In a question raised by Members regarding the appointment arrangements of the current Executive Director of Adult Social Care, the Head of Corporate Services advised that the appointment was made through Veredus;
- Members commented that it would be useful to include the list of companies used to provide interims within the list of the consultancy companies used by PCC;
- Members commented that the Sustainable Growth Scrutiny Committee (SGSC) had developed the definition on use of consultants, which was intended to include the details of interims and consultancy companies to be reported together, however, the detail had not appeared in the report to Audit Committee. The Head of Corporate Services advised that PCC had followed the definition provided by SGSC in that it would not include companies such as Atkins, which were used for highways service arrangements;

- Members commented that the definition on the use of consultants developed by SGSC was intended to identify personnel that ought to be employees rather than be consultants of the Council;
- Members commented that they were pleased to see the numbers on the use of consultants was decreasing;
- The Head of Corporate Services advised Members that the content in the use of consultants report was taken from the SGSC recommendation and through the recommendations of Audit Committee. Although the report was intended to include those firms that fitted the definition of consultancy, information on the use of interims was available on the Council's website;
- In response to comments raised by Members over the use of consultants for projects, the Head of Corporate Services advised that the spend on projects was dependant on what Council had agreed to deliver for transformation of service delivery and the level of expertise required;
- In a question raised by Members regarding the transition of public health the, Head of Corporate Services advised that it was intended to cover most transition activities to date within the Council's existing resources, however, a project plan was in place to capture the additional resources required in order to cover the delivery. In addition Members were advised that it was anticipated that a small grant was expected from Government, which would cover some of the remaining costs;
- Members commented that the Council had expected to receive skills transference through the appointment of consultants and interims;
- Following a question raised by Members over the interim appointment to the post of Head of Human Resources, the Cabinet Member for Resources advised Members that the employee had been appointed to work for the Council for two days a week and that it would not be financially viable to employ a permanent member of staff to the post; and
- Members were advised that the recruitment of a permanent Head of Business Transformation was underway.

ACTION AGREED:

The Committee considered and noted the update report on the use of Consultants.

The Committee Further Agreed:

That the Head of Corporate Services would provide Members of the Audit Committee:

1. With a link to the public information on the Council's website, which detailed the use of interims and their fee;
2. Future reports to Committee would include:
 - A information on consultants and interims that had been in post at PCC for over a year; and
 - Further information regarding what services each of the consultancy companies had provided.

In additions, the Cabinet Member for Resources would approach the Chief Executive to seek comments over whether it would be possible to employ a permanent post for the Head of Human Resources, utilising a Local Authority shared services scheme.

10. Feedback Report

The Committee received an update report from the Chief Internal Auditor regarding items considered or questions asked at previous meetings of the Committee. It also provides an

update on any specific matters which were of interest to the Committee or where Committee have asked to be kept informed of progress.

Key item within the report were as follows:

- Feedback responses which had included feedback on investigative operations for test purchasing and fly tipping offences ;and
- Response to Audit Committees request for a review of the governance arrangements for expenditure of the Council's Budget Policy Framework, particularly in relation to the Invest to Save Scheme.

11. Work Programme 2012 / 2013

The Chief Internal Auditor submitted the latest version of the Work Programme for the municipal year 2012/2013 for consideration and approval. The standard report provided details of the proposed Work Programme for the Municipal Year 2012/2013 together with any training needs identified.

The following items were to be included on the Work Programme:

- Risk management training will appear on the next plan;
- The effectiveness of Audit Committee was to move from Feb 2013 to March 2013; and
- Consultant report be presented in February 2013, including the further information requested by Audit Committee at its meeting of 5 November 2012.

ACTION AGREED:

The Committee noted and approved the 2012/2013 Work Programme.

7.00pm–9.14pm
Chairman

This page is intentionally left blank

AUDIT COMMITTEE	AGENDA ITEM NO. 4
4 FEBRUARY 2013	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton for Resources	
Contact Officer(s):	Kevin Dawson, Group Manager - Construction, Compliance & Resilience	Tel. 453464

RISK MANAGEMENT AND BUSINESS CONTINUITY

R E C O M M E N D A T I O N S	
FROM : Kevin Dawson, Group Manager – Construction, Compliance & Resilience	Deadline date : N/A
Audit Committee is recommended to:	
<ol style="list-style-type: none"> 1. Consider and note the content of this report 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Audit Committee as a routine planned report on risk management and business continuity.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to provide an update to the Committee on the revised Council’s Risk Management Strategy and Business Continuity Policy under its terms of reference 2.2.14 effective development and operation of risk management

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
---	-----------	---	-----

4. RISK MANAGEMENT REVIEW

- 4.1 The Corporate Strategic Risk Register has now been reviewed by CMT at a workshop held on 8 January 2013. A revised version is now out for review by CMT members and comments have been requested by end of January. It is currently anticipated that a revised copy of the Strategic Risk Register will be approved by CMT during February 2013 and be subjected to challenge and review on a quarterly basis from March 2013 onwards
- 4.2 Upon adoption of the revised Corporate Strategic Risk Register work will commence on assessing and challenging current Departmental Risk Registers to ensure potential risks are identified and adequately managed.
- 4.3 CMT has now approved the Business Continuity Policy previously considered by this committee on 5 November 2013.

- 4.3 The operational risk assessment process has assisted the review and update of current business continuity plans. It is also providing a useful profile of areas of high risk, which can be escalated to the strategic registers where necessary.
- 4.4 Key on going issues for 2013/14:
- Completion of operational risk profile;
 - Continuation of review and revision of Service and Corporate BC plans;
 - Quarterly review of Strategic (corporate) risk register by CMT;
 - Coordination of Strategic and Departmental risk registers;
 - Regular risk “conversations” within and between services at all levels;
 - Updates on Insite, web and E-Learning; and
 - Strategic issues e.g. introducing and embedding RM/BCM into procurement processes, induction briefings and business plans.
 - Delivering training aimed at ensuring members understand the risk management process and expectations upon officers – a training session is to be delivered on 28 March to members of the All Party Policy Committee.

5 ANTICIPATED OUTCOMES

- 5.1 Audit Committee note and comment on the contents of this report.

6 REASONS FOR RECOMMENDATIONS

- 6.1 Risk management is a key component of the Council’s Corporate Governance Framework which will take time to review and embed effectively.

7 ALTERNATIVE OPTIONS CONSIDERED

- 7.1 None

8 IMPLICATIONS

- 8.1 The identification of risks and the proper management of those risks will ensure that:
- The Council’s environmental policies and ambitions can be met; the Council is able to mitigate against potential financial losses, litigation claims and reputational damage; the Council is able to effectively deliver the strategic priorities.

9 BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- 9.1 Peterborough City Council Risk Management and Business Continuity Policies 2012/13

AUDIT COMMITTEE	AGENDA ITEM No. 5
4 FEBRUARY 2013	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Committee Member(s) responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	John Harrison, Executive Director -Strategic Resources	☎ 452 398

EXTERNAL AUDIT REPORTS

R E C O M M E N D A T I O N S	
FROM : PricewaterhouseCoopers	Deadline date : N/A
<p>The Committee is asked to consider, and endorse the final reports produced by External Audit in the following areas:</p> <ul style="list-style-type: none"> (i) 2011/12 Annual Audit Letter; and (ii) Grant Claims: Annual Certification Report. 	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee in line with its Work Programme for 2012/13.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to introduce various reports from PricewaterhouseCoopers (PwC), the Council's external auditors, in accordance with the Committees' Terms of Reference – 2.2.6 To consider the external auditors annual letter, relevant reports, and the report to those charged with governance.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
---	-----------	---	-----

4. ANNUAL INSPECTION LETTER

- 4.1 During the year, PwC have undertaken various reviews on behalf of the authority. The following reports have been received and agreed with senior management. PwC will be in attendance to discuss matters arising in each report.

Appendix	Report	Issue Date
A	2011/12 Annual Audit Letter	October 2012
B	Grant Claims : Annual Certification Report	January 2013

4.2 2011 / 2012 Annual Audit Letter (Appendix A)

The External Auditor and the Audit Commission Relationship Manager produce an Annual Audit Letter reviewing the Council's arrangements and progress in relation to the Audit of the Accounts. Cabinet will also consider this report in February 2013.

Grant Claims : Annual Certification Report (Appendix B)

Annual report into the review and verification of grant claims across PCC.

5. CONSULTATION

The various appendices have been discussed, and actions agreed by senior management at various times before being finalised. In addition, will Cabinet discuss and approve their content.

6 ANTICIPATED OUTCOMES

Acknowledgement and approval of the works undertaken by External Audit.

7 REASONS FOR RECOMMENDATIONS

Audit Committee to note the contents of the report and to comment on issues identified within the various commissioned works.

8 ALTERNATIVE OPTIONS CONSIDERED

None

9 IMPLICATIONS

Implications have been identified separately in each agreed Action Plan

10 BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)
None

11 APPENDICES

- Appendix A - 2011 / 2012 Annual Audit Letter; and
- Appendix B - Grant Claims : Annual Certification Report.

Government and Public Sector

***Peterborough City
Council***

Annual Audit Letter

2011/12 Audit

October 2012

Introduction

The purpose of this letter

This letter is a public document which summarises the results of our 2011/12 audit for members of the Authority and other stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance in the following reports:

- Audit plan for the 2011/12 accounts audit
- Audit report for the 2011/12 Statement of Accounts, incorporating the value for money conclusion
- Report to those charged with Governance (ISA (UK&I) 260)

The matters reported here are the most significant for the Authority. Appendix A summarises our recommendations for the year.

Scope of work

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our 2011/12 audit work has been undertaken in accordance with the Audit Plan that we issued on 26 March 2012 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

We met our responsibilities as follows:

Audit responsibility	Result
<i>Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).</i>	We reported our findings to the Audit Committee on 24 September 2012 in our 2011/12 <i>Report to those charged with governance (ISA (UK&I) 260)</i> . On 28 September 2012 we issued an unqualified audit opinion.
<i>Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.</i>	We reported our findings to the National Audit Office on 28 September 2012.
<i>Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.</i>	On 28 September 2012 we issued an unqualified value for money conclusion.
<i>Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</i>	There were no issues to report in this regard.
<i>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</i>	There were no issues to report in this regard.

Audit responsibility	Result
<i>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</i>	There were no issues to report in this regard.
<i>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</i>	We issued our completion certificate on 28 September 2012.

Audit Findings

Accounts

We audited the Authority's Statement of Accounts in line with approved Auditing Standards and issued an unqualified audit report on 28 September 2012.

We identified the following key issues from our audit of accounts:

- Our audit work in relation to the *transfer of Adult Social Care services* from the Peterborough Primary Care Trust ("the PCT") to the Council noted that the Adult Social Care function incurred a deficit in 2011/12 that was £1.26million higher than previously understood by the PCT. This expenditure occurred when the function was managed by the PCT and is not an additional liability for the Council. Under the relevant accounting standard (IFRS 3), "merger accounting" was required to account for the transfer of control.
- The main implication of merger accounting is that the Council must account for the Adult Social Care service *as is if had always delivered the services directly*, including all of its income and expenditure, assets and liabilities for both the 2010/11 and 2011/12 (up to 1 March 2012) year. This would have required the restatement of the prior period figures in this year's accounts. The Council did not process any "merger accounting" changes in the 2010/11 or 2011/12 figures on the grounds that the changes were not material to the accounts. We were not minded to challenge the Council's assessment that the impact of merger accounting was not material.
- The Council has set up the *Local Authority Mortgage Scheme ("LAMS")* with Lloyds TSB ("the lender"). In the LAMS, first time buyers ("the borrower") put down five per cent of the property price as a deposit to the lender, with the Council providing a cash backed indemnity of up to 20 per cent as additional security. To date, the Council has paid £1m to Lloyds TSB, with plans for a further £2m approved by Council.
- The Council has treated its payment of £1m to Lloyds as capital expenditure. We note that the Council has obtained advice from the Monitoring Officer in relation to entering into the scheme. The Council has also taken advice from external advisers in respect of its consideration of the appropriate accounting treatment. We are currently not minded to challenge the Council's accounting treatment in respect of LAMS but we recommend that it keeps its accounting arrangements under review, as there is a risk that statute may change, or that the CIPFA IFRS Code of Practice may change, and that those changes may require the Council to adopt a different accounting treatment.
- We discussed these issues with officers and also the Audit Committee on 24 September 2012.

Economy, efficiency and effectiveness

Our Use of Resources Code responsibility required us to carry out sufficient and relevant work in order to conclude on whether the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Audit Commission guidance specifies the criteria for our value for money conclusion:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We issued an unqualified value for money conclusion. However, we made a number of recommendations, which we have included in the appendix in this letter.

Whole of Government Accounts

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the Audit Commission. The audited pack was submitted on 28 September 2012. We found no areas of concern to report as part of this work.

Grant Claims and Certification

We presented our most recent Annual Certification Report for 2010/11 to the Audit Committee on 6 February 2012. We certified 7 claims worth £27.0m. In 2 cases a qualification letter was required to set out significant issues arising from the certification of the claim. These details were also set out in our Annual Certification Report for 2010/11. We will issue the Annual Certification Report for 2011/12 in December 2012.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Appendix A – Summary of recommendations

A summary of the significant recommendations we have made to the Authority during 2011/12 is included below:

Source Document	Recommendation	Management's response	Target Implementation Date
ISA 260 Report to those charged with governance, page 7.	In respect of the Local Authority Mortgage Scheme, we recommend that the Council keeps its accounting arrangements under review, as there is a risk that statute may change, or that the CIPFA IFRS Code of Practice may change, and that those changes may require the Council to adopt a different accounting treatment.	The substance of the transaction is to facilitate a greater amount of loan to a mortgagor than would otherwise be available. It would not be within an authority's powers to designate the payment as an investment. The Council's interpretation is that the payment is a loan / financial assistance towards expenditure which would, if incurred by the authority, be capital expenditure. If a local authority were granting a loan for house purchase, it would be treated as capital expenditure. If the statute or code of practice changed, then the Authority would revisit its approach as advised.	Ongoing
ISA 260 Report to those charged with governance, page 11.	That the Council continues to work towards improving performance management arrangements in Children's Services, and that this work ensures that improvements put in place are both robust and sustainable.	Agreed	On-going for the duration of the improvement Notice
ISA 260 Report to those charged with governance, page 11.	That the work the Council is doing to re-integrate Adult Social Care is maintained and that appropriate scrutiny continues to be applied to the performance (both financial and nonfinancial) of the service.	Agreed	On-going action with regular review at intervals throughout the year
rISA 260 Report to those charged with governance, page 11.	That arrangements are put in place to ensure risk management is appropriately embedded at a corporate level, so that the Corporate Management Team has the necessary information to manage 'corporate' risks.	As part of CMT activities, potential risks are considered and managed as inherent elements in the decision making process. However, CMT acknowledge that it is difficult to evidence how risk management is embedded, and this will be	Ongoing during the year, with evidence available for next review.

		developed further over the coming year.	
--	--	---	--

Where we have made other recommendations during the year these have been reported to management.

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2010 the Audit Commission issued a revised version of the 'Statement of Responsibilities of Auditors and of Audited Bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

Other Matters

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared for the intended recipients only. To the extent permitted by law, PricewaterhouseCoopers LLP does not accept or assume any liability, responsibility or duty of care for any use of or reliance on this document by anyone, other than the intended recipient to the extent agreed in the relevant contract for the matter to which this document relates (if any), or (ii) as expressly agreed by PricewaterhouseCoopers LLP at its sole discretion in writing in advance.

©2012 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

*Annual Certification Report
to those charged with governance
2011/12*
Peterborough City Council

25

*Government and
Public Sector –
Annual Certification
Report to those
charged with
governance*

January 2013



The Members of the Audit Committee
Peterborough City Council
Town Hall
Bridge Street
PETERBOROUGH
PE1 1HG

January 2013

Ladies and Gentlemen

Annual Certification Report (2011/12)

We are pleased to present our Annual Certification Report which provides members of the Audit Committee with a high level overview of the results of certification work we have undertaken at Peterborough City Council in 2011/12.

We have also summarised our fees for 2011/12 certification work in Appendix A.

Results of Certification work

For the period ended 31 March 2012 we certified three claims and returns worth a final net total of £175,452,236. Of these, none were amended following certification work undertaken; two, however, required qualification letters to set out matters arising from the certification of the claim or return. We set out further details in the attached report.

We identified a number of matters relating to the Council's arrangements for preparation of claims and returns during the course of our work, some of which were of a minor nature. The most important of these matters have been brought to your attention in this report.

We ask the Audit Committee to consider the content of this report.

Yours faithfully,

PricewaterhouseCoopers LLP

Table of Contents

Introduction	4
<i>Scope of work</i>	<i>4</i>
<i>Statement of Responsibilities of Grant-Paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns</i>	<i>4</i>
<i>Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies</i>	<i>4</i>
Results of Certification Work	6
<i>Claims and returns certified</i>	<i>6</i>
<i>Matters arising</i>	<i>6</i>
Appendix A	9
<i>Certification Fees</i>	<i>9</i>

Introduction

Scope of work

Grant-paying bodies pay billions of pounds in subsidies and grants each year to local authorities and often require certification, by an appropriately qualified auditor, of the claims and returns submitted to them. Certification work is not an audit but a different kind of assurance engagement which reaches a conclusion but does not express an opinion. This involves applying prescribed tests, as set out within Certification Instructions (“CIs”) issued to us by the Audit Commission, which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions; where this is not the case matters are raised in a ‘qualification letter’.

The Audit Commission is required by law to make certification arrangements for grant-paying bodies when requested to do so and sets thresholds for claim and return certification, as well as the prescribed tests which we as local government appointed auditors must undertake. We certify claims and returns as they arise throughout the year to meet the certified claim/return submission deadlines set by grant-paying bodies. Our role is to act as ‘agents’ of the Audit Commission when undertaking certification work; certification work is not an audit but a different form of assurance engagement, the precise nature of which will vary according to the claim or return; we are required to carry out work and complete the auditor certificate in accordance with the arrangements and requirements set by the Commission.

We consider the results of certification work when performing other Code of Audit Practice work at the Authority, including for our conclusions on the financial statements and on value for money.

Statement of Responsibilities of Grant-Paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns

In November 2010 the Audit Commission updated the ‘Statement of Responsibilities of Grant-Paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns’. This is available from the Audit Commission’s website. The purpose of this Statement is to summarise the Audit Commission’s framework for making certification arrangements and to assist grant-paying bodies, authorities, and the Audit Commission’s appointed auditors by summarising their respective responsibilities and explaining where their different responsibilities begin and end.

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2010 the Audit Commission issued a revised version of the ‘Statement of Responsibilities of Auditors and of Audited Bodies’. It is available from the Chief Executive of each audited body and on the Audit Commission’s website. The purpose of the Statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

Results of Certification Work

Results of Certification Work

Claims and returns certified

A summary of the claims and returns certified during the year is set out in the table below. In two cases qualification letters were required to set out matters arising from the certification of the claim/return. None of the claims/returns were amended following the certification work undertaken. All deadlines for submission of certified claims/returns were met. Fee information for the claims and returns is summarised in Appendix A.

Claims and returns certified in 2011/12

CI Reference	Scheme Title	Form	Original Value (£)	Final Value (£)	Amendment	Qualification
BEN01	Housing and Council Tax Benefits Scheme	MPF720A	81,153,768	81,153,768	No	Yes
LA01	National Non Domestic Rates Return	NNDR3	84,755,674	84,755,674	No	No
PEN05	Teacher's Pension Return	TR17	9,542,794	9,542,794	No	Yes

Matters arising

The most important matters we identified through our certification work are summarised below.

Housing and Council Tax Benefits Scheme 2011/12

Our testing identified a number of errors in relation to the Council's compliance with Housing and Council Tax Benefit regulations. No amendments were made to the claim, however we reported a number of matters to the DWP in a qualification. In summary, the matters related to:

- 13 cases of misclassification of overpayments (total value: £11,044) and three cases of underpaid benefit (total value: £168) within non HRA rent rebates and two cases of underpaid benefit within rent allowances (total value: £7,219);
- 24 cases of misclassification of overpayments (total value: £28,920) and one case of underpaid benefit (total value: £662) within council tax benefit; and

-
- a system error was identified which has caused the incorrect figures to be calculated within the benefit subsidy system for Council Tax Benefit modified schemes. The system has not included the affect of subsequent adjusting payments within each individual subsidy case. The net impact of this error is £446.

The misclassification of overpayments, underpayment of benefit and error in uncashed cheques were also identified in 2010/11. We recommend that the Council considers whether further training is required to minimise the possibility that errors occur in future.

Teachers Pensions Return

We noted a minor difference of £325 between the teachers' contributions paid as per the payroll system compared to the figure declared in the claim form.

Appendices

Appendix A

Certification Fees

The fees for certification of each claim/return are set out below:

Claim/Return	2011/12 (£)	2010/11 (£)	Comment
BEN01 Housing and Council Tax Benefits Scheme	26,500	23,000	Increase in fee due to additional testing performed as a result of errors in the initial samples tested.
LA01 National Non Domestic Return (NDR)	5,000	5,000	-
PEN05 Teacher's Pension Return	4,800	4,800	-
Total	36,300	32,800	

These fees reflect the Council's current performance and arrangements for certification.

Glossary

Audit Commission Definitions for Certification work

Abbreviations used in certification work are:-

‘appointed auditor’ is the auditor appointed by the Audit Commission under section 3 of the Audit Commission Act 1998 to audit an authority’s accounts who, for the purpose of certifying claims and returns under section 28 of the Act, acts as an agent of the Commission. In this capacity, whilst qualified to act as an independent external auditor, the appointed auditor acts as a professional accountant undertaking an assurance engagement governed by the Commission’s certification instruction arrangements;

‘assurance engagement’ is an engagement performed by a professional accountant in which a subject matter that is the responsibility of another party is evaluated or measured against identified suitable criteria, with the objective of expressing a conclusion that provides the intended user with reasonable assurance about that subject matter;

‘auditor’ is a person carrying out the detailed checking of claims and returns on behalf of the appointed auditor, in accordance with the Commission’s and appointed auditor’s scheme of delegation;

‘authorities’ means all bodies whose auditors are appointed under the Audit Commission Act 1998, which have requested the certification of claims and returns under section 28(1) of that Act;

‘certification instructions’ (‘CIs’) are written instructions from the Commission to appointed auditors on the certification of claims and returns;

‘certify’ means the completion of the certificate on a claim or return by the appointed auditor in accordance with arrangements made by the Commission;

‘claims’ includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise;

‘Commission’ refers to either the Audit Commission or the Grants Team of the Audit Policy and Regulation Directorate of the Commission which is responsible for making certification arrangements and for all liaison with grant-paying bodies and auditors on certification issues;

‘grant-paying bodies’ includes government departments, public authorities, directorates and related agencies, requiring authorities to complete claims and returns;

‘returns’ are either:

- returns in respect of grant which do not constitute a claim, for example, statements of expenditure from which the grant-paying body may determine grant entitlement; or
- returns other than those in respect of grant, which must or may be certified by the appointed auditor, or under arrangements made by the Commission;

‘Statement’ is the *Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns*, available from www.audit-commission.gov.uk;

‘underlying records’ are the accounts, data and other working papers supporting entries on a claim or return.



This document has been prepared for the intended recipients only. To the extent permitted by law, PricewaterhouseCoopers LLP does not accept or assume any liability, responsibility or duty of care for any use of or reliance on this document by anyone, other than (i) the intended recipient to the extent agreed in the relevant contract for the matter to which this document relates (if any), or (ii) as expressly agreed by PricewaterhouseCoopers LLP at its sole discretion in writing in advance.

© 2012 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

This page is intentionally left blank

AUDIT COMMITTEE	AGENDA ITEM No. 6
4 FEBRUARY 2013	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton, Portfolio Holder for Resources	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources Steven Pilsworth, Head of Strategic Finance	Tel. 452520 Tel. 384564

USE OF CONSULTANTS – UPDATE REPORT

RECOMMENDATIONS	
FROM : Executive Director Strategic Resources	Deadline date : N/A
1. That Audit Committee consider the update report on the use of Consultants	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee following the Sustainable Growth Scrutiny Committee review into Peterborough City Council's use of consultants, the subsequent endorsement of their recommendations by Cabinet, and the agreement of Audit Committee to undertake an on-going monitoring role.

2. PURPOSE AND REASON FOR REPORT

- 2.1 Sustainable Growth Scrutiny Committee recommended that the on-going monitoring role at Member level is undertaken by Audit Committee. Audit Committee considered their approach to this role at their meeting of 26 March 2012, and received a subsequent update at their meeting of 5th November. This report is in line with the approach agreed, and is in accordance with the Committees' Terms of Reference:

- 2.2.13 To review any issue referred to it by the Chief Executive or a Director, or any Council body; and
- 2.2.17 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
---	-----------	---	-----

4. REVIEW OF THE USE OF CONSULTANTS

- 4.1 In March 2010, the Sustainable Growth Scrutiny Committee requested a review into Peterborough City Council's use of consultants. A cross-party review group was established to undertake this work on behalf of the Sustainable Growth Scrutiny Committee.

- 4.2 The scope of the review focused on the following objectives:

- To examine the cost of consultants and whether that provides value for money.
- To review the processes for engaging and monitoring the work of consultants.
- To look at the relationship between consultants and staff of the Council.
- To examine the likely future use of consultants by the Council.

- 4.3 The report from the Consultancy Review Group was issued in March 2011 and contained thirty three recommendations: twenty seven of these recommendations were endorsed by Cabinet in June 2011. In broad terms, the recommendations related to policy and process changes. It was agreed that many of recommendations regarding good practice should be incorporated into a policy guiding the use of consultants and interims.
- 4.4 Progress in implementing the recommendations, including a draft of the policy, was considered by Sustainable Growth Scrutiny Committee at their meeting on 8 November 2011. The Committee made a number of comments regarding the draft policy, and requested that an updated draft was brought back to their meeting of 6 March 2012 for consideration. Following this the Policy was approved by Cabinet on 26 March.
- 4.5 The policy has been rolled out across the Council, and reference included in all guidance on procuring consultants. The recent training on contract regulations has included update training on the policy.
- 4.6 Scrutiny also recommended that on-going monitoring of the use of consultants should fall to Audit Committee. Audit Committee considered an update report on 26 March, including this role. The following was agreed:

The Committee agreed the adoption of their role in monitoring the arrangements for the use of consultants at Peterborough City Council;

It was agreed that the Head of Corporate Services would:

- Produce a six monthly report to Audit Committee on the use of consultants by Peterborough City Council; and
- Would include detail on which departments had used consultants.

- 4.7 It was also requested that information relating to the types of projects were included. Members also suggested that a template on reporting the use of consultants should be developed without the need to conduct a full review each time to Audit Committee.
- 4.8 The first six monthly report, outlining the information requested, was discussed at the meeting of 5 November.. The following information was requested for the next update:
- Information on consultants and interims that had been in post at PCC for over a year; and
 - Further information regarding what services each of the consultancy companies had provided

4.8 **Use of consultants**

The definition of consultancy is based upon standard procurement classification. As such it covers a wide range of companies and services. Expenditure is included here if the company meets the standard classification, irrespective of exactly what services have been provided.

- 4.9 The spend for the last three years for both consultancy and interim spend is shown below, outlining a decline over those three years, and a continuing decline in this year.

	Consultancy £m	Interim £m	Total £m
2009-10	7.1	1.4	8.5
2010-11	5.3	1.1	6.4
2011-12	4.7	0.7	5.4
2012-13 (9 month period to end December 2012)	2.2	0.6	2.8

- 4.10 It should be noted that the exact pattern of spend depends entirely on what projects are underway in the council.
- 4.11 A list of companies used in the current financial year is included in appendix 1, indicating the breadth of these companies and services that are included in the standard classification and in the analysis in this report.

5. CONSULTATION

- 5.1 Audit Committee considered options for how they wish to monitor use of consultants in the future at their meeting of 26 March 2012.

6 ANTICIPATED OUTCOMES

- 6.1 That Audit Committee consider the update report on the use of consultants.

7 REASONS FOR RECOMMENDATIONS

- 7.1 The recommendations are in line with the recommendations of Scrutiny, and the view of Audit Committee in undertaking this role.

8 ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Audit Committee considered options for how they wish to monitor use of consultants in the future at their meeting of 26 March 2012.

9 IMPLICATIONS

- 9.1 Where appropriate, the policy outlines implications for areas such as Legal, Human Resources, Procurement and Finance.
- 9.2 This report does not have implications for specific wards.

10 BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- Consultancy Review Report, March 2011;
- Report to Sustainable Growth Scrutiny Committee, 8th November 2011;
- Report to Sustainable Growth Scrutiny Committee, 6th March 2012; and
- Reports to Cabinet and Audit Committee 26 March 2012.
- Report to Audit Committee of 5 November

11 APPENDICES

- Appendix 1 - list of companies used in the last year with project breakdown; and
- Appendix 2 - Spend by department
- Appendix 3 – consultants/interims in place for more than one year.

List of companies used this year, with project descriptions

This table lists all companies used in the current financial year, along with a description of the projects supported, and a breakdown of consultancy and interim spend

Supplier Name	Project Description	Consultancy £	Interim £
AECOM Ltd	Feasibility studies on the wind and solar project	271,934	
AMTEC Consulting Plc	Westcombe Industries Interim Management Fletton Quays Waste 2020 Programme Station Quarter Interim Head of Business Transformation Adult Social Care Transformation Programme Community Stadium Childrens Services Procurement Support Financial Products Business Case ICT Managed Service Electronic Document Record Management Work on the Single Delivery Plan	1,098,107	87,071
Andrew Belson Arboricultural Con.	TPO Review	4,365	
Athene Communications	Interim Head of Communications support for the Greater Peterborough Partnership	3,980	28,587
Beverley Clarke Consulting Ltd	Childrens Improvement Programme	7,158	
Blue Blanket Ltd	ICMS Liquidlogic Implementation	2,950	
Bob Dawson Consultancy	Development of Health and Wellbeing Strategy for Peterborough	4,332	
Civica UK Limited	Database support for implementation of national food hygiene rating scheme	10	
Debbie Owen Consulting Limited	Debbie Owen- consultant for Improvement Programme	7,707	
Drivers Jonas Deloitte	Development and Retail Planning Advice - Great Haddon Urban Extension	1,361	
Eva Learner Ltd	To provide support and practice learning to referral and assessment team managers.	14,000	
G V A Grimley	To undertake an appraisal of the retail impact assessment for the Brotherhood	1,750	

	Retail Park		
Haskoning UK Ltd	Specialist support to develop the Future Cities Demonstrator bid for Peterborough	33,000	
Redacted	Managerial Service provided at Bretton Childrens Centre		2,400
Jane Held Consulting Ltd	Chair the improvement board	6,070	
JSA	Children Services	44,583	
Kealey-HR	For service/staff provided to the HR department		76,500
Lyster, Grillet & Harding	works for Phase II of the hampton College build project	5,850	
MCBN Management Consultants Ltd	Interim Director of Children's Services		168,768
Opportunity Peterborough	Specialist support to develop the Future Cities Demonstrator bid for Peterborough	9,955	
Outlook Consulting	Childrens Services Improvement Team	3,074	
Peter Brett Associates	M&E works to the Phase II build project at Hampton College		
	Provision of specialist services in order to adopt a Community infrastructure levy (CIL)	10,396	
Potential UK Ltd	Interim Adoption & Fostering Service Manager		31,430
Rider Levett Bucknall UK Ltd	Technical advisory and project manager services for the OBA, Stanground and City of Peterborough Academy project.	252,833	
Serco Ltd	Agency Social Workers	425,428	20,373
	Superfast Broadband project		
	Adult Social Care Assistant Director		
	For rapid release work delivered by Integrated Urban Water Consultant		
	School Improvement Review		
	Interim Manager Head of Inclusion		
	Interim Manager LD Commissioning		
	support to GPP		
	Soil Consultant to monitor 3 Minerals and Waste site restoration		
Sue Fowler Consultancy	To provide formal assessments of prospective carers for the Link Carer Scheme	2,012	
TMI Systems Ltd	ICT Client and Project Management	7,560	
Veredus	Director of Adult Social Services cover		184,668
Redacted	To undertake a review of the LA GRT and MENA Services.	1,425	
TOTAL		2,219,838	599,796

Spend by department

This table breaks down the consultancy and interim spend for 2012-13 outlined in section 4.9 by department

	Consultancy	Interim
Adult Social Care	£168,299	£205,041
Chief Executives	£296,220	£116,709
Childrens Services	£794,444	£202,597
Operations	£52,762	£0
Strategic Resources	£908,112	£75,449
Total	£2,219,838	£599,796

Consultants/Interims utilised for more than a year as at end of January 2013

The following appendix lists roles that were being utilised at the end of January 2013, and were being utilised in some form 12 months earlier. Note that not all individuals will have been employed continuously in that period, some will have worked for ad hoc periods as necessary, and/or operate on a part time basis.

- Interim Head of HR
- Interim Head of Business Transformation (permanent post holder now in place, handover taking place late January/early February)
- Waste 2020 project (note – level of resource reduced significantly since project received Cabinet Member Decision)
 - Project Manager
 - Project Support
 - Financial adviser
- Interim Director of Adult social Care
- Interim Head of Finance (Adult social Care)
- Interim MD Westcombe industries
- ICT and information governance (*2)
- Growth agenda Projects, including station quarter, Fletton Quays, Financial products (*3)

This page is intentionally left blank

AUDIT COMMITTEE	AGENDA ITEM No. 7
4 FEBRUARY 2013	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

FEEDBACK REPORT

1. ORIGIN OF REPORT

This is a standard report to Audit Committee which forms part of its agreed work programme.

2. PURPOSE AND REASON FOR REPORT

This standard report provides feedback on items considered or questions asked at previous meetings of the Committee. It also provides an update on any specific matters which are of interest to the Committee or where Committee have asked to be kept informed of progress.

3. APPENDICES

Appendix A - Feedback Responses

AUDIT COMMITTEE: RECORD OF ACTION TAKEN

MUNICIPAL YEAR: MAY 2012 - APRIL 2013

DATE ISSUE RAISED	AGENDA ITEM / ACTION ARISING	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
5 November 2012	<p>Item 4: Risk Management Strategy, Business Continuity Strategy and Update on Risk Management: Strategic Risks</p> <p>The Group Manager Construction, Compliance and Resilience, would include Members of the Audit Committee in the distribution of the quarterly Risk Management reports</p> <p>A further update would be provided at the February 2013 meeting on the Strategic Risk Register.</p> <p>CMT was to confirm to Audit Committee, which Executive Director had been delegated the appropriate seniority and authority to be accountable for the BCM policy and its implementation.</p>	Kevin Dawson	<p>The reports will be available following the first review of the revised Strategic Risk Register by CMT which is scheduled for June 2013.</p> <p>A workshop was held with CMT on 8 January and a first draft of the revised Strategic Risk Register is now out for review by Directors. It is anticipated that this revised version will be approved by CMT by the end of February 2013.</p> <p>Paul Phillipson has now confirmed as the Director accountable for BCM Policy and its implementation.</p>	10/1/13
5 November 2012	<p>Agenda Item 5: RIPA: Progress Report to 30 September 2012 and an update on RIPA policy changes</p> <p>That the Head of Governance would organise a report to be provided to Members, which would detail information regarding the number of investigations that were carried out following referrals from the</p>	Diane Baker	Report had been despatched to Members for the Audit Committee	18/1/13

	public, internal departments and regulatory checks.			
5 November 2012	<p>Agenda Item 6: Member Code of Conduct</p> <p>Refer the Audit Committees recommendation over appointment of Independent Members to Council.</p> <p>Consult Members of the Audit Committee over the appointment of Members to the Sub-committee to Audit Committee.</p> <p>That a further recruitment exercise was to be conducted in order to invite applicants for the two vacant Deputy Independent Member positions.</p> <p>The Solicitor to the Council would circulate details to Audit Committee Members of the first candidate recommended for appointment to the Sub-Committee to the Audit Committee, prior to seeking approval at Council.</p>	Helen Edwards	All actions completed.	10/01/13
5 November 2012	<p>Agenda Item 8: Internal Audit: Mid Year Progress Report</p> <p>Internal Audit: Mid Year Progress Reports</p> <p>1. Provide Members of the Audit Committee with the appropriate details surrounding who had put together the tender information for the company identified as being provided with an unfair advantage over a tender bidding exercise following an ex-employees access to procurement systems.</p>	Steve Crabtree	<p>1. Tendering Review</p> <p>Members were informed that an ex-employee had accessed documents at the Council to build up a tender submission. The documents were accessed via the internet into a number of web based systems used by the Council. On identification and referral to the Police it was established that the company had in no way been involved in the deception. The company having been informed of the issues</p>	21/1/2013

	<p>2. Provide the audit report to Members of the Audit Committee, which had detailed the investigation into the City Water Festival payment allegations.</p> <p>3. Provide Members with details of the critical action identified for Direct Payments.</p>		<p>withdrew from the process, allowing the tender process to continue. The tender was successfully awarded.</p> <p>A number of internal systems accessed through the web, for example as a result of home working have been identified. Instructions have been established to reduce the potential risks in future.</p> <p>2. City Water Festival</p> <p>A copy of the full audit report was provided to Members of the Audit Committee.</p> <p>3. Direct Payments</p> <p>The critical recommendation was that: “The Interim Assistant Director, Care Services Delivery, should ensure that ASC Management action overdue care reassessments so that they are performed promptly within the statutory time frame.”</p> <p>It resulted from a review of the February 2012 report on all overdue care package reassessments (also known as the monthly breach report), which showed that 58 out of a total of 5102 care cases have overdue reassessments greater than 12 months (this includes all care packages, not just those relating to direct payments). There is a statutory requirement to review care packages at least annually.</p>	
5 November	Item 9: Use of Consultants			

This page is intentionally left blank

AUDIT COMMITTEE	AGENDA ITEM No. 8
4 FEBRUARY 2013	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

WORK PROGRAMME 2012 / 2013

1. ORIGIN OF REPORT

This is a standard report to Audit Committee which forms part of its agreed work programme. This standard report provides details of the proposed Work Programme for the Municipal Year 2012 / 2013 together any training needs identified.

2. UPDATE

2.1 Work Programme

2.2 The Work Programme (Appendix 1) is based on previous years meeting dates / agendas. The programme will be refreshed in consultation with senior officers and the Committee membership throughout the year.

2.3 Training

2.4 An overview of the works channelled through the Audit Committee will be provided alongside this agenda.

2.5 Further training will be provided subject to the needs of the committee, either before the meeting or at separate sessions.

WORK PROGRAMME FOR 2012 / 2013

Date	Work Programme	Key Officer
7 June 2012	Agenda items: Information Governance: Data Incident Policy Audit Committee Handbook Training: Overview of the Final Accounts process	Louise Tyers Steve Crabtree Steven Pilsworth
25 June 2012	Agenda Items: Fraud: Annual Report 2011 / 2012 Internal Audit: Review of Effectiveness Internal Audit: Annual Report 2011 / 2012 Draft Annual Governance Statement Budget Monitoring Report Outturn 2011 / 2012 Statement of Accounts 2011 / 2012 Training: None identified	Ben Stevenson Steve Crabtree Steve Crabtree Steve Crabtree Steven Pilsworth Steven Pilsworth
3 Sept 2012	MEETING CANCELLED	
24 Sept 2012	Agenda Items: Audit of Statement of Accounts and Report to Those Charged with Governance Regulation of Investigatory Powers Act (RIPA): Annual Report and Progress to 30 June 2012 Progress / Update Report Training: None identified	Steven Pilsworth / PwC Ben Stevenson
5 Nov 2012	Agenda Items: Strategic Risk Management (deferred from 3 Sept 2012) RIPA: Progress Report to 30 September 2012 Member Code of Conduct Treasury Management Update Internal Audit: Mid-Year Progress Report Use of Consultants: Progress Report Training: None Identified	Kevin Dawson Ben Stevenson Kim Sawyer Steven Pilsworth Steve Crabtree Steven Pilsworth
4 Feb 2013	Agenda Items: Risk Management: Strategic Risks External Audit: Annual Audit Letter External Audit: Grant Claims Annual Certification Use of Consultants Feedback Report Training: None identified	Kevin Dawson PwC PwC Steven Pilsworth

Date	Work Programme	Key Officer
25 Mar 2013	<p>Agenda Items:</p> <ul style="list-style-type: none"> RIPA: Progress Report to 31 December 2012 Internal Audit: Strategy and Audit Plan 2013 / 2014 External Audit: Audit Plan External Audit: Report to Management Effectiveness of the Audit Committee Draft Annual Audit Committee Report Feedback Report <p>Training:</p> <ul style="list-style-type: none"> Risk Management training will be provided to all Members of the Council via All Party Policy on 28 March 2013 	<ul style="list-style-type: none"> Ben Stevenson Steve Crabtree PwC PwC Steve Crabtree Steve Crabtree

Each meeting may be supplemented by additional reports deemed appropriate for the Committee, and in accordance with the Terms of Reference. This could relate to:

- Specific work requests for Internal Audit or External Audit;
- Changes made to Financial Regulations or Contract Regulations; or
- Other governance or legislation which impacts on the work of the Committee.

The Work Programme will be refreshed at each meeting.

This page is intentionally left blank