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PETERBOROUGH
CITY COUNCIL

AUDIT COMMITTEE

MONDAY 1 JUNE 2009
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

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 452268 as soon as possible.

Committee Members:

Councillors: M Dalton (Chairman), N North (Vice-Chairman), L Gilbert, D Harrington, Z Hussain, P Kreling and B Rush

Substitutes: Councillors: M Collins, N Khan and C W Swift

Further information about this meeting can be obtained from Gemma George on telephone 01733 452268 or by email – gemma.george@peterborough.gov.uk

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT THE TOWN HALL, PETERBOROUGH ON 30 MARCH 2009**

Present: Councillors Hiller (Chairman), North, Gilbert, Kreling, Seaton, Harrington and Khan.

Officers in   Steve Crabtree, Chief Internal Auditor
attendance: John Blair, Head of Strategic Finance
                 Chris Hughes, PricewaterhouseCoopers
                 Gemma George, Governance Support Officer

1.   Apologies for Absence

Apologies were received from Councillor Hussain.

2.   Declarations of Interest and Whipping Declarations

There were no declarations of interest.

3.   Minutes of the Meeting held on 9 February 2009

The minutes of the meeting held 9 February 2009 were approved as an accurate and true record.

4.   Annual Audit and Inspection Letter 2007/2008

The Committee received a report which highlighted the Annual Audit and Inspection Letter for 2007/2008, prepared jointly by the Council's external auditors PricewaterhouseCoopers and the Audit Commission Relationship Manager.

The External Auditor and the Audit Commission Relationship Manager produced an Audit and Inspection Letter yearly, which reviewed the Council's arrangements and progress in relation to the Audit of Accounts and the Use of Resources.

The contents of the letter were highlighted to the Committee and included:

- Summary;
- Purpose, responsibilities and scope;
- Peterborough City Council performance;
- Audit of the Accounts;
- Use of Resources; and
- Closing remarks

Members were advised that there was an error in paragraph 19 of the report surrounding Peterborough City Council performance. The classification highlighting current level of performance under the Comprehensive

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Performance Assessment had not been stated. Members were advised that Peterborough City Council had been assessed to a three star level.

Members were invited to comment on the letter and the following issues were raised:

- Members questioned whether the Assurance Framework work items were covered in the letter. Members were advised that this item formed part of the Use of Resources assessment and was separately identified on the agenda (Item 5).
- Members questioned what actions could be taken in order to improve. Members were advised that the letter highlighted significant challenges around translating performance improvement to outcomes. This was most notable in the Use of Resources, value for money, which had an overall assessment of 2 out of 4. In proportion to other Council's our cost were seen as high but this may be down to local factors / priorities.

ACTION AGREED:

The Committee approved the Audit and Inspection Letter 2007/2008.

5. **Assurance Framework**

The Director of Strategic Resources submitted a report which informed Members of the Assurance Framework, which was an initiative designed to further consolidate the Council's Risk Management Framework.

The Council's Assurance Framework provided a simple but comprehensive method to implementing effective and focused management on obtaining assurance relating to the achievement of key council priorities, its Partners, Stakeholders and the inherent risks to achieving this.

The Framework provided a structure and reporting process which would assist the Audit Committee in carrying out its duties.

Key priorities and key risks where assurance was required had been identified from the Strategic Risk Register, the Annual Governance Statement and the 2008 Assurance Framework. The sources of assurance had been obtained from internal and external sources. The Assurance Framework referenced the documented evidence that identified the key risk areas, their current position and the actions which were being implemented and the mechanisms for reporting on progress.

A total of 65 areas of assurance had been sought from across the Council, which covered all service areas and activities.

Members were advised that the Assurance Framework was not a static document, and would be changed and updated throughout the year as the needs and assurances across Peterborough changed. It had been proposed that a further update would be provided to the Audit Committee on a half yearly basis.

Members were invited to comment on the report and the following observations and issues were highlighted:

- The Committee positively commented on the information provided within the Assurance Framework reporting timetable document which was attached to the main report. This document highlighted the 65 areas of assurance which had been identified.
- A query was raised regarding whether the safeguarding of electronic data, listed as area of assurance number 59 within the document, had been previously highlighted as needing improvement. Members were informed that this area had been previously highlighted in last years Annual Governance Statement. The Assurance Framework document had been prepared whilst a council project to address this had been running. This central government driven project was due for closure soon and there were a few areas that would require further audit to satisfy the safeguarding of electronic data.
- Members commented that investments, listed as area of assurance number 43 within the document, needed further work. Members were advised that on the whole, work in this area had been compliant, for example the Medium Term Financial Strategy made full disclosure of the prudent approach taken, but further work was needed to satisfy audit assurance.
- Members questioned whether children's social services were improving. Members were informed that further work was required, but new changes had been implemented, for example new school CRB checks.
- A query was raised regarding whether further information could be provided on other Council's assurances and also whether Peterborough City Council could be benchmarked against other Council's. Members were advised that Internal Audit was part of a national benchmarking group and the question of benchmarking against other Councils would be posed. Further information would be provided on other Councils assurances where available.
- Members questioned whether the outcome of the further assurance work required, which was highlighted under each of the 65 assurances, would be fed back to the Audit Committee upon completion. Members were advised that this information would not be fed back to the Audit Committee - other than the proposed half yearly update report - although it would be included in the Service Contracts for each department. Members were further advised that if they wished to enquire about outcomes of further assurance work, information could be obtained from either the relevant departmental Director or the relevant Scrutiny Panel.

ACTION AGREED:

The Committee;

(1) Approved the Assurance Framework which formed part of the Annual Governance Statement;
(2) Considered whether additional areas of assurance were required; and
(3) Noted the proposed future reporting timetable.

6.   Internal Audit Plan and Strategy 2009/2010

The Director of Strategic Resources submitted a report which outlined the Internal Audit Strategy and Operational Plan for 2009/2010.

The Audit Strategy documented the way in which Internal Audit intended to deliver the service and how it was ensured that work its complied with the standards contained in the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. In particular, it stated how the work of Internal Audit would provide the assurances required for the production of the statutory Annual Governance Statement. This would be achieved by adopting a risk based approach to work, both at the level of annual planning and of individual audits, this would ensure that the Council's key priorities, objectives and risks were targeted. The strategy also commented on some key areas up for review, including partnership governance, contracting arrangements, project management, business continuity and ICT arrangements.

The Annual Operational Plan described the individual audit reviews which were to be undertaken during the year. To determine the scope of the plan for 2009/2010 a systematic risk assessment of all auditable areas had been undertaken. This was informed by the review of the Strategic Risk Register, Divisional Risk Registers, the Assurance Framework, Director and Heads of Service consultation, council and government initiatives and the Medium Term Financial Strategy. The work required to fulfil statutory s.151 responsibilities had also been determined.

The Plan showed the minimum amount of work that the Internal Audit Service (IAS) had assessed should be undertaken after considering available resources.

Members were invited to comment on the report and the following issues were raised:

- A query was raised regarding debt recovery, which was highlighted in the audit activity table, under the Internal Audit Operational Plan. The status of debt recovery was labelled as 'poor financial management', therefore, what were we doing to progress this forward. Members were advised that this point was linked into the Strategic Risk Register, and as such if we did not do anything in this area, it could ultimately lead to 'poor financial management'. However, the Council has been proactive in this area with changes made around debt recovery ensuring that its processes had become more robust.
- A further query was raised regarding review arrangements for the creation of Arms Length Management Organisations (ALMO), would we have sufficient staff to progress this forward. Members were assured that the ALMO proposition was due to be reviewed and experts would be called upon to enable assurance was met and also that the quota of expertise and staff would be sufficient to deliver the project.

ACTION AGREED:

The Committee noted the report.

7. **Feedback and Update Report**

The Chief Internal Auditor submitted the latest Update and Feedback Report for consideration.

There were no requests from the Committee for any further information to be provided.

ACTION AGREED:

The Committee noted the Feedback and Update Report.

8. **Audit Committee Work Programme (Including Any Training Needs)**

The Chief Internal Auditor submitted the latest version of the draft Work Programme 2009/2010 for consideration and approval.

ACTION AGREED:

The Committee noted and approved the latest version of the Work Programme.

The meeting closed at 7.27 p.m.

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AUDIT COMMITTEE	AGENDA ITEM No. 4
1 JUNE 2009	PUBLIC REPORT

Committee Member(s) responsible:	Councillor M Dalton, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

ANNUAL REPORT FROM THE CHAIR OF AUDIT COMMITTEE

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director (Strategic Resources)	**Deadline date : N/A**
Audit Committee are asked to approve the Annual Audit Committee Report as shown in Appendix A.	

1.   **ORIGIN OF REPORT**

This report is submitted to Audit Committee in line with the agreed Work Programme for the Municipal Year 2009 / 2010.

2.   **PURPOSE AND REASON FOR REPORT**

The Audit Committee has been in operation since Annual Council in May 2006 (first meeting June 2006). The Committee has a wide ranging remit that underpins the Council's governance processes by providing independent challenge and assurance of the adequacy of risk management, internal control including internal audit, anti-fraud and the financial reporting framework. These are shown in its terms of reference.

Best practice recommended by relevant professional bodies is that audit committees should produce an annual report which details the work of the committee for the Municipal Year, and sets out its plans for the future building on the lessons learnt.

3.   **TIMESCALE**

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

4.   **ANNUAL REPORT**

4.1   Audit Committee members have been issued with an Audit Committee Handbook which identifies all the key activities and work delivered through the committee. Best practice within this publication establishes a need to highlight to a wider audience the works undertaken by the committee and to enhance its profile across the organisation.

4.2   In consultation with the (previous) Chair of Audit Committee, the second Annual Report has been produced by the Chief Internal Auditor (**Appendix A**). The report shows:

- Background to the committee; its roles and responsibilities; and its membership;
- Its key achievements during the year;
- An overview and coverage of its remit including Internal Audit, Accounts and Financial Management, External Audit, Risk Management, Control Assurance and Corporate Governance, and Fraud and Irregularities; and
- Training provided to ensure that suitable challenge and scrutiny is adopted.

5. CONSULTATION

The report has been produced by the Chief Internal Auditor in consultation with the (previous) Chair of the Committee.

6. ANTICIPATED OUTCOMES

Publication of the report will enable the public to gain an insight into the role of the Committee and will ensure that the Committee can continue to progress and develop in the future. The City Council continues to evolve its Audit Committee in line with best practice to provide effective challenge to the governance arrangements adopted.

7. REASONS FOR RECOMMENDATIONS

To seek endorsement from members that the committee is delivering against its terms of reference and provided effective challenge to the organisation.

8. ALTERNATIVE OPTIONS CONSIDERED

None required at this stage.

9. IMPLICATIONS

This report contains no specific financial implications.

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

None

2nd ANNUAL REPORT FROM THE CHAIR OF AUDIT COMMITTEE 2008 / 2009

Assurance

Governance

Accountability

Risk Management

Independence

FOREWORD

This report details the work of the committee's auditing role during the municipal year 2008 / 2009, highlighting key achievements and developments in internal control; risk management; internal audit; anti fraud; external audit; and financial reporting.

Good governance requires independent, effective assurance about the adequacy of financial management and reporting together with sound management arrangements for achieving the organisation's corporate and service objectives. Good practice from the wider public sector indicates that these functions are best delivered by an independent Audit Committee. In this context "*independent*" means independent from Executive and Scrutiny. The link with the Scrutiny function can be beneficial but the influence of the Audit Committee could be compromised by too much cross-membership. The Audit Committee also needs to retain the ability to challenge Cabinet on issues and to report to it on major issues and contravention. The way this has been handled is that I, as Chair of the Audit Committee, am not a Cabinet Member or Chair of a Scrutiny Panel. No Cabinet Member serves on the Audit Committee, although there is a standing invitation for attendance at meetings as an observer.

I would like to take this opportunity to give thanks to committee members and officers for their contribution in supporting the Audit Committee's work during the year and my role as Chair. Committee members have supported and challenged officers to ensure our risk, control and governance processes are effective and transparent. Officers have presented well-prepared reports and taken on suggestions to make sure the benefits of this new committee are passed onto our citizens.

I hope we have rapidly discharged any notion that an Audit Committee is just about looking though lines and lines of figures and wanting to make sure these figures add up. Whilst I would want to assure everyone that we will remain vigilant on this, we also want to ensure an understanding that the Committee is essentially about ensuring good risk assessment arrangements and good governance procedures. I have very much enjoyed leading the Audit Committee during the year and I look forward to working with officers and Members to further enhance the Council's progressive approach to governance. In looking forward to 2009 / 2010, I am particularly keen to develop the skills and expertise of all members of the Committee through the ongoing training programme established to support this, and the Audit Committee Handbook.

The role of the Committee is important in the democratic and governance arrangements of the authority to provide independent assurance to the Council that its systems and controls to secure good and effective stewardship of resources are working and I'm confident that the Committee is well placed to do that during 2009 / 2010 and beyond.

I hope this report is of interest, highlighting the activities of the Committee during 2008 / 2009 and I look forward to being able to report another successful and effective year in 12 months time.

Councillor Peter Hiller,
Chair of the Audit Committee
April 2009

AUDIT COMMITTEE: ANNUAL REPORT 2008 / 2009

INTRODUCTION

MEMBERSHIP AND MEETINGS

KEY ACTIVITIES AND TRAINING DURING THE MUNICIPAL YEAR

PLANS FOR 2009 / 2010

APPENDICES

A: Audit Committee Terms of Reference

B: Audit Committee Activity 2008 / 2009

C: Audit Committee Attendance

INTRODUCTION

In May 2006, the council decided to include the Chartered Institute of Public Finance and Accountancy's (CIPFA) best practice guidelines into its Constitution, and the Audit Committee and its terms of reference was established. With support from all parties and councillors, an auditing role has now been established to serve the Council. I am please to present this annual report, which shows how the Audit Committee is successfully fulfilling its terms of reference and has contributed towards the improvement in the Council's governance and control arrangements.

This is the second annual report produced by Peterborough City Council's Audit Committee. It is produced in accordance with latest best practice and shows that the Council is committed to working as an exemplar organisation in operating the highest standards of governance.

This report shows the Audit Committee has successfully fulfilled its terms of reference and has improved the Council's governance and control environments.

The Audit Committee was established by the City Council at its meeting in May 2006. Following its first year of operation, the membership was reduced from 10 to 7 members.

There is no statutory obligation for a local authority to establish an Audit Committee. However, the topic of audit committees is not new. Audit Committees have been in place in many parts of the public sector for some time, operating in different ways in different organisations. They are ever more widely recognised internationally across the public and private sectors as a core component of effective governance.

In this context, a corporate decision was taken in recommending the setting of an Audit Committee. This, together with business transformation was seen as key drivers in improving the performance and accountability of the City Council.

The key benefits of an Audit Committee can be seen as:

- Raising greater awareness of the need for internal control and the implementation of both internal and external audit recommendations;

- Increasing public confidence in the objectivity and fairness of financial and other reporting;

- Reinforcing the importance and independence of internal and external audit and similar review processes; and

- Providing additional assurance through a process of independent and objective review.

The Terms of Reference for the Committee can be found at **Appendix A** of this report. Audit Committee members have received training on key issues throughout the year, and further details of this can be found later in this report.

MEMBERSHIP AND MEETINGS

During 2008 / 2009, the Audit Committee met on the following dates:

- 2 June 2008

- 30 June 2008

- 1 September 2008

- 23 September 2008

- 3 November 2008

- 9 February 2009

- 30 March 2009

Details of the business undertaken and the decisions made at each committee meeting is detailed in **Appendix B**.

The Audit Committee has 7 members, which represents the political make up of the Council. The members for 2008 / 2009 were:

- Councillor Hiller (Chair)

- Councillor North

- Councillor Gilbert

- Councillor Harrington

- Councillor Hussain

- Councillor Kreling

- Councillor Seaton

Membership attendance is set out in **Appendix C**. A number of Audit Committee members also sit on various other committees and panels. On occasions there may be clashes with the Audit Committee and where this occurs, apologies are received for any episodes of non-attendance and where available, substitutes attend.

Senior officers from the Council are also present, including the Executive Director (Strategic Resources), Chief Internal Auditor and the Head of Strategic Finance. Dependent on the subject matter on the agendas, other officers will attend in addition to external representation from the Councils' External Auditor and Relationship Manager. **Appendix C** sets out officer attendance.

KEY ACTIVITIES AND TRAINING DURING THE MUNICIPAL YEAR

The first meeting within the year took place in June 2008. While there were local elections in May that year, the nucleus of the membership remained the same, with a similar number of meetings planned throughout the year. At the first meeting the Audit Committee were reminded on their role by the Council's Chief Internal Auditor, together with an informal training session on the Audit Committee Handbook.

The Audit Committee's current terms of reference (**Appendix A**) covers 6 main areas (see below). The Committee's work and outcomes is documented in **Appendix B**.
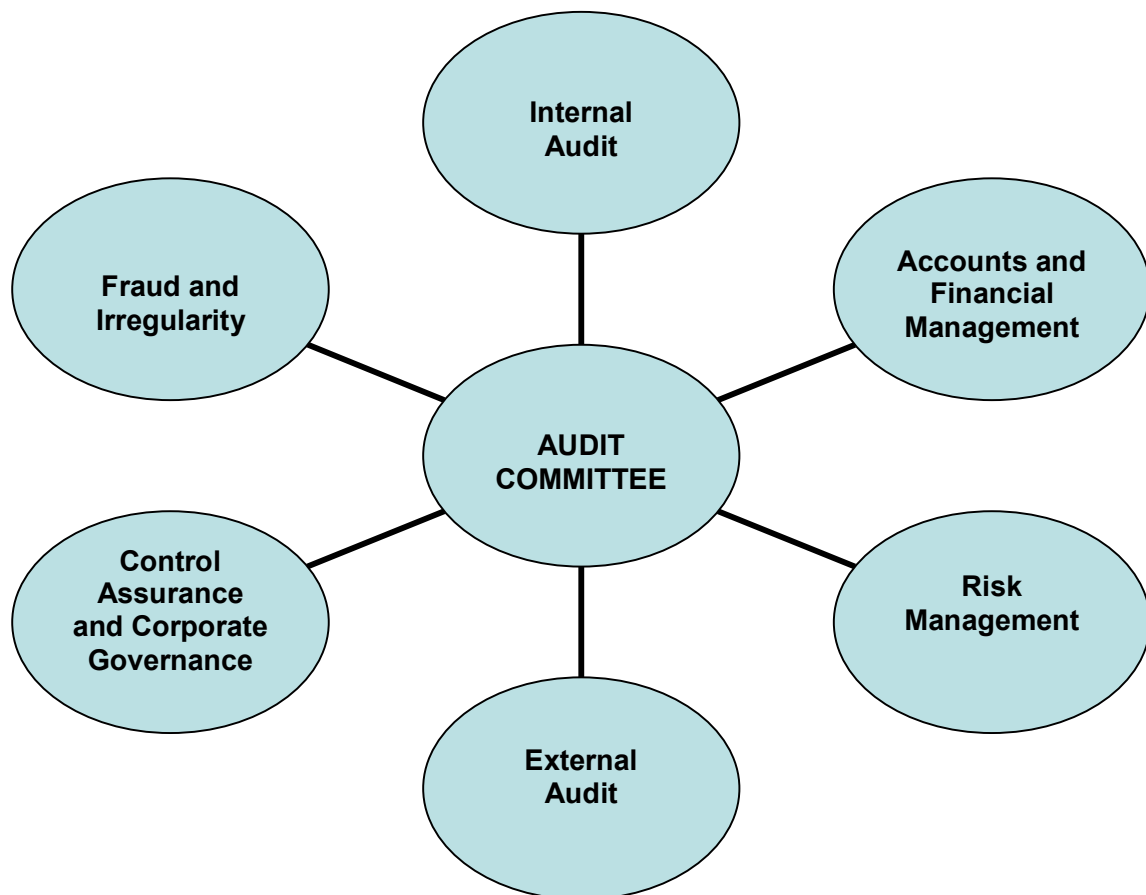
Initial meetings focussed on the year ended processes, with reviews of the Draft Annual Governance Statement and the Draft Statement of Accounts. These were supported by annual opinions of the Internal Audit service and that of Fraud and Investigations.

Corporate activities around developing, implementing and embedding risk management were presented together with external reports covering a myriad governance and financial issues. The comprehensive Assurance Framework was further refined and intrinsically linked to the corporate plans, to produce a comprehensive document which could be used to establish effective governance arrangements across all activities and services.

Regular update reports have been produced which have highlighted changes in rules and processes which have required adoption. These have included the Minimum Revenue Provision Policy and the new International Financial Reporting Standards, together with ongoing progress / performance reports on Internal Audit activity.

Throughout the year, the provision of ongoing training to Members has been the cornerstone of developing members (new and existing). During the year, officers provided presentations on:

- Council's Final Accounts process and Statement of Accounts;
- Effectiveness of audit committees;
- Risk management;
- Write off policies and procedures;
- Use of Resources and the changes from Comprehensive Performance Assessment to a Comprehensive Area Assessment;
- Debt Management; and
- International Financial Reporting Standards.

All training slides which have been used have been included on the Council's intranet, Insite, under the Strategic Resources link, so that other members and officers can access them.

To further assist Member development, the Chief Internal Auditor produced an Audit Committee Handbook in January 2008 which documents all the activities of the Committee, together with suggested areas for member challenge. This was formally adopted by the Committee in June 2008. This document is regularly referred to where appropriate, and a review of the document is planned for 2009 / 2010.

As a result of the training provided, the reports produced and challenged, the Committee has been able to confirm that the system of internal control, governance and risk management in the authority was adequate in identifying risks and allowing the authority to understand the appropriate management of these risks.

The Committee was also able to confirm that there were no significant duplication or omission in the systems of governance in the authority that had come to the committee's attention and had not been adequately resolved.

PLANS FOR 2009 / 2010

Overall, the Audit Committee want to continue to develop and build on our current achievements. For 2009 / 2010 this will involve:

- Equip existing and any new Members to fulfil our responsibilities by providing or facilitating training on all aspects of the Committee's remit;
- Play a critical role in the preparation of the Annual Governance Statement and in so doing ensure all governance arrangements are reviewed;
- Assist and support officers to promote the work of the Committee and the roles of audit and risk management;
- Support the continued production of high quality and compliant statutory accounts and general good practice in financial management;
- Help to further increase awareness within the Council of its governance arrangements; and
- Provide effective challenge to officers, raising awareness for sound internal control arrangements and giving assurance to the Authority that its control arrangements are sound

AUDIT COMMITTEE: TERMS OF REFERENCE

2.2.   Audit Committee

2.2.1   Terms of Reference

2.2.2   To consider the Director of Strategic Resources annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.

2.2.3   To consider summaries of specific internal audit reports as requested.

2.2.4   To consider reports dealing with the management and performance of the providers of internal audit services.

2.2.5   To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale

2.2.6   To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

2.2.7   To consider specific reports as agreed with the external auditor.

2.2.8   To comment on the scope and depth of external audit work and to ensure it gives value for money.

2.2.9   To liaise with the Audit Commission over the appointment of the council's external auditor.

2.2.10   To commission work from internal and external audit.

2.2.11   Regulatory Framework

2.2.12   To maintain an overview of the council's constitution in respect of contract procedure rules, and Financial Regulations.

2.2.13   To review any issue referred to it by the Chief Executive or a Director, or any council body.

2.2.14   To monitor the effective development and operation of risk management and corporate governance in the council.

2.2.15   To monitor council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the council's complaints process.

2.2.16   To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.

2.2.17   To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

2.2.18   Accounts

2.2.19   To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.

2.2.20   To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.

(Source: Constitution: Part 3, Delegations Section 2 - Regulatory Committee functions. Approved Annual Council)

AUDIT COMMITTEE ACTIVITY 2008 / 2009   **APPENDIX B**

Report	Overview	Resolution
2 June 2008		
Audit Committee Handbook	To approve the adoption of the Audit Committee Handbook	As some of the membership of the committee are new, it was agreed that this should be deferred to a future meeting. Action agreed: To defer approval of the Audit Committee Handbook
Annual Governance Statement 2007 / 2008	To receive the draft Annual Governance Statement and comment on as appropriate	To approve the draft Annual Governance Statement prior to its submission to external audit as part of the final accounts process.
Update and Feedback Report	Receive standard feedback report on issues and action requests made at past meetings of the committee	To note the record of action completed during the 2007-2008 municipal year.
Audit Committee Work Programme 2008 / 2009 (including any training needs)	To agree the current work programme and review any member training needs	To convene an additional meeting of Audit Committee on Wednesday 20 June at 7.00pm That an informal training session on Annual Accounts be held prior to the formal meeting, commencing at 6.00pm. That substitute members be invited to attend the training session

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AUDIT COMMITTEE ACTIVITY 2008 / 2009   **APPENDIX B**

Report	Overview	Resolution
30 June 2008		
External Audit: Audit and Inspection Plan 2008 / 2009	To receive the inspection and audit plans for External Audit	To approve the Audit and Inspection Plan 2008 / 2009
Statement of Accounts for Year Ended 31 March 2008	To receive the draft Statement of Accounts and associated papers for the year ended 31 March 2008	To note the figures presented and that the Statement of Accounts remain subject to External Audit by the Council's external auditors, PricewaterhouseCoopers. It was further agreed: - That the committee has scrutinised the accounts for the year ended 31 March 2008; - To approve the transfer to / from Reserves (as set out in note 48 to the Core Financial Statements in the Accounts) in accordance with the recommendations of the Director of Strategic Resources; - To approve the summary capital expenditure statement and its financing (as set out in Appendix 4 and the detailed financing in note 24 to the Core Financial Statements in the Accounts); - To increase the Minimum Revenue Provision Policy for 2007 / 2008; - To approve the draft Accounts for the year ended 31 March 2008 in accordance with Regulation 10 of the Accounts and Audit Regulations 2003 (as amended 2006); - To agree to the publishing of a summary set of Accounts and to publish an electronic Annual Report on the Council's website following stakeholder consultation.
Audit Committee Handbook	To approve the adoption of the Audit Committee Handbook	Members approved the adoption of the Audit Handbook for the Committee
Update and Feedback report	Receive standard feedback report on issues and action requests made at past meetings of the committee	To note the record of action completed during the municipal year.
Audit Committee Work Programme 2008 / 2009 (including any training needs)	To agree the current work programme and review any member training needs	To note and approve

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AUDIT COMMITTEE ACTIVITY 2008 / 2009   **APPENDIX B**

Report	Overview	Resolution
1 September 2008		
Annual Audit Committee Report	To receive the Chair of Audit Committee report prior to its presentation to Full Council	The Committee agreed to submit its Annual Report for consideration at the next Full Council meeting
Internal Audit Annual Report 2007 / 2008	To receive the annual report on Internal Audit activities	The Committee considered and noted the Chief Internal Auditor's annual report for the year ended 31 March 2008
Audit Committee Effectiveness: Self Assessment	To consider the effectiveness of the committee in comparison with best practice and any course of action required to improve	The Committee - noted and commented on the content of the internal review of the Audit Committee - endorsed the Action Plan in order to develop the Audit Committee further
Internal Audit Progress Report: To 30 June 2008	To receive the quarterly report on Internal Audit activities	The Committee - noted that the Chief Internal Auditor is of the opinion that based on the works conducted during the 3 months to 30 June 2008, internal control systems and governance arrangements remain generally sound; - noted the progress made against the plan and the overall performance of the section
Update and Feedback report	Receive standard feedback report on issues and action requests made at past meetings of the committee	To note the record of action completed during the municipal year.
Audit Committee Work Programme 2008 / 2009 (including any training needs)	To agree the current work programme and review any member training needs	To note and approve the latest version of the work programme

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AUDIT COMMITTEE ACTIVITY 2008 / 2009   **APPENDIX B**

Report	Overview	Resolution
23 September 2008		
External Audit Report to those charged with Governance 2007 / 2008 ISA 260	To receive the external auditors reports on the accounts for 2007 / 2008	The Committee - approved the External Audit Report to those charged with Governance; - approved the Chief Finance Officer's recommendation to adjust the unadjusted item in the report in 2008 / 2009; and - reviewed and approved the draft Management Representation letter
Statement of Accounts and Summary Accounts 2007 / 2008	To receive and approve the Audited Statement of Accounts and Summary Accounts for 2007 / 2008	The Committee - approved the audited Statement of Accounts 2007 / 2008; and - approved the Summary Accounts 2007 / 2008
Minimum Revenue Provision (MRP) Policy	To receive and consider the revised MRP Policy prior to approval by Full Council	The Committee - considered and approved the 2008 / 2009 MRP Policy as detailed in paragraph 5.17 of the report; and - recommended that Full Council approve the Policy
Fraud and Irregularity Annual Report 2007 / 2008	To receive the annual report on tackling fraud within Peterborough City Council	The Committee considered the Annual Report on the investigation of fraud and other issues for the year ended 31 March 2008
Update and Feedback report	Receive standard feedback report on issues and action requests made at past meetings of the committee	To note the record of action completed during the municipal year.
Audit Committee Work Programme 2008 / 2009 (including any training needs)	To agree the current work programme and review any member training needs	To note and approve the latest version of the work programme

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AUDIT COMMITTEE ACTIVITY 2008 / 2009   **APPENDIX B**

Report	Overview	Resolution
3 November 2008		
Internal Audit Progress Report: To 30 September 2008	To receive the quarterly report on Internal Audit activities	The Committee noted: - that the Chief Internal Auditor is of the opinion that based on the works conducted during the 6 months to 30 September 2008, internal control systems and governance arrangements remain generally sound; and - the progress made against the plan and the overall performance of the section
Use of Resources 2008 / 2009 Update	To receive an update on the development of arrangements for the CAA	The Committee agreed the approach to preparation of the 2008 / 2009 Use of Resources Assessment
Risk Management Update	To receive an overview on the implementation, development and embedding of the risk management strategy across the authority	The Committee approved the revised Risk Management Strategy
Update and Feedback report	Receive standard feedback report on issues and action requests made at past meetings of the committee	To note the record of action completed during the municipal year.
Audit Committee Work Programme 2008 / 2009 (including any training needs)	To agree the current work programme and review any member training needs	To note and approve the latest version of the work programme

AUDIT COMMITTEE ACTIVITY 2008 / 2009   **APPENDIX B**

Report	Overview	Resolution
9 February 2009		
External Audit Reports	To receive the external auditors reports on: - Report to Management 2007/2008 - Use of Resources; and - Data Quality Arrangements	The Committee received and endorsed the final reports produced by External Audit in relation to the three areas.
International Financial Reporting Standards	To receive a report from the Director of Strategic Resources on the new accounting requirements.	The Committee agreed to support the transition to IFRS based accounts and to request regular update reports on the implementation process. The Committee also noted: - The accounting changes required; - The timescale for implementation; and - The potential impact on cash reserves and balances that will need to be managed through the medium term financial strategy
Risk Management Update	To receive an overview on the implementation, development and embedding of the risk management strategy across the authority	The Committee noted the report
Annual Governance Statement Update	To receive an overview the progress made in addressing issues within the Annual Governance Statement for 2007 / 2008, together with proposals for compiling the latest Statement.	The Committee noted: - The review and progress report on significant governance issues reported in the Annual Governance Statement 2008; and - The proposed method that would be adopted in the completion of the 2008 / 2009 statement
Internal Audit Progress Report – To 31 December 2008	To receive the quarterly report on Internal Audit activities	The Committee noted: - that the Chief Internal Auditor is of the opinion that based on the works conducted during the 9 months to 31 December 2008, internal control systems and governance arrangements remain generally sound; and - Progress made against the plan and the overall performance of the section; - Revision to audit plan activities for Quarter 4; and - Proposals recommended for the development of audit plans for 2009 / 2010.
Update and Feedback report	Receive standard feedback report on issues and action requests made at past meetings of the committee	To note the record of action completed during the municipal year.
Audit Committee Work Programme (including any training needs)	To agree the current work programme and review any member training needs	To note and approve the latest version of the work programme

AUDIT COMMITTEE ACTIVITY 2008 / 2009　　　　　　　　　　　　　　　　　　　　　　　　　　**APPENDIX B**

Report	Overview	Resolution
30 March 2009		
Annual Audit and Inspection Letter 2007 / 2008	To receive the External Auditors annual letter on their review of the Audit of Accounts and Use of Resources assessments.	The Committee approved the Audit and Inspection Letter 2007 / 2008.
Assurance Framework	To receive an overview of the actions taken to provide appropriate assurance to the Council in order to formulate the Annual Governance Statement for 2008 / 2009.	The Committee: - Approved the Assurance Framework which formed part of the Annual Governance Statement; - Considered whether additional areas of assurance were required; and - Noted the proposed future reporting timetable.
Internal Audit Plan and Strategy 2009 / 2010	To receive a report documenting the Internal Audit Strategy and the Plans proposed to deliver assurance across the organisation for 2009 / 2010.	The Committee noted the report
Update and Feedback report	Receive standard feedback report on issues and action requests made at past meetings of the committee	To note the record of action completed during the municipal year.
Audit Committee Work Programme 2008 / 2009 (including any training needs)	To agree the current work programme and review any member training needs	To note and approve the latest version of the work programme

AUDIT COMMITTEE ATTENDANCE   **APPENDIX C**

MEMBERS	2008					2009	
	2 June	**30 June**	**1 September**	**23 September**	**3 November**	**9 February**	**30 March**
Councillor Hiller (Chair)	✘ (1)	✓	✓	✓	✓	✓	✓
Councillor North	✓	✓	✓	✓	✘ (3)	✓	✓
Councillor Gilbert	✓	✘ (2)	✘ (2)	✘ (3)	✓	✓	✓
Councillor Harrington	✓	✓	✓	✓	✓	✓	✓
Councillor Hussain	✓	✓	✘ (2)	✘ (4)	✓	✘ (4)	✘ (5)
Councillor Kreling	✓	✓	✓	✓	✓	✓	✓
Councillor Seaton	✓	✓	✘ (3)	✓	✓	✓	✓

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(1)   Apologies received and meeting chaired by Cllr North

(2)   Apologies not minuted / received

(3)   Apologies received and substitute member attended - Cllr S Dalton

(4)   Apologies received - no substitute

(5)   Apologies received and substitute member attended – Cllr Khan

AUDIT COMMITTEE ATTENDANCE   **APPENDIX C**

OFFICERS	2008					2009	
	2 June	30 June	1 September	23 September	3 November	9 February	30 March
KEY CONTACT OFFICERS							
Executive Director (Strategic Resources)	-	✓	-	✓	-	-	-
Chief Internal Auditor	✓	✓	✓	✓	✓	✓	✓
Head of Strategic Finance	✓	✓	✓	✓	✓	✓	✓
STRATEGIC FINANCE							
Corporate Accounting Manager	-	✓	-	✓	-	✓	-
LEGAL SERVICES							
Principal Lawyer	✓	✓	-	-	-	-	-
Lawyer	-	-	✓	✓	-	-	-
Contracts Legal Executive	-	-	-	-	✓	-	-
OTHER SERVICE AREAS							
Fraud & Investigation Manager	-	-	-	✓	-	-	-
EXTERNAL REPRESENTATION							
PricewaterhouseCoopers and / or Relationship Manager	-	✓	-	✓	-	✓	✓

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AUDIT COMMITTEE	AGENDA ITEM No. 5
1 JUNE 2009	PUBLIC REPORT

Committee Member responsible:	Councillor M Dalton, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

INTERNAL AUDIT ANNUAL REPORT 2008 / 2009

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director (Strategic Resources)	**Deadline date :** N/A
Audit Committee is asked to 1. Receive and consider the attached Chief Internal Auditor's annual report for the year ended 31 March 2009; and 2. Note the report of Internal Audit's performance.	

1. **ORIGIN OF REPORT**

   This report provides details of the performance of Internal Audit during 2008 / 2009 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the Council.

2. **PURPOSE AND REASON FOR REPORT**

2.1 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following "2.2.2 *To consider the Director of Strategic Resources annual audit report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements*".

2.2 The report provides an overall opinion on the soundness of the control environment in place to minimise risk to the Council. It is based on the findings of completed internal audits.

3. **INTERNAL AUDIT OPINION**

3.1.1 The Internal Audit Opinion is based on review work undertaken during the period April 2008 to March 2009.

3.1.2 Summaries of work carried out by Internal Audit are documented within the opinion, and, overall it is considered that Internal Audit can place **SIGNIFICANT ASSURANCE** on the controls environment. As a result an unqualified opinion is provided. Where systems have fallen below expected standards, details of these have been documented separately within the report. Furthermore, ongoing internal performance indicators are monitored and their level of achievement, or otherwise, are included for information purposes.

4.   **CONSULTATION**

Summary committee reports are produced and discussed on a quarterly basis with Corporate Management Team, external auditors and finally Audit Committee for information and challenge. All audit reports are issued on a monthly basis to the appropriate Head(s) of Service for action, Executive Directors, Chief Executive, Leader of the Council and the Chair of Audit Committee.

5.   **ANTICIPATED OUTCOMES**

That the Audit Committee is informed of the Internal Audit Opinion and the work carried out by Internal Audit to support this.

6.   **REASONS FOR RECOMMENDATIONS**

In accordance with the Accounts and Audit Regulations (amendment 2006) and the CIPFA Code of Practice for Internal Audit in Local Government 2006, this report summarises the work of the Internal Audit section and its outcomes in their review of internal control for the last financial year. This should be incorporated with the results of other reviews (such as those by External Audit and the various inspectorates as well as the outcome from the Comprehensive Performance Assessment process) to produce the required Annual Governance Statement, which should be signed by the Chief Executive and Leader of the Council and published with the annual Statement of Accounts.

7.   **ALTERNATIVE OPTIONS CONSIDERED**

No other options appropriate.

8.   I**MPLICATIONS**

None.

9.   **BACKGROUND DOCUMENTS**
        (Used to prepare this report in accordance with the Local Government (Access to Information) Act 1985)

Accounts and Audit Regulations 2006.
CIPFA Code of Practice for Internal Audit in Local Government 2006

CHIEF INTERNAL AUDITOR ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2009

CONTENTS

EXECUTIVE SUMMARY

Introduction

The purpose of this report is to meet the Chief Internal Auditor annual reporting requirements set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Code advises at Paragraph 10.4 that the report should:

 a) Include an opinion on the overall adequacy and effectiveness of the organisation's internal control environment;

 b) Disclose any qualifications to that opinion, together with the reasons for the qualification;

 c) Present a summary of the audit work undertaken to formulate that opinion, including reliance placed on work by other assurance bodies;

 d) Draw attention to any issues the Head of Internal Audit (or equivalent) judges particularly relevant to the preparation of the Annual Governance Statement;

 e) Compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria; and

 f) Comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

The Code of Practice also states at Paragraph 10.4.1 that:

"*The Head of Internal Audit should provide a written report to those charged with governance timed to support the Annual Governance Statement.*"

Therefore, in setting out how it meets the reporting requirements, this report also outlines how the Internal Audit function has supported the Authority in meeting the requirement of Regulation 4 of the Accounts and Audit Regulations 2006. These state:

"*The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.*"

"*The relevant body shall conduct a review at least once a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices with (a) any statement of accounts it is obliged to publish in accordance with regulation 11, or (b) any income and expenditure account, statement of balances or record of receipts and payments it is obliged to publish in accordance with regulation 12.*"

Chief Internal Auditor: Opinion on the Effectiveness of Internal Control 2008 / 2009

This opinion statement is provided for the use of Peterborough City Council (the Council) in support of its Annual Governance Statement that is included in the statement of accounts for the year ended 31 March 2009.

Scope of Responsibility

The Council is responsible for ensuring its 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.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Internal Control Environment

The Internal Audit Code of Practice states that the internal control environment comprises three key areas:

- Internal control;

- Governance; and

- Risk management processes.

Our opinion on the effectiveness of the internal control environment is based on an assessment of each of these key areas.

Review of Effectiveness

The Council have a responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of internal control is informed by the work of the internal auditors and officers within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in the Annual Letter and other reports.

Chief Internal Auditor Annual Opinion

Our opinion is derived from work carried out by Internal Audit during the year as part of the agreed internal audit plan for 2008 / 2009, including our assessment of the Council's corporate governance and risk management processes.

The internal audit plan for 2008 / 2009 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control.

Basis of Assurance

We have conducted our audits both in accordance with the mandatory standards and good practice contained within the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006, and additionally from our own internal quality assurance systems. This programme of work is outlined in **Appendix A**.

Our opinion is limited to the work carried out by Internal Audit based upon the strategic internal audit plan. Where possible we have considered the work of other assurance providers, such as external audit.

The audit work that was completed for the year to 31 March 2009 is listed at **Appendix A**, which lists all the audits and their results in terms of the audit assurance levels provided and the number of recommendations made. The level of assurance achieved on the systems audited is detailed below. This shows that **57%** of the systems audited achieved an assurance level of significant or higher, compared to 68% last year. Although there appears to be a drop in assurance levels, our prioritisation of special investigations (which usually result in *limited* or *no assurance* gradings) has resulted in this area becoming a higher proportion of our work. This is especially so given the continuing reduction in Internal Audit staff numbers and the concomitant reduction in reports produced.

AUDIT ASSURANCE				RECOMMENDATIONS MADE	
Assurance Levels	Issued	%		Numbers	
Full	5	8		Critical	8
Significant	30	49		High	129
Limited	17	27		Medium	189
No	10	16		Low	116
	62	100			**442**

A complete list of all audits and assurance against them can be found within **Appendix A**. Recommendations to take corrective action were agreed with management and we will continue to undertake follow up work in 2009 / 2010 to confirm that they have been effectively implemented.

2008 / 2009 Year Opinion

From the Internal Audit work undertaken in 2008 / 2009 it is our opinion that we can provide **SIGNIFICANT ASSURANCE** on the systems of internal control. Internal controls are fundamentally sound and accord with proper practice, subject to the implementation of any agreed recommendations.

The Assurance - Financial Systems	⇨	Our overall opinion is that internal controls within financial systems operating throughout the year are fundamentally sound, other than those reviews assigned "Limited Assurance".
The Assurance - Non-Financial	⇨	Our overall opinion is that internal controls within operational systems operating throughout the year are fundamentally sound, other than those reviews assigned "Limited Assurance".
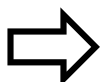
In reaching this opinion, the whole programme of internal audit work undertaken was considered, together with arrangements for corporate governance and risk management. In addition, the year end review of Internal Audit as part of the Annual Governance Statement (AGS) process in April 2009, and the external auditor's review of Internal Audit, has provided a positive result.

As a result an **<u>unqualified opinion</u>** is provided.

<u>The Systems of Internal Financial Control</u>

The systems of internal financial control is based upon a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council, in particular the system includes:

- Codes of practice and financial regulations;

- Standing Orders, financial regulations and schemes of delegation;

- Comprehensive budget systems;

- Regular reviews of periodic and annual financial reports which indicates financial performance against the forecast;

- Setting targets to measure financial and other performance;

- The preparation of regular financial reports which indicate actual expenditure against the forecasts;

- Clearly defined capital expenditure guidelines; and

- Appropriate, formal project management discipline.

Our opinion of the effectiveness of systems of internal financial control is informed by our work documented in **Appendix A**, and the external auditors' management letter and other reports. From the above, I am satisfied that the Council has in place a sound system of internal financial controls, with the exception of those significant weaknesses identified within the detailed report. I am also satisfied that mechanisms are in place which would identify and address any material areas of weakness on a timely basis.

<u>Corporate Governance</u>

In our opinion the corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA / SOLACE. The opinion is based upon:

- External audit judgements under the CPA "use of resources" process;

- Internal audit work documented within **Appendix A**; and

- Our analysis provided to Audit Committee with the Annual Governance Statement on 1 June 2009*.*

Risk Management

Risk management is constantly evolving across the council, particularly in developing the assessment, evaluation and documentation of risks and controls and the focus of strategic risks has continued to improve during the year. In establishing our opinion, we have relied upon:

- The work of Internal Audit as described in **Appendix A**;

- Ongoing discussions held at the Corporate Risk Management Group; and

- Our analysis provided to Audit Committee with the Annual Governance Statement on 1 June 2009.

Chief Internal Auditor
20 May 2009

DETAILED REPORT

Introduction

This section is a report from Internal Audit detailing:

- Any significant control failures or risk issues that have arisen and been addressed through the work of Internal Audit;

- Any qualifications to the Chief Internal Auditor opinion on the authority's systems of internal control, with the reasons for each qualification;

- The identification of work undertaken by other assurance bodies upon which Internal Audit has place an assurance to help formulate an opinion;

- Comparison of the work undertaken during the 2008 / 2009 year against the original audit plans; and

- A brief summary of the audit service performance against agreed performance measures.

Significant Control Weaknesses

Internal Audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise. During the financial year 2008 / 2009, whilst no new significant weaknesses were identified for inclusion within the Annual Governance Statement, 8 critical recommendations were made in audit reports (compared to 5 in the previous year) which required immediate attention. These related to the audits of:

- St John Fisher – compliance with Financial Regulations;
- Orton Longueville – Cashless System;
- S.I. Childrens' Services no.1 (Chi2340-02);
- Jack Hunt Pool Refurbishment;
- Planning Obligations; and
- Purchasing Cards

Key Issues

There is a range of key issues that are likely to be of significance for the 2009 / 2010 year and beyond, which Internal Audit need to be aware of. These include:

- The current economic downturn, which adds to the financial pressures already on the council (due to the planned low council tax rates and continuing pressures from Government on the RSG settlement). This is impacting on income and expenditure, as well the public's need for council services;

- The introduction in 2009 of the Comprehensive Area Assessment, replacing the CPA process;

- The planned changes to the delivery of some services to generate financial savings or income; and

- The continuing introduction of FMSiS to Primary and Special Schools and reassessment of secondary schools to ensure FMSiS is embedded.

Qualifications to the Opinion

Internal Audit has had unfettered access to all areas and systems across the authority and has received appropriate cooperation from officers and members.

Other Assurance Bodies

In formulating our overall opinion on internal control, the Chief Internal Auditor has taken into account the work undertaken by the following organisations, and their resulting findings and conclusions:

- The annual letter from the authority's external auditors; and

- The auditors score judgement by the Audit Commission (CPA Use of Resources).

Internal Audit Assurance Levels and Recommendations

Appendix A details the level of assurances achieved on each audit as well as the number and priority of recommendations suggested and agreed. Where recommendations have not been accepted, these are separately reported to Audit Committee within quarterly reports. There is an ongoing programme of follow up work for all reports receiving a "limited" or "no" audit assurance to ensure that accepted recommendations will be implemented.

In order to assist management in using the reports, our opinions are categorised according to our assessment of the controls in place and the level of compliance with these controls. Recommendations are similarly categorised according to their level of priority.

AUDIT ASSURANCE LEVELS	
FULL	The system is designed to meet objectives and controls are consistently applied that protect the Authority from foreseeable risks.
SIGNIFICANT	The system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.
LIMITED	There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
NO	Controls are weak and/or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.

RECOMMENDATIONS	
CRITICAL	Extreme control weakness that jeopardises the complete operation of the service. TO BE IMPLEMENTED IMMEDIATELY.
HIGH	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency. To be implemented as a matter of priority.
MEDIUM	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority. To be implemented at the first opportunity.
LOW	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust. To be implemented as soon as reasonably practical.

Summary of Audit Work Undertaken To Formulate the Opinion

Audit reports are issued to Managers which include an audit opinion as documented above. **Appendix A** at the end of this report highlights the status of each review undertaken, together with the appropriate opinion. A number of reports have been issued at the year end to departments in "draft" format and we are awaiting responses to the report and recommendations so that they can be finalised. It is very rare for the overall opinion to change so they have been included within appendix A for consistency.

Audit Committee has received quarterly reports throughout the year, and these have provided regular snapshots of the control environment. Where limited or no assurance was awarded on an audit, the Audit Committee have been provided with the Executive Summary of the audit report. **Appendix B** contains the summaries in relation to those audits not previously presented (those audits completed between January and March 2009).

Key points to note include:

− All departments have received audit coverage during the year, so as to establish the control environment across the whole organisation

− A major investment of our time involves undertaking work on behalf of Children's Services to ensure that all schools meet the new Financial Management Standards in Schools. All schools need to comply with these standards and there is a three year rolling programme in place to deliver this. In 2008 /2009 approximately 40% of all primary and special schools were assessed, and with the exception of one school, all have provided appropriate evidence to support the standards which we have verified. These results have been referred to the Department for Children, Schools and Families and the schools will be accredited.

− Liaison between the Corporate Investigations Team and Internal Audit has continued. Where fraud and mis-management has occurred, Internal Audit have reviewed the relevant procedures, highlighted the control weaknesses that have lead to the fraud, and recommended improvements. This area of work is treated as a high priority and, by its nature, can be time-consuming.

− Major financial systems have been reviewed and, in the main, assurance levels have remained at the *significant* level. Accounts Receivable has moved from *significant* to *limited*, but this reflects a change in the focus of our review towards the debt recovery aspect, rather than a deteriorating control environment. We reviewed the new Purchasing Cards system and awarded a *no assurance* grade. The lack of a defined owner has contributed significantly to a poor control environment. However, recommendations have been made and will be followed up in 2009 – 2010.

− Progress has been made in embedding risk management across the council, not just for operational activities, but also for performance management, project management and financial and service planning. A review was commissioned in March 2008, and the results are encouraging.

Internal Audit Performance

All our performance indicators are documented within **Appendix C**. Key areas to note are:

Better than target

- Feedback for each audit is collected via Post Audit Questionnaires (PAQ). Our average score was 4.38 against a target of 3.75 (the highest score being 5), reflecting the high opinion our audit clients have of auditor conduct and the quality and usefulness of reports.

- An average of 5.9 days training has been provided to each auditor, compared to a target of 5 days. This includes 'on the job' training, training for professional qualifications, audit technical update seminars and internal training such as the Leadership Programme. In addition, Chief Internal Auditors from each local authority in Cambridgeshire staged an 'Away Day' for all auditors in November. This was to share ideas and best practice across the county.

- The proportion of time spent on audit work is 81%, slightly higher than the target of 80%. The remaining 19% of time is spent on such things as training, team meetings, appraisals and administration. It also includes sickness.

- 100% of critical and high recommendations made were agreed, reflecting the high quality of audit reports.

On Target

- The length of time from completion of field work to issue of a draft report is on target at 15 days. The target will reduce in 2009 / 2010 to 10 days.

Areas for improvement

- 89% of critical and high recommendations were implemented, against a target of 100%. This has dropped from 100% last year. This may reflect differing priorities of staff during a time of change, especially where service delivery methods are being altered, or where staff reductions have occurred.

- The average figure for the proportion of audits completed to timescale is 82%, below our target of 93%. However, performance has improved each quarter from 78% to 90%.

- An average of 18.63 days sickness per person was lost during the year, compared to a target of 5 days. There have been two officers on long term sickness within the team which has been actively managed in accordance with the Council's Attendance Policy and through Occupational Health.

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2008 - 31 MARCH 2009

The table below provides a summary of the assurances assigned to each of the reviews and the status of the recommendations made

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHIEF EXECUTIVES DEPARTMENT										
Investing in Communities			✗		-	1	3	1	5	Final
Local Area Agreement: Grant 2007/2008	✗				-	-	-	-	0	Final
Greater Dogsthorpe Partnership		✗			-	-	1	-	1	Final
Urban II				✗	-	16	7	5	28	Final
S.I. Chief Execs no. 1 (Cex1063-02)				✗	-	8	5	4	17	Final

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS										
Eyrescroft		✗			-	1	5	3	9	Final
Highlees	✗				-	-	-	1	1	Final
West Town		✗			-	1	4	2	7	Final
Longthorpe		✗			-	1	2	2	5	Draft
All Saints Primary		✗			-	-	3	-	3	Final

APPENDIX A

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS (continued)										
Abbotsmede Primary		✗			-	-	5	2	7	Final
Oakdale primary		✗			-	-	4	8	12	Final
Old Fletton		✗			-	1	5	5	11	Final
Newborough		✗			-	2	1	3	6	Final
Newark Hill		✗			-	1	3	2	6	Draft
Norwood		✗			-	3	2	1	6	Draft
St Thomas Moore		✗			-	-	1	4	5	Draft
Nene Valley		✗			-	-	3	2	5	Draft
Parnwell Primary		✗			-	-	2	2	4	Draft
Middleton			✗		-	3	3	2	8	Draft
Stanground St Johns			✗		-	2	4	-	6	Draft
Winyates				✗	-	n/a	n/a	n/a	n/a	Standards not met. To be reassessed in 2009/10
The Phoenix			✗		-	3	5	2	10	Draft
Northborough			✗		-	3	1	1	5	Draft
St John Fisher: Compliance				✗	1	5	5	3	14	Final

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AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS (continued)										
FOLLOW UP										
Caverstede Early Years Centre					n/a	n/a	n/a	n/a	n/a	Final
Werrington					n/a	n/a	n/a	n/a	n/a	Final
William Law					n/a	n/a	n/a	n/a	n/a	Final
Braybrook					n/a	n/a	n/a	n/a	n/a	Final
Queens Drive					n/a	n/a	n/a	n/a	n/a	Final
Brewster Infants					n/a	n/a	n/a	n/a	n/a	Final
Paston Ridings					n/a	n/a	n/a	n/a	n/a	Final
Matley					n/a	n/a	n/a	n/a	n/a	Final
Heritage Park					n/a	n/a	n/a	n/a	n/a	Final
Thorpe					n/a	n/a	n/a	n/a	n/a	Final
Gunthorpe					n/a	n/a	n/a	n/a	n/a	Final
Orton Wistow					n/a	n/a	n/a	n/a	n/a	Final
Hampton Hargate					n/a	n/a	n/a	n/a	n/a	Final
Duke of Bedford					n/a	n/a	n/a	n/a	n/a	Final

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AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS (continued)										
Fulbridge					n/a	n/a	n/a	n/a	n/a	Final
Marshfields					n/a	n/a	n/a	n/a	n/a	Final
Dogsthorpe Junior					n/a	n/a	n/a	n/a	n/a	Final
Southfields Junior					n/a	n/a	n/a	n/a	n/a	Final
CHILDRENS SERVICES: OTHER ACTIVITIES										
Orton Longueville: Cashless System				✖	2	3	4	2	11	Final
Home to School Transport		✖			-	-	3	4	7	Final
Foster Care Overpayments	✖				-	-	-	2	2	Final
Private Fostering					n/a	n/a	n/a	n/a	n/a	Insufficient evidence to form a view. To be re-audited in 12 months time.
S.I. Children's Services no.1 (Chi2340-02)				✖	2	13	7	1	23	Final
S.I Children's Services no. 2 (Chi2450-01)			✖		-	7	10	3	20	Final
SI Children's Services no. 3 (Chi2410-03)				✖	-	5	3	-	8	Final
S.I. Children's Services no.4 (Chi2320-01)			✖		-	4	4	-	8	Final
S.I. Children's Services no. 5 (Chi2330-02)			✖		-	1	-	-	1	Final

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: OTHER ACTIVITIES (continued)										
S.I. Children's Services no. 5 (Chi2310-02)					n/a	n/a	n/a	n/a	n/a	Memo
Surestart follow up					n/a	n/a	n/a	n/a	n/a	Final – implementations of recommendations still in progress.
Secondary Schools Closure follow up					n/a	n/a	n/a	n/a	n/a	Final – all implemented
PCAE follow up to 07/08 report					n/a	n/a	n/a	n/a	n/a	Final - 2 recommendations not implemented

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CITY SERVICES										
Budgetary Control			✖		-	4	6	2	12	Draft
Schedule of Rates – Property Maintenance Services			✖		-	3	7	2	12	Draft
Internal Conflicts of Interest - Contracting					n/a	n/a	n/a	n/a	n/a	Memo

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AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
ENVIRONMENTAL AND COMMUNITY SERVICES										
Central Library		✘			-	2	5	9	16	Final
SEN: Transport Tender		✘			-	-	5	-	5	Final
Street Lighting			✘		-	4	2	1	7	Final
Jack Hunt Pool Refurbishment				✘	1	12	9	2	24	Draft
Planning Obligations				✘	1	3	5	-	9	Final
Street Wardens password security					n/a	n/a	n/a	n/a	n/a	Memo
British Sugar follow-up					n/a	n/a	n/a	n/a	n/a	8 of the 16 recs implemented

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
STRATEGIC RESOURCES										
Council Tax		✘			-	-	4	1	5	Final
NNDR		✘			-	-	1	1	2	Final
Purchasing Cards				✘	1	3	9	4	17	Draft
Bank Imprest Accounts			✘		-	7	3	9	19	Final
Treasury Management		✘			-	-	2	-	2	Draft

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APPENDIX A

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
STRATEGIC RESOURCES (continued)										
Cash and Banking		✖			-	1	3	6	10	Final
Payroll					-	-	-	-	-	Report not yet issued
Debtors			✖		-	3	7	1	11	Draft
VAT rate change		✖			-	-	-	-	-	Memo
S.I. Strategic Resources no.1 (Str5240-03) Dogsthorpe Library internet					n/a	n/a	n/a	n/a	n/a	Memo
S.I. Strategic Resources no. 2 (Str5470-16)					n/a	n/a	n/a	n/a	n/a	Memo
Teachers Pensions: Longthorpe Primary		✖			-	-	1	1	2	Final
Teachers Pensions: Nene Valley Primary	✖				-	-	-	3	3	Final
Teachers Pensions: Arthur Mellows Village College			✖		-	-	1	2	3	Final
Teachers Pensions: Bushfield College	✖		✖		-	1	-	-	1	Full assurance was given on the pensions aspect, however, a limited opinion was provided on a separate issue identified.
Teachers Pensions: PCC Payroll			✖		-	1	1	-	2	Final

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APPENDIX A

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
ICT										
IT Governance – interim review					n/a	n/a	n/a	n/a	n/a	Memo
ICT Managed Service – Board attendance					n/a	n/a	n/a	n/a	n/a	n/a
Government Connect project					n/a	n/a	n/a	n/a	n/a	n/a
Information Sharing Steering Group					n/a	n/a	n/a	n/a	n/a	n/a
Network Management follow up					n/a	n/a	n/a	n/a	n/a	Final – all critical, high and medium recs implemented
Internet follow up					n/a	n/a	n/a	n/a	n/a	Final – as above
Quality Assurance follow up					n/a	n/a	n/a	n/a	n/a	Final – as above

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APPENDIX A

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CORPORATE ACTIVITY / CROSS CUTTING REVIEWS										
Grants:										
GAF2 07/08					n/a	n/a	n/a	n/a	n/a	Memo
LPSA 07/08					n/a	n/a	n/a	n/a	n/a	Memo
Bus Service Operators 07/08					n/a	n/a	n/a	n/a	n/a	Memo
CIF 07/08					n/a	n/a	n/a	n/a	n/a	Memo
Final Account Statements 2007 / 2008:										
Annual Statement on Internal Control 2007/08		✗			n/a	n/a	n/a	n/a	n/a	Final - committee report
Audit Opinion 2007/08		✗			n/a	n/a	n/a	n/a	n/a	Final - committee report
Assurance framework 2007/08		✗			n/a	n/a	n/a	n/a	n/a	Final - committee report
Final Account Statements 2008 / 2009:										
Annual Governance Statement 2008/09		✗			n/a	n/a	n/a	n/a	n/a	Draft - committee report
Audit Opinion 2008/09		✗			n/a	n/a	n/a	n/a	n/a	Draft - committee report
Assurance Framework 2008/09		✗			n/a	n/a	n/a	n/a	n/a	Draft - committee report
CAA / Use of Resources					n/a	n/a	n/a	n/a	n/a	Collection of data for submission to PwC
TOTAL RECOMMENDATIONS MADE					8	129	189	116	442	

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AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE

NO ASSURANCE		Date To Audit Committee
1	Urban II	June 2009
2	S.I. Chief Execs no. 1 (Cex1063-02)	June 2009
3	Winyates	June 2009
4	St John Fisher: Compliance with Financial Regulations	June 2009
5	S.I. Children's Services no. 3 (Chi2410 -03)	June 2009
6	Planning obligations	June 2009

LIMITED ASSURANCE		Date To Audit Committee
7	S.I. Children's Services no. 2 (Chi2450-01)	June 2009
8	S.I. Children's Services no. 4 (Chi2320-01)	June 2009
9	S.I. Children's Services no. 5 (Chi2330-02)	June 2009
10	Street Lighting	June 2009
11	Bank Imprest Accounts	June 2009
12	Teachers Pensions: Bushfield College	June 2009

Note, there are other reports with Limited or No Assurance identified in Appendix B which have been reported throughout the quarterly performance reports.

Report 1: Urban II

Introduction

Whistle-blowing allegations were received which indicated a number of alleged malpractices within the Urban II team. During the same period it was identified that the Acting Urban II Programme Manager had released confidential information to a third party, namely information that was classed subjudice to the Government Office of the East of England (GO-East). The Acting Urban II Programme Manager was suspended from duty whilst an investigation was carried out of the disclosure of confidential information. The scope was increased to investigate the whistle-blowing allegations.

Parallel reviews were conducted by the Corporate Investigation Officer and Internal Audit. As part of the 2008/2009 audit plan, the Urban II programme was due to be reviewed. The programme is subject to a final audit by the European Commission called a section 15 audit, the audit scope was to review the programme and resolve any weaknesses prior to the European Commission audit.

This is one of two Internal Audit reports. This report relates to the procedural aspects of the review, and contains recommendations where necessary. In some instances recommendations cannot be made relating to Urban II, as the programme is drawing to a close, however the issues must be considered when applying and distributing future funding streams. The other report relates to the investigations made into the allegations made by the whistle-blower.

Executive Summary

The turnover of managers ultimately responsible for the programme has resulted in differing priority been given to it. The managers who initially bid for the funds, were not aware of the requirements from the Council, partly as the guidance had not been issued to the authority, and ultimately did not set the team up to deliver a successful programme. It is recognised there has been much good work undertaken by the programme, however the lack of resources, and management willing to give additional resources, despite ring fenced funding being available, has resulted in the current position. The officers working within the team have constantly been "fire fighting" to deal with problems as they have arisen, and as a result this has led to improper practices.

There was enormous pressure from all parties to meet the European Commission set N+2 target. This target was met, but only at the expense of other tasks.

It must also be recognised, that there will inevitably be a clawback of funds. This report hopes to limit this, where applicable, but whilst some issues can be quantified, as funds at risk, other issues cannot be done so easily. For example where there is no evidence of targets being met, but the project is finished.

It is almost certain that there will be an element of clawback by the European Commission in their audit. Whilst, this is not particularly unusual, as there has already been some minor clawback of £138k, due to the number of issues, the value may be significant, but cannot be quantified. The Council may also be liable for a fine, if it felt we have not followed the proper processes. Legal advice should be sought on our legal position.

Scope & Objectives

The audit scope and objectives were:

- To investigate the whistle-blowing allegations in relation to the breakdown in controls.
- Review processes in preparation for the European Commission article 15 audit.
- Make recommendations, where applicable, for future funding streams.

Conclusion

It is evident that there have been major problems with the programme from its inception, mainly due to the understaffing of the team. In the original bid for the European Regional Development Fund (ERDF) monies, it detailed there would be seven full time equivalent's (FTE) within the team, but at most the programme has had five FTE, and has been as low as one FTE. This has not allowed the team to meet its duties within the guidance, and all new staff that have joined the team have been "fire-fighting" against the inherited problems, rather than proactive working. This is not a criticism of the members of the Urban II team, as it is evident that team members are dedicated to the work that they do, and all wish for the programme to achieve successful closure.

Many of the points in this report have been raised in previous audits, for example the mid-term evaluation commissioned by the European Commission, in 2005. The Internal Audit report dated early 2004 made reference, particularly in relation to the understaffing, and although little improvements have been made, none have had a big enough impact on the programme to improve processes.

Morale within the team is low. Interviews with officers revealed a reluctance to make decisions and be accountable, as there may be repercussions. There is an ethos that "nobody wants to put their name to anything." It is recognised that there are political sensitivities within the programme, and there have been complaints made from projects, however officers should feel supported to make decisions.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is **No Assurance**.

Report 2: S.I. Chief Exec's no.1 (Cex1063-02)

Introduction

Whistle-blowing allegations were received which indicated a number of malpractices within the Urban II team. During the same period it was identified that the Acting Urban II Programme Manager had released confidential information to a third party, namely information that was classed subjudice to the Government Office of the East of England. The Acting Urban II Programme Manager was suspended from duty whilst an investigation was carried out of the disclosure of confidential information. The scope was increased to investigate the whistle-blowing allegations.

Parallel reviews were conducted by the Corporate Investigation Officer and Internal Audit. As part of the 2008/2009 audit plan, the Urban II programme was due to be reviewed. The programme is subject to a final audit by the European Commission called a section 15 audit, the audit scope was to review the programme and resolve any weaknesses prior to the European Commission audit.

This is one of two Internal Audit reports. This report relates to the investigations made into the allegations made by the whistle-blower, the other report relates to the procedural aspects of the review, and contains recommendations where necessary.

Executive Summary

The investigation undertaken by the Corporate Investigation Officer concluded that there was a case to answer in respect of the disclosure of confidential information, and recommended that disciplinary action be taken.

This report details other aspects relating to the procedural aspects, and concludes that:
- Backdating of documents such as offer letter amendments has been common practice, but as the practice is so widespread, one person cannot be held accountable.
- The European Commission have been misled from statements provided by the Acting Urban II Programme Manager regarding the Article 4 visits.
- There are inaccuracies on the Annual Implementation Report provided to the European Commission, mainly due to not checking of data entered onto the report, and the data from previous reports.

It is almost certain that there will be an element of clawback by the European Commission in their audit. Whilst, this is not particularly unusual, as there has already been some minor clawback of £138k, due to the number of issues, the value may be significant, but cannot be quantified. The Council may also be liable for a fine, if it felt we have not followed the proper processes. Legal Advice should be sought on our legal position.

Scope & Objectives

To investigate the whistle-blowing allegations in relation to control issues.

Where the whistle-blowing allegations resulted in disciplinary issues, these were investigated by the Corporate Investigation Officer.

Specific control weaknesses and recommendations are detailed in the procedural report.

Conclusion

The Acting Urban II Programme Manager does not view that he has done anything wrong, and believes that there are no issues with the programme. As detailed in the procedural report there is a number of issues that may result in clawback, therefore the understanding of the Acting Urban II Programme Manager differs to other officers.

The working relationship between the Acting Urban II Programme Manager and the Acting Programme Delivery Manager (December 2007 – September 2008), was poor, and as a result two different accounts have been presented, resulting in an inability to clarify actual events.

There is a general tendency not to record decisions. Many of the instances in this report may have been avoided by explaining the action taken, and on what basis the decisions were made. It is difficult to remember the background to each decision made, and different officers' accounts of a particular instance often differ. More importantly, there is no audit trail to examine by outside parties. This is particularly relevant for the Article 15 audit undertaken by the European Auditors, and the procedural Urban II report, will report this in more detail.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is **No Assurance**.

Report 3: Financial Management in Schools (FMSiS) Winyates Primary School

Following the recent External Assessment process, I regret to inform you that your school has not met the requirements of the Financial Management Standard in Schools. This will be detailed in the S151 Officer's declaration, attached to the Section 52 outturn statement.

This is due to the number of outstanding queries relating to several areas of the Standard that remained unanswered as at 31st March 2009. Please refer to the issues detailed below.

The school was originally subject to the External Assessment process during 2007/08 and following submission of your 'G4 Financial Management Standard and Assessment Tool' (January 2008) it was agreed with my Principal Auditor that the school would have difficulty in meeting the requirements of the Standard within the short timescales remaining due to other issues outstanding relating to Ofsted.

Therefore, arrangements were made for the school to continue to work towards achievement of the Standard during 2008/09, with a view to re – submission of the G4 followed by an External Assessment visit by one of my auditors. Unfortunately, this document was not updated, which resulted in an increased number of queries during the visit, subsequent correspondence to clarify issues, and resultant further work required by my team in obtaining responses to queries. Areas that are outstanding were detailed on a list provided to you on 10/02/09.

I appreciate that the school has primarily concentrated on addressing the issues highlighted by Ofsted during this time period, and it is unfortunate that this has resulted in the above.
Your school will be subject to the External Assessment process again during the current financial year, 2009/10, as prescribed by the DCSF.

Report 4: St. John Fisher Compliance with Financial Regulations

Executive Summary

A review of the school's adherence to Financial Regulations and The Scheme for the Financial Management of Schools was undertaken at the request of the Assistant Director (Resources), Children's Services.

A review of the progress against observations and recommendations made in relation to the Financial Management Standard in Schools, FMSiS, was also undertaken. The school did not meet the Standard during 2006/07, nor did they meet the revised schedule issued for July 2007/08. A full review was undertaken during December 2007 whereby the school met the Standard due to the commitment and dedication of the Bursar. Therefore, it is pleasing to note that all the recommendations have been addressed in a timely manner, as detailed on the school's management response relating to the 2007/08 review.

Since this audit visit it should be noted that the Governing Body has been dismissed and the Head has resigned citing personal reasons. An Interim Executive Board (IEB) and Executive Headteacher have been appointed to the school, and as such the findings of this review have been reported accordingly.

Scope & Objectives

The purpose of the audit was to undertake a review at St John Fisher School in relation to:-
- The school's bank accounts and related expenditure
- Payments to Teachers
- The Scheme for the Financial Management of Schools, and delegated authority
- A follow up of recommendations made as part of the FMSiS (2007/08) review

Conclusion

The school has employed the services of a solicitor and consultant for advice and assistance as a result of a warning letter sent by Peterborough City Council. This has incurred costs of £9,389. Draft minutes of an extraordinary Governing Body meeting detail that initially, these actions had not been in consultation with them, but initiated by the Chair and the Headteacher. However, further approval for expenditure in this area was given at the meeting, and the Headteacher's delegated limits of authority increased by £10,000.

Travel expenses made to teachers in relation to foreign travel have been identified and are in relation to planned school trips and their associated preliminary visits. It is unclear whether the school's policy for educational visits has been abused.

Despite areas of weakness, as detailed in the report, the Bursar has addressed issues she had control over, maintaining effective systems. Therefore, areas highlighted as a result of the Financial Management Standard have been addressed satisfactorily, resulting in one recommendation detailed within the body of this report.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is **No Assurance**.

Report 5: S. I Children's Services no.3 (Chi2410-03)

Executive Summary

Barclays Bank notified Peterborough College of Adult Education (PCAE) of a shortfall of £1,000 in their banking deposited on 17th June 2008, relating to cash collected on 13th June 2008. The discrepancy was investigated by the Corporate Investigation Officer. The investigation concluded that the theft could have taken place either at PCAE or at Barclays Bank. Therefore a review of the cash and banking procedures was undertaken by Internal Audit.

The work undertaken by Internal Audit identified a number of control weaknesses within the cash collection and banking processes at PCAE and therefore supports the opinion of the Corporate Investigation Officer.

Issues raised as part of a follow up review, ongoing at the time of this investigation, have been included due to their financial implications.

Scope & Objectives

The purpose of the audit was to:
- Establish stated procedures for cash and banking were followed for a period of one month leading up to and including the 17.06.08.
- Ensure cash is held securely at PCAE.
- Make recommendations to strengthen current cash handling and banking procedures.
- Comment on where the cash may have gone missing within the process, if possible.

Conclusion

There is no evidence to prove where the misappropriation of cash took place, or who may be responsible for the theft. It is possible that the cash could have gone missing before it was placed in the safe, while it was stored in the safe (due to the large number of staff who have safe access), on removal from the safe prior to the banking, or at the bank.

Errors on financial records highlighted within this report, may result in the reported delays in the compilation and submission of financial information to the Children's Services Finance Team.

The implementation of the recommendations in the report will enhance the controls in the cash handling process and reduce the risk of any cash going missing in the future.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is **No Assurance**.

Report 6: Planning Obligations

Executive Summary

This audit report follows up on issues referred to in the Internal Audit report in relation to obligations relating to the British Sugar Site in March 2008. Issues relating to the British Sugar site have been resolved.

The Planning Obligations Implementation Scheme 2008 (POIS) was approved by full Council 10 December 2008. The sustainability appraisal consultation is scheduled to commence on 6 March 2009 for 6 weeks with the Supplemental Planning Document scheduled for adoption in the 3rd quarter of 2009.

A walk-through of the planning obligation process showed that the process map attached to the strategy and website document was incomplete and needs to be updated. Internal Audit has furnished the Planning Obligations Team Leader with a revised chart.

New obligations since December 2008 are using the new format, although these have not yet been completed via this process to date.

Updating of the S106 database has not progressed as quickly as planned because of resource issues with the Planning Obligation Officer and Administration Officer posts being vacant from July to November 2008 although the Council was aware of the strategic importance of maintaining the database. The planning team is currently approximately 50% through the process of verifying, updating and identifying trigger points with the help of a part-time consultant. Reconciliation of the S106 database to the Oracle financial system has just commenced but must be completed before closing the 2008/09 accounts in April 2009. In the future such reconciliations should take place quarterly.

Because the database is not up to date the risks of not having acted on trigger points in the S106 agreements could still result in clawbacks and invoicing not taking place. It is of paramount importance to resource this area in the short term until PCC is satisfied that all records are accurate.

The database is still only available to two staff but should be made available to appropriate planners etc. on a read only basis in order to avoid duplication of efforts. ICT should also look to see if it can integrate the database with the Oracle financial system.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is **No Assurance** on the basis of recommendation 5 which is 'critical'. Whilst there are processes and controls in place for obligations, there are potential weaknesses in consistency of their application, which has put the system objectives at risk. Therefore, there is a need to improve compliance with existing ones to reduce the risk exposure for the Authority.

Report 7: S.I. Children's Services no. 2 (Chi2450-01)

Background

Since August 2007, two major invoice frauds have been investigated by the Corporate Fraud team and passed to the police for action. A brief summary of each fraud follows:

Fraud 1 (F1)
An accountancy assistant submitted fictitious invoices under a fictitious company name, but using valid information about consultants employed on the Business Change Programme (BCP). The manager authorising the invoices noticed the different company name, but was aware that consultants sometimes changed agencies. The manager handed the invoices back to the accountancy assistant to check that they were valid. On their return, the invoices appeared to have been initialled by the BCP manager and the accountancy assistant confirmed that they were okay to pay.

The fraud, six invoices totalling approximately £58,000, occurred in April and May 2007 and was discovered during budgetary control checks at the beginning of August 2007. The offender had already tendered their resignation with a last day of service of 1st August 2007. The stolen money was promptly returned to the Council. The offender was recently convicted and sentenced to 12 months imprisonment.

Fraud 2 (F2)
The second fraud occurred from August 2005 to May 2007 and was discovered by Council staff when a Pricewaterhouse Coopers auditor queried an invoice chosen as part of a sample during an audit of an Urban II grant claim. The fraud, involving 12 – 16 invoices, is estimated to be approximately £110,000 and is currently subject to prosecution by the police.

It is alleged that a project team manager submitted and authorised fictitious invoices by fictitious suppliers relating to consultancy work. The invoices were coded to two projects, one being managed by the programme manager themselves (Urban II), the other being managed by a project manager who herself reported directly to the team manager. The team manager was known to have had a previous unspent conviction for theft at the time of recruitment in May 2004.

Scope & Objectives

The objective of this audit is to determine the control weaknesses that led to these frauds occurring and that resulted in any delays in detecting them.

The scope included a review of the procedures and processes in relation to:
- Supplier vetting and set-up
- Invoice approval
- Budgetary control (Re Fraud 2)
- Project and Performance management (Re Fraud 2)
- Recruitment (Re Fraud 2)

Conclusion

A variety of control weaknesses, covering all those areas detailed in the scope above, have lead to the perpetration of these frauds.

Both frauds occurred prior to the full implementation of the upgraded Oracle Purchase-to-Pay system.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is **Limited Assurance**.

Report 8: S.I Children's Services no. 4 (Chi2320-01)

Introduction

Internal Audit and ICT were informed that a laptop had been stolen from the Acorns Centre. While the Centre is part of the asset portfolio of the PCC, alongside Welland School, the building is jointly used by the Primary Care Trust and a number of other agencies.

There is some dispute as to who the asset belongs to - PCC or PCT. There is also an allegation that the laptop contains confidential data. Joint working with PCT is proposed in order to progress this.

Audit Objectives

As part of the review, there was a need to:

- Verify security of the building;
- Verify asset management arrangements;
- Verify asset transfer arrangements;
- Verify maintenance / configurations;
- Data security / governance arrangements to be followed up (PCT to take lead); and
- Provide assurance, or otherwise, so that the processes are sound for the compliance of security of data and the office.

Executive Summary

From the joint review with the PCT and ICT it has been established that a laptop was stolen from Acorns Centre, next to Welland School, Monday 13 October pm following an opportunist break in. Internal Audit were not informed until Thursday 16 October am., contrary to internal protocols. However, there were mitigating circumstances as it was not originally thought to be a PCC asset.

The 5½ year old laptop was allocated to an individual who was employed through PCC. The Officer had subsequently transferred to other organisations e.g. Surestart and had taken the laptop with her. The computer asset had transferred with the employee, although there is no formal documentation or sign off during this process. Furthermore, there are no controls in place over transfer off assets to other organisations. There are no records of how many assets have transferred or to where. This needs to be investigated further as this has implications in relation to hardware, software licences, warranty issues etc. Finally, as assets have been transferred, there are no records highlighting who has approved the transfer and any financial recompense necessary.

The laptop was not encrypted, resulting in lax data security arrangements. Again, this has been as a result of the lack of ownership of the asset. As well as the laptop being unencrypted, data sticks within the section are also unencrypted. While these were not taken, there is a risk that other information held on these devices could be of sensitive nature and could fall into the "wrong hands".

Effective IT Network arrangements are not in place. The laptop taken was standalone with no appropriate network connection. As a result, with an inability to store data in a central repository, this led to all data being stored on the data stick, and presumably (as we have not been able to verify this as the laptop has not been recovered) on the laptop hard drive. There needs to be a fundamental review of information governance which maps out all data flows for all partnership bodies. In conjunction with the above, there should be an initial review of

the network arrangements (or otherwise) in place at all children centre buildings. As part of any guidance issued, reminders on back ups arrangements should be included

A full building security review is needed. While there are no shutters to building, there are alarms and sensors in place. All computers are not locked away (or secured to desks). PCT are to conduct a physical security review of all children centres. As part of any guidance issued, reminders on security processes should be included

There needs to be corporate training on data - security, sharing, storing etc. This needs to be standards across all partners - possibly as a joint provision. As part of this, the management information protocols needs to be consistent between all partners / bodies. This should cover areas such as:

- Homeworking arrangements;
- Data sharing (with partners);
- Prevention of use of hotmail accounts and opening up access to them;
- Password sharing;
- Shared accounts and shared laptops;
- Employees and interims/consultants to all abide by same standards and to sign up to these; and
- Management of third party contractors

Conclusions

While it is accepted that the theft was opportunist, the controls in place around the assets were lax. This included:

- Lack of ownership of the asset with no control over its transfers;
- A lack of procedures or processes in place to ensure encryption and security of assets and data; and
- Ineffective networking arrangements

It will always be difficult to establish a consistent approach with a myriad of services; whether public or voluntary being delivered from the same building, but common protocols need to be established.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is **Limited Assurance.**

Report 9: S.I. Children's Services no. 5 (Chi2330-02)

Internal Audit visited New Horizons in order to undertake a spot cash check of the imprest on 7th January 2009.

At the time of the visit it was not possible to reconcile the cash held to the records maintained at the establishment. A number of reasons for this have been identified below.

- The manual cash book entries included errors in values recorded, and there were several adjustments made to balances particularly relating to the secondary float.
- The electronic cash book was completed to 17th December 2008, therefore not updated for 3 weeks.
- Not all receipts and related vouchers were present and available for inspection.
- Secondary float summary sheets contained errors relating to both receipt amounts and the cash balance, and the current sheet was not up to date.
- Cash advances remained outstanding in excess of two weeks.
- The number of officers involved in maintaining accurate records.

In summary, the records relating to the imprest account are not maintained as an adequate up to date record of transactions, in order to be able to verify cash held to records. New Horizons officers should be instructed to ensure that records are completed accurately and in a timely manner, with supporting paperwork passed to the Administration officer promptly.

It should be noted that the Administration Officer has worked hard to gather together supporting information and to reconcile the imprest account. As at 12th January 2009, there were no outstanding issues.

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is **Limited Assurance**.

Thank you for your response in respect of this matter. It has been agreed that appropriate training will be provided to the relevant officers in terms of managing the petty cash accounts and recording. This can then be conveyed to the staff with clear instruction on how they handle the money and receipts and disciplinary sanctions where this is not adhered to.

Report 10: Street Lighting

Executive Summary

Although the Street Lighting Manager only highlighted that understaffing problems affected one of the objectives in his risk identifier (which has been acknowledged by the Head of Environment, Transport and Engineering and the Asset Management Group Manager), it soon became apparent that heavy workloads was a much wider issue that has had a serious impact on the day to day working of the team. Increasing the size of the team would be one option to meeting the demands on the service, however there are also alternative methods that can be employed to achieve the required level of service, particularly in the current financial climate. The Head of Environment, Transport and Engineering plans to make efficiencies in three ways:

- Introducing a computer system that is fit for purpose and makes operational efficiency savings (either the Highlight Horizon system already planned or a more up to date system, with links to highway maintenance and New Roads and Street Works Act, NRSWA).
- Streamlining operations with the street lighting contractor to maximise their involvement
- Making more use of consultants to bridge gaps in service provision and ensuring that their work is fit for purpose

The old contractor did not directly employ sufficient specialist staff to repair Council network cable faults, which had resulted in certain specialised repairs taking longer to complete than necessary. There was no penalty in the old contract that would compensate the Council for undue delays and this is not specifically covered in the new contract that commenced on 1 October 2008 either.

Although there have been occasions when the old contractor could have been penalised in respect of performance issues, these were not pursued.

The programming of planned maintenance work, especially on the parkways, has to be carefully planned due to the impact that other necessary works have on the access to road space.

Due to current resources not all invoices are raised and sent to third parties to cover the cost of damage to street lighting furniture, so the Council is paying for these from its already stretched budgets.

Not all the data required under Department for Transport regulations is gathered because there is currently no software on which to store it and it would also be too time consuming to retrieve such data from manual records.

It is worth noting that the issues highlighted are already being addressed, and this has been reflected within the management response received.

Scope & Objectives

To undertake a risk based audit of the Street Lighting service following the completion of a risk identifier by the Street Lighting Manager.

Conclusion

The Street Lighting team has been handicapped by substantial workloads for a considerable period but despite this, its members work very well together to cope. However, the team itself is aware of its deficiencies and knows that more could be done to improve the service. The low level of assurance given in the audit opinion below is not a reflection of the calibre of the current staff but highlights the fact that they have been working with inadequate staffing, an outdated computer system and have met with increasing operational problems in areas such as getting the necessary road space to carry out regular maintenance on the parkway system. Improvements will be achieved by the implementation of Head of Environment, Transport and Engineering's plans for the future (briefly outlined in the Executive Summary of this report).

Risks identified that are not detailed separately in the body of the report were considered satisfactory as there are currently sufficient controls in place to mitigate them.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is **Limited Assurance**.

Report 11: Bank Imprest Accounts

Executive Summary

The need for bank imprest accounts is declining with the advent of purchasing cards. Also, with the recent relocation of some remote offices to a central site, ordinary petty cash imprests are likely to be sufficient for many of the services now. Two accounts were identified as having been dormant since 2006 and need to be closed.

There is no documented policy of the criteria that must be met before a bank imprest account is opened and no corporate guidance notes are issued to the account holders.

Imprest account names do not always tally with the corresponding names given on the balance sheet and there are a number of balance sheet imprest codes that are no longer used but still have names beside them. Also, in some cases, balance sheet accounts do not accurately reflect bank imprest limits.

The central file of bank imprest accounts maintained by the Treasury and Insurance team is disorganised and some of the information held is out of date.

It was found that in some cases when signatories have left, their successors have assumed signatory responsibilities without new bank mandates being raised. In other cases, the number of signatories has just been reduced when staff have left, even if this only leaves one signatory for the account. This also highlights that in many cases, only one signature is required on cheques, which does not comply with best practice in areas where it is operationally viable to have two.

Scope & Objectives

To undertake a review of the use of bank imprest accounts across PCC.

Conclusion

Prior to the start of this audit, there were already concerns within the Finance Division about the accuracy of the accounting information in relation to imprest accounts in general and action was already being taken. There were also concerns about the management control of bank imprest accounts within departments and once again, action was being taken by some of the heads of business support to address these issues.

The operational administration of the bank imprest accounts examined has generally been found to be satisfactory.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is **Limited Assurance**.

Report 12: Teachers Pensions Bushfield College

Executive Summary

Bushfield Community College is one of the few Peterborough City Council schools and colleges that provides its own payroll service. The payroll is conducted by the very experienced Finance Officer. Checks are carried out by both the Principal and his deputy to establish that the payroll is accurate, and a separation of duty control exists requiring a second person in the process to release BACS payments from the college's bank account.

Internal Audit last conducted a review of Teachers' Pensions processes at the College in 2006. It is pleasing to note that all of the issues raised in the last audit report have been satisfactorily dealt with.

One major issue was identified during this review. Electronic payroll data is occasionally taken to be worked on at home by the Finance Officer on a memory stick. However the memory stick is not encrypted and, in light of a number of high profile data security breaches in the past year, the practice of taking home unprotected confidential data should cease with immediate effect.

Scope & Objectives

The purpose of the audit was to provide assurance to PriceWaterhouseCoopers that there are appropriate controls in place for the administration of Teachers' Pensions returns to support the review of the grant claim.

The areas covered were:
- Compilation of the payroll
- Payroll control environment
- Degree of risk attached to the data provided for the return

Methodology

Manual and electronic payroll and pensions records were reviewed for 2007/08 to ensure compliance with Teachers' Pensions regulations.

Discussions were held with the Finance Officer and Finance Manager to establish the processes in place at the school.

Conclusion

Notwithstanding the issue of the unencrypted data, it was noted during the course of this review that controls relating to Teacher's Pensions work well. The Finance Officer has a clear understanding of her role. Her assistance during the course of this review is very much appreciated.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is **full assurance** in relation to the pensions review undertaken, taking into account the prompt resolution of previous audit recommendations and satisfactory

processes in place. However it should be noted that the audit opinion of **limited assurance** should be given in relation to the observation and recommendation made in the report, due to the serious nature of the issue highlighted. For guidance on internal audit opinions and audit recommendation priorities, please refer to Appendix 3.

PERFORMANCE INDICATORS 2008/ 2009

Performance Indicator	Annual Target	Actual	Comments
Customers Opinion			
Average rating Post Audit Questionnaire rating	> 3.75	4.38	PAQ issued to all clients on completion of an audit. Maximum score 5
Does the external auditor place reliance on the work of Internal Audit?	Yes	Yes	There are no adverse comments within the Annual External Audit report regarding internal audit
Number of complaints received in relation to the service	Nil	1	Standard target of Nil. Dissatisfaction from one client in relation to the audit report produced. CIA held meeting with Head of Service to resolve.
Number of compliments received about the service	4	6	Standard set at one per quarter
Process Related			
Percentage of audit days delivered compared with the original audit plan	100 %	109 %	Seen as a measure of the success of the audit planning processes when plan drawn up. Unforeseen events include an early (3 months) return from maternity leave, the use of agency staff, and officers working hours in excess of the standard hourly week.
Percentage of planned audits completed	93 %	75 %	Less than planned due to higher level of unplanned jobs than originally estimated, which take longer than the planned audits they displace. Low priority jobs have been removed from the plan and substituted with the unplanned "high profile/risk" activities.
Average number of days between fieldwork completion and issue of draft audit report	15 days	15 days	Target level is reducing in 2009/10
Percentage of planned audits completed to timescale	93 %	82 %	There has been an improvement each quarter from 78% to 90%, but the figure reported here is an average.
Percentage of Internal Audit work for joint / external business	7 %	7 %	There is a potential to expand coverage to other organisations.

PERFORMANCE INDICATORS 2008 / 2009

Performance Indicator	Annual Target	Actual	Comments
Process Related (continued)			
Does IA comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006?	Yes	Yes	Based on an annual benchmarking exercise utilising 191 questions. Full compliance on 177 areas.
Does the council comply with CIPFA best practice for Audit Committees and meet CPA standards?	Yes	Yes	Annual assessment from CPA
Has the Council established an effective assurance framework?	Yes	Yes	Annual assessment from CPA
Percentage of critical / high priority recommendations agreed	97 %	100 %	Managers reserve the right to accept the risks within their service
Percentage of critical / high priority recommendations implemented	100 %	89 %	Based on the follow-ups carried out in the year.
Percentage of critical / high priority recommendations followed up within 6 months of final report issued	65 %	55 %	A single delayed (due to other work commitments) follow-up has had a large detrimental impact on this performance indicator.
Organisational Development			
Number of audit training days per auditor	> 5 days	5.9	Commitment to ongoing training
Annual appraisals completed to timescale	Yes	Yes	Staff appraisals to be completed timely within the year
Working days lost to sickness per FTE	5 days	18.63	Use of Occupational Health to manage long term sickness of two officers.
Staff productivity	80 %	81 %	Chargeable days
Proportion of staff qualified (IIA/CIPFA)	25%	20 %	Two fully qualified. One member of staff actively studying, two others registered.

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AUDIT COMMITTEE	AGENDA ITEM No. 6
1 JUNE 2009	PUBLIC REPORT

Committee Member responsible:	Councillor M Dalton, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

DRAFT ANNUAL GOVERNANCE STATEMENT 2008 / 2009

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director (Strategic Resources)	**Deadline date :** N/a
Committee is asked to: 1. Review and comment on the supporting appendices (A - G) used to establish assurance on the governance arrangements within the Council; 2. Review and comment on the Annual Governance Statement (Appendix H), including any areas which should be amended; and 3. Subject to changes identified in 2 above, agree and approve the draft statement for inclusion in the statement of accounts.	

1.   **ORIGIN OF REPORT**

       This report is submitted as part of the annual closure of accounts process and is included in the Audit Committee work programme for 2009 / 2010.

2.   **PURPOSE AND REASON FOR REPORT**

       The production of the Annual Governance Statement forms part of the annual closure of accounts process. It is not a financial exercise, but represents a corporate overview of the processes and procedures adopted by Peterborough to manage its affairs.
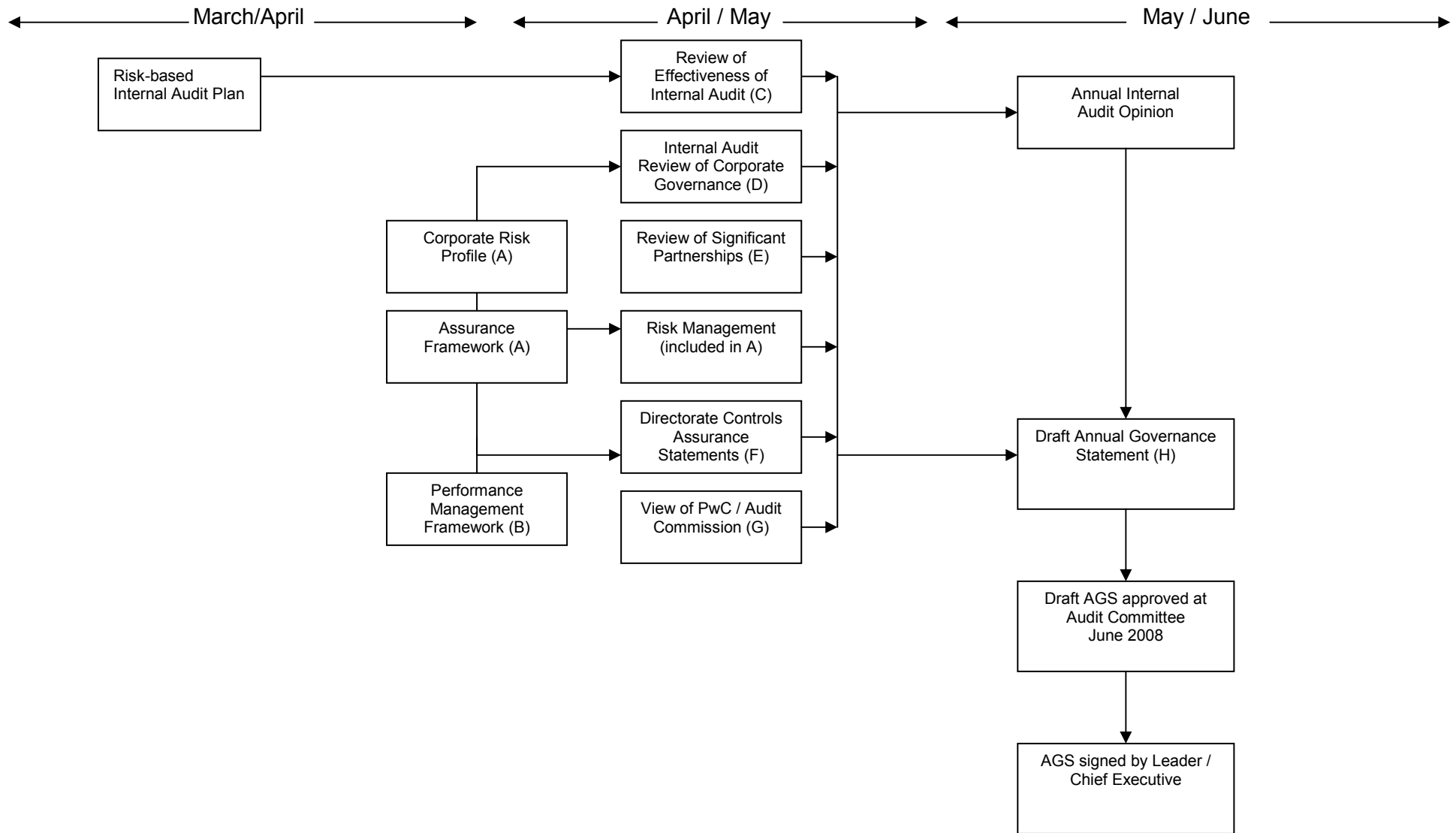
3.   **BACKGROUND**

3.1   The purpose of this report is to provide details of the findings of the 2008 / 2009 Annual Review of Internal Control arrangements and to seek approval to the draft Annual Governance Statement (AGS), prior to its incorporation in the Statement of Accounts.

3.2   The Accounts and Audit Regulations 2003 (amended 2006) require the Council to conduct annual reviews of the system of internal control and publish an AGS within its annual financial statements. The format of the AGS is required to be in accordance with CIPFA 'proper practice'. The CIPFA Finance Advisory Network has also issued detailed practical guidance on meeting the requirements of the Accounts and Audit Regulations 2003 (amended 2006).

3.3   Central to CIPFA's guidance are the following steps:

- Identify statutory obligations and organisational risks;
- Identify principal risks to the achievement of objectives;
- Identify and evaluate key controls to manage risks;
- Obtain assurance on the effectiveness of key controls; and
- Evaluate assurances and identify gaps in controls / assurances

3.4   The guidance highlights the links and overlaps between the production of the AGS and the annual corporate governance review. There is a need to involve Directors / Chief Officers and managers assigned with the ownership of risks and delivery of services in both the annual review of corporate governance and the production of the Council's AGS.

3.5   This report seeks to record the Council's assurance framework used to support the AGS 2008 / 2009. The methodology comprises the following stages:

- Corporate Risk Profile and the Assurance Framework (**Appendix A**);
- Performance Management Framework (**Appendix B**);
- Review of effectiveness of Internal Audit (**Appendix C**);
- Review of Corporate Governance (**Appendix D**);
- Significant Partnerships (**Appendix E**);
- Directorate Assurance Statements (**Appendix F**);
- Views of External Audit (**Appendix G**); and
- Views of Internal Audit and Investigations (separate Agenda reports).

3.6   The draft statement has then been established (**Appendix H**) and represents a true and fair reflection of the corporate responsibility within the Council. Once completed and approved, the AGS is submitted to the Leader of the Council and Chief Executive for signing. The above stages are set out diagrammatically below.

3.7   In completing this exercise it is acknowledged that governance arrangements and the system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or will be detected within a timely period. As a result, the certification of the attached statement is completed "to the best of your knowledge".

3.8   No adverse comments have been received.

Methodology for the development of the Annual Governance Statement 2008 / 2009

← March/April → ← April / May → ← May / June →

Risk-based Internal Audit Plan

Review of Effectiveness of Internal Audit (C)

Internal Audit Review of Corporate Governance (D)

Corporate Risk Profile (A)

Review of Significant Partnerships (E)

Assurance Framework (A)

Risk Management (included in A)

Directorate Controls Assurance Statements (F)

Performance Management Framework (B)

View of PwC / Audit Commission (G)

Annual Internal Audit Opinion

Draft Annual Governance Statement (H)

Draft AGS approved at Audit Committee June 2008

AGS signed by Leader / Chief Executive

4.   METHODOLOGY

4.1   Corporate Risk Profile (**Appendix A**)

4.1.1   The Corporate Risk Profile provides management assurance that the Council's principal risks are being well managed. Peterborough Corporate Management Team last formally approved the Profile in February 2008 when a comprehensive review was undertaken at the time. Further risk monitoring is undertaken as part of the regular performance management assessments at CMT, together with adopted best practice project appraisals.

4.1.2   Although a number of risks are high profile / high impact, Directors are confident that all risks identified are being managed within acceptable tolerances.

4.1.3   There have been overall improvements in risk management across the Council in 2008 / 2009. Ongoing training has been cascaded through departments and there has been an continuing emphasis on covering partnership and project risks. Project risks are embedded in the managed arrangements around projects and these are reported in a dashboard format to their respective Boards.

4.1.4   There has been an improvement in the corporate ownership of the management and monitoring of corporate risk management arrangements across the Council. This is a key element in the Risk Management Strategy. The procurement of a risk management software solution, closely linked to that utilised for business continuity purposes will also deliver ongoing benefits. This solution is controlled by the Resilience Manager for operational risks, with the Head of Strategic Finance maintaining control over the strategic risks.

4.2   Assurance Framework (**Appendix A**)

4.2.1   The Council's key objectives, risks, controls and available assurances (and any gaps) have been mapped to provide assurance that there is an effective Assurance Framework. The Assurance Framework has been documented in the Audit Committee Handbook (circulated to Members January 2008 and formally adopted June 2008).The Handbook is a new initiative designed to further consolidate the Council's assurance and risk management framework.

4.2.2   The framework was issued and discussed at Audit Committee on 30 March 2009. 65 areas of assurance have been identified, mapped to the strategic risks and the Internal Audit Plan, and this is regularly refreshed to ensure full coverage is maintained. There have been no material changes since then.

4.3   Performance Management Framework (**Appendix B**)

4.3.1   Regular reporting of performance is in evidence across the Council. Monthly reports are produced using the corporate system, Performance Plus, and quarterly reports are produced for members. Regular discussions are held at CMT and various boards. This covers performance against three areas - the Corporate Plan, the Local Area Agreement and the National Indicator Set. Any areas of concern identified are tackled through CMT and appropriate decisions taken to reduce or prevent any deterioration in performance.

4.3.2   Following an external audit review, overall arrangements for data quality have shown an improvement in the year and is now rated as 3 out of 4 (previous score 2). This report was submitted to Audit Committee in February 2009. A clear action plan has been established and monitored against.

4.4   Review of the Effectiveness of Internal Audit (**Appendix C**)

4.4.1   An assessment of the effectiveness of Internal Audit was undertaken by PricewaterhouseCoopers and issued in August 2007. The action plan has been discussed

at Audit Committee on 5 November 2007. External Audit have followed up this review in December 2008 and the report has been submitted to the Executive Director (Resources) for comment. Once finalised this will be presented to Audit Committee.

4.4.2   Further reference is made to Internal Audit within the Annual Audit Letter from PwC which was discussed at Audit Committee on 30 March 2009. PwC were able to place reliance on our work during the year. Overall, positive assurance can be provided that the Council has an effective Internal Audit Service.

4.4.3   In order to provide future independent review on the service, discussions are being held with a separate local authority to undertake a peer review of the service.

4.5   Review of Corporate Governance (**Appendix D**)

4.5.1   Audit Committee on 31 March 2008 received a report on the revised Local Code of Governance. As part of the review to establish this new Code, data collated throughout this process by the Chief Internal Auditor provided positive assurance that the Council is compliant with the CIPFA / SOLACE Framework.

4.5.2   Regular updates on governance arrangements are reported through to Full Council, for example, constitutional changes. Significant governance issues established in the Annual Governance Statement are reported to Audit Committee, together with the progress made to address them.

4.6   Review of Significant Partnerships (**Appendix E**)

The Council has established its significant partnerships. Internal Audit has developed an overall partnership toolkit and this has been initially used to ensure that there are appropriate governance arrangements in place for current and future partnerships. The toolkit is to be discussed at a future strategic governance group meeting to look to develop and take forward further.

4.7   Director / Heads of Service Controls Assurance Statements (**Appendix F**)

4.7.1   Each Director and Head of Service personally signed an Assurance Statement having reviewed its key control checklists and the views compiled through the self assessment process to come to an opinion on the governance arrangements and internal control environment within their service. 13 issues were identified from these statements and have been included in the Draft Annual Governance Statement.

4.7.2   Items of a financial nature which could impact on the overall accounts position have been separately referred to Strategic Finance.

4.8   View of PriceWaterhouseCoopers (External Audit) (**Appendix G**)

4.8.1   Throughout the year, PwC have been commissioned to undertake various reviews which have all been circulated and discussed / approved at Audit Committee. PwC provides an Annual Audit Letter providing an overall evaluation of the Council's progress having regard to the Council's core performance assessment, its financial and service performance and consideration of its strengths and areas for improvement. The content of the letter was reported to Cabinet and Audit Committee on 30 March 2009, and overall is positive and states that the Council is a 3 star service. Improvements have been made in a number of areas.

4.9   Internal Audit (Annual Audit Opinion: Separate report on Committee Agenda)

4.9.1   Internal Audit activities are quarterly reported through Audit Committee and any significant control and governance issues or material to the overall control environment of the Council are highlighted. An annual opinion is produced and submitted to Members highlighting the

works delivered, together with key governance / control issues which need to be addressed.

4.9.2   There is an agreed scheme in place for the audit of key financial and non-financial systems. Findings of audits of these systems this year were analysed with findings from previous years to enable an opinion to be formed on every key system.

4.9.3   Whilst there has been an increase in the number of systems within limited or no assurance compared with previous years, their overall impact on the whole control environment is not considered to be material. The Internal Audit overview concludes that, based on the services' cumulative knowledge and experience of the systems and controls in place, previous audit work and findings of audits in 2008 / 2009, overall throughout the Council there remains a sound internal control environment. Significant assurance is provided and an unqualified opinion put in place.

5.   ANNUAL GOVERNANCE STATEMENT

5.1   The CIPFA Financial Advisory Network produced a "*Rough Guide to the Annual Governance Statement*" in 2008 which provides a framework for reviewing the adequacy and effectiveness of the Council's key controls.

5.2   The draft AGS follows recommended best practice and pulls together the various sources of assurance in to one document, and is a statutory document to be included in the final accounts.

6.   CONSULTATION

6.1   This draft AGS has been issued to the Corporate Management Team and the s.151 Officer for consideration, together with the external auditors, PricewaterhouseCoopers.

7.   ANTICIPATED OUTCOMES

7.1   Approval of the documents for inclusion in the draft accounts for 2008 / 2009.

7.2   The Council now has a structured assurance framework in place in support of the AGS (as presented and discussed at Audit Committee on 30 March 2009).

7.3   It is reasonable from all the assurances now available to the Council to conclude that a sound system of internal control operated throughout 2008 / 2009.

8.   REASONS FOR RECOMMENDATIONS

8.1   To seek endorsement from members that the corporate governance and internal controls within the authority are being delivered and provide effective challenge to the organisation.

9.   ALTERNATIVE OPTIONS CONSIDERED

9.1   None required at this stage.

10.   IMPLICATIONS

10.1   This report contains no specific financial implications. The agreement of the AGS does not have any direct financial implications, however, in order to maintain financial control and address risks as identified within the report, Directorates may need to allocate resources from within their existing budget.

BACKGROUND DOCUMENTS

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

CIPFA / SOLACE Framework - Delivering Good Governance in Local Government

CIPFA Finance Advisory Network - The Annual Governance Statement

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CORPORATE RISK PROFILE AND ASSURANCE FRAMEWORK

Risk Profiling is systematic risk identification and evaluation process designed to provide an organisation with a clear focus on the major risk issues it faces. The Profile will identify measures to assist in ensuring those risks are managed; appropriate opportunities are taken advantage of; targets are achieved and service delivery improved.

Risk Management

Corporate Management Team approved the latest Corporate Risk Profile in January / February 2009. The risks are identified below and remain relevant and appropriate to the organisation and the control environment is also being adequately monitored. All risks have been mapped out against the Assurance Framework to enable a closer monitoring of the risks and to ensure that actions are taken to reduce their effect on the organisation, including the development and delivery of the audit plan. Programmed reviews have been set in order to regularly update and refresh the strategic risks.

The Risk Management Strategy has been annually reviewed and agreed, the last being at Audit Committee in September 2008. Ongoing training has been provided to senior managers and there has been an emphasis on exploring partnership and project risks.

Project risks are incorporated within the overall framework and these are reported through dashboards to the various boards and Business Efficiency Scrutiny Panel.

The management of, and updating of the strategic risk register is within the remit of the Head of Strategic Finance. Operational risks are coordinated through the Resilience Manager. Risk management software has been obtained which will further lead to greater efficiencies in monitoring, reviewing and managing risks.

Assurance Framework

The Assurance Framework provides a simple but comprehensive method to implement effective and focused management of the principal risks to the objectives of the Council, its Partners, and Stakeholders. It also provides a structure for the evidence to support the Annual Governance Statement. This helps facilitate effective performance management by simplified reporting and enables prioritisation of actions to maximise opportunities and ensure effective management of risks.

The Assurance Framework has been compiled with analysis of committee reports, internal and external audit reviews and other council publications. The report was issued and discussed at Audit Committee on 30 March 2009. No amendments or omissions have been identified since that date.

Although 43 strategic risks have been mapped out (from the corporate risk register), a further 22 areas of operational activity or control assurance requirements have been identified where suitable assurance is needed. All have been used to establish a coordinated Internal Audit Plan to ensure full assurance can be provided to the organisation.

Department / Risk Owner	Risk Assessment at February 2009				Assurance Framework Assessment at March 2009			
	Risk No.	High	Medium	Low	AF No.	Further Work Required	Moderate Assurance	Full Assurance
CITY SERVICES								
Arms Length Management Organisation	5.02	X			31	X		
OPERATIONS								
Highways infrastructure conditions	6.01		X		32		X	
Environmental capital aspirations	6.02		X		33		X	
Climate change	6.03		X		34			X
PCT								
Social demographic change	7.01		X		35		X	
STRATEGIC RESOURCES								
Financial management strategy	8.01			X	36			X
Procurement	8.02		X		37		X	
Comprehensive Area Assessment	8.03		X		38		X	
Estate utilisation	8.04	X			39	X		
Waste management and recycling	8.05		X		40		X	
Democratic processes	8.06			X	41			X
Corporate manslaughter	8.07		X		42			X
Investments	8.08		X		43			X
RISKS MITIGATED AT FEBRUARY 2009								
Growth (combined with AF.07)	1.04		X		04		X	
Children Services change programme (combined)	4.09		X		26			
Maintaining services (deleted)	5.01	X			30			

Department / Risk Owner	Risk Assessment at February 2009				Assurance Framework Assessment at March 2009			
	Risk No.	High	Medium	Low	AF No.	Further Work Required	Moderate Assurance	Full Assurance
OTHER ASSURANCES REQUIRED								
Vision and outcomes					44			X
Working protocols					45			X
Value promotion					46		X	
Transparent decisions					47		X	
Member capacity and capability					48		X	
Local engagement					49		X	
Statutory obligations					50		X	
Corporate objectives					51			X
Corporate Governance					52		X	
Performance management					53		X	
Risk to objectives					54		X	
Controls to mange risk					55		X	
Control effectiveness					56		X	
Governance effectiveness					57		X	
Management of PFI					58		X	
Safeguarding electronic data					59	X		
Data quality					60		X	
Implementation of Audit recommendations					61		X	
New ways of working					62		X	
Customer satisfaction					63			X
Housing strategy					64		X	
Safe recruitment					65	X		

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PERFORMANCE MANAGEMENT FRAMEWORK 2008 / 2009

Peterborough has developed a Council-wide performance management methodology which is critical to the successful delivery of all key projects and service delivery. The methodology is shown in a guide that can be accessed on the council's intranet (Insite). Performance is measured against a combination of national and local indicators and priorities through our Sustainable Community Strategy, Corporate Plan, Local Area Agreement and the 188 indicators in the National Indicator Set.

All authorities have a duty to collect a series of indicators and these are independently audited by the External Auditors on an annual basis.

The Council has a detailed performance management framework in place which is effectively used to monitor and manage performance. Performance is cascaded through service plans, individual employee appraisals and action plans. Performance reports are produced on a quarterly basis and is considered by the Council's Corporate Management Team (CMT), the Cabinet, and Scrutiny Committees. The information on performance is reported annually through the Corporate Plan and the report is also fed into the budget process. This ensures that the Council reviews and monitors the quality of service and reflects the needs of its users in its Corporate Plan and Medium Term Financial Strategy in order to ensure improvement. In addition, performance "surgeries" are held where challenge is made on key themes or indicators and steps taken to improve processes and ultimately performance. A further development to improve performance has included the establishment of "critical issues" which are reported regularly through the CMT. These reports use a *traffic light system* to make interpreting results easier. This provides a focus on key areas which may require more attention or resource in order for the Council to achieve its objectives. The reporting process is under constant review in order to develop its maximum potential.

The Council's performance management framework may be summarised as:

- There are standardised performance management arrangements across the Council within the key document being the Corporate Plan;
- This key performance management document is the Quarterly Performance Monitoring Report which is submitted through CMT to Cabinet detailing performance in 3 areas - the Corporate Plan, Local Area Agreement and the National Indicator set;
- A central reporting tool, Performance Plus, is used by all managers to record performance throughout the year;
- Critical issues are tracked through CMT in relation to the national indicators.

External audit have reviewed the data quality arrangements, which includes the collection and monitoring of indicators. This has identified a number of areas for improvement which have been included in an action plan and reviewed frequently. Data quality arrangements have shown improvement in the last 12 months and forms part of the Councils annual assessment - the current score is 3 out of 4. A more detailed report was submitted to Audit Committee on Data Quality Arrangements in February 2009.

Improvements have been made to the performance management framework with better alignment with risk management.

No issues have been identified that are considered of significance in terms of the Council's overall governance and control arrangements.

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REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

Introduction

The purpose of this report is to review the effectiveness of the Council's system of internal audit in accordance with the Accounts and Audit Regulations 2006. The methodology adopted was that the PricewaterhouseCoopers undertook a full scale review of the service during the early part of 2007 / 2008.

In addition to detailed testing of the service, PwC requested questionnaire results from the Council's Directors and the Head of Internal Audit completed a self-assessment of compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. Both were then subject to scrutiny.

The Accounts and Audit (Amendment) (England) Regulations 2006 came into force on 1st April 2006. One of the amended regulations requires the Council to have an independent review of the effectiveness of its system of internal audit once a year, and for the findings of this review to be considered as part of the procedure for drafting the Statement of Internal Control (now replaced with the Annual Governance Statement).

PwC produced their report in August 2007 and this was formally discussed at Audit Committee in November 2007. PwC undertook a follow up review in December 2008. A draft report has been produced and issued in March 2009 to the Executive Director (Resources), Head of Strategic Finance and the Chief Internal Auditor for comment.

Summary of Findings

The original report documented 19 recommendations which required attention. These covered the areas of:

- Risk focussed auditing;
- Skills base of internal audit;
- Impact and effectiveness;
- Methodology and tools;
- Monitoring of service provision;
- Reporting arrangements; and
- Accountability.

The follow up review has established that the majority of recommendations have been actioned and implemented, for example, the development of an assurance framework to assist in the delivery of a risk based audit plan. Some original recommendations have been superseded following changes in reporting lines or activities. For example, at the time of the original review, the Chief Internal Auditor coordinated the development and embedding of risk management together with the updating of the risk registers. With the transfer of this to the Head of Strategic Finance and to the Resilience Manager, this recommendation has become defunct.

The format of audit reports have evolved over time, and a number of amendments have been incorporated in recent years. It has been recommended that officers are consulted on the current format to ensure that it still meets their needs. A separate survey will be issued to cover this in due course.

There are a number of new recommendations which have been developed and the action plan will be implemented to take this forward. Previously, the Chief Internal Auditor has undertaken a review of the service against best practice and this self assessment has been presented to Audit Committee for challenge and ultimately endorsement. It has now been recommended that an independent review is put in place. Discussions are being held with a separate local authority in the area to undertake a "peer review" this time, therefore providing an independent opinion on the service.

Conclusions

The evidence collected demonstrate the Council operates in compliance with professional standards, and initiates change where improvements to the internal control environment is required. The review has identified a number of areas where ongoing improvements could be made. Once finalised, the report will be presented to a future Audit Committee. In conclusion, there are no material weaknesses which impact on the overall effectiveness of the internal control environment.

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REVIEW OF CORPORATE GOVERNANCE

Introduction

Good Governance in Local Government: A framework (June 2006), CIPFA SOLACE in 2001 CIPFA SOLACE published a framework for good governance in local authorities. This framework recommended that local authorities reviewed their governance arrangements against key principles of corporate governance identified in the framework and report annually on their effectiveness in practice. The code details six principles of good governance for local authorities which are underpinned by the key dimensions of the responsibilities of all local authorities. The dimensions are identified as follows:

- **Dimension 1**: To provide leadership for and with the community and to engage in effective partnerships
- **Dimension 2**: To ensure the delivery of high quality local services whether directly or in partnership or by commissioning
- **Dimension 3**: To perform a stewardship role which protects the interests of local people and makes best use of resources
- **Dimension 4**: To develop local democracy and citizenship.

The following principles have been identified as the core principles of good governance for local authorities.

- **Principle 1** - Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area
- **Principle 2** - Members and officers working together to achieve a common purpose with clearly defined functions and roles
- **Principle 3** - Promoting the values of the authority and demonstrating the values of good governance through behaviour
- **Principle 4** - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- **Principle 5** - Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively
- **Principle 6** - Engaging with local people and other stakeholders to ensure robust local public accountability.

The code states that Council's must be able to demonstrate that they are complying with the principles of good governance and our review focussed on how Peterborough's governance arrangements comply with the core principles of good governance.

Findings

Following the approval and adoption of the Local Code of Governance in March 2008, regular refreshes of the governance arrangements are made, whether constitutional issues which are reported through to Cabinet and Full Council, or internal procedural changes. All key changes are then documented in the year end Annual Governance Statement.

A separate strategic governance group has been established, which includes officers from Democratic Services, Investigations, Internal Audit and Legal Services.

Appropriate governance issues are picked up in each audit undertaken.

Self assessment arrangements made through Directors and Heads of Service cover the various attributes for governance (see **Appendix F**). Sample checks are undertaken to ensure compliance. Following assessment of the data available, the Chief Internal Auditor was able to conclude that there is Full Assurance in the current arrangements and the Council complies in all material aspects with these principles. Where issues have been identified; action is being taken, or is planned to address these.

Governance issues established in the Annual Governance Statement for 2007 / 2008 have been reported through the Audit Committee, highlighting the progress made to address them. Further updates are included in the 2008 / 2009 statement.

13 new issues have been established for 2008 / 2009 and these are included in the draft Annual Governance Statement. Progress / updates on these have been factored in to the Audit Committee Work Programme.

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REVIEW OF SIGNIFICANT PARTNERSHIPS

The purpose of this report is to provide Audit Committee with an assessment of governance and risk management arrangements within significant partnerships with which the Council is engaged, in order to provide assurance to Audit Committee that effective arrangements are in place for the management of principal risk exposures.

Background

Partnerships are increasingly playing a major role in securing the delivery of services nationally, regionally and locally. Central government is particularly keen to promote joint working across different areas of not only the Public Sector but also the Private, Voluntary, Community and Social Enterprise Sectors. This method of working has assumed a much greater emphasis and importance in the activities of local authorities in service delivery, given its increased profile in policy development. So far as the Council is concerned, the Council has fully participated in Partnership working to ensure achievement of its strategic objectives.

If planned and developed properly, partnerships can bring significant benefits to the deliver of services, as set out below.

- Better outcomes of customers, clients, communities, members, vulnerable people particularly with respect to multi dimensional issues, e.g. Community Safety;
- Greater economies of scale and reduction in duplication;
- Different perspectives and experience in approaching problems;
- More effective use and allocation of resources;
- Increased data and skills sharing to inform decisions and improved understanding;
- Improved local support and engagement;
- Mobilising additional resources;
- Broadening of staff development to enhance performance;
- Increased public perception, i.e. seamless approach;
- Better sharing and management of risk; and
- Stronger voice / lobbying.

The Corporate Assessment contained within the Comprehensive Performance Assessment (CPA) process measures the Council's ability to engage and lead communities, deliver community priorities in partnership with others and ensure continuous improvement. These Key Lines of Enquiry within the CPA strongly promote joint working including across local boundaries and the Council's approach in this area will reflect on the overall rating of the performance of the Council as a whole. The new Corporate Area Assessment also picks up on these themes, with a greater emphasis on outcomes.

Partnerships in Peterborough

When the Council works in partnerships, it has a methodology which ensures that there is a common vision underpinning the work of the partnership that is understood and agreed by all partners. The Council works in many different partnerships, ranging from the strategic to the operational. The overarching vision for partnership working is supported by the Local Area Agreement. The Local Area Agreement sets out a range of outcomes that Peterborough and its various partnerships aim to achieve supported by clear, measurable targets and indicators. The constitution establishes a Partnership Framework which aims to ensure that all potential partnerships to be entered into by the Council have a common vision and clear objectives.

During 2007, an exercise was undertaken to establish the numbers, and types of partnerships within Peterborough. In addition, various training was provided in conjunction with Zurich Municipal to consider and understand risks that could be associated with such arrangements. Over 100 partnerships have been identified, although some of these can probably be assessed as contractor arrangements rather than a partnership in its purest terms.

Overall, it is considered that there are four key partnerships within Peterborough, these being:

- Opportunity Peterborough;
- Greater Peterborough Partnership;
- Peterborough Primary Care Trust; and
- The development of the Children's Trust.

Accountability agreements are in place for various governance arrangements have been adopted. These cover such areas as responsibilities, reporting lines, how services will be provided, arrangements regarding funding, how decisions will be made, regularity of meetings, how openness and transparency is to be achieved, audit requirements, arrangements in relation to the secondment of staff and holding and sharing information.

Other areas covered include performance management, financial budgeting, planning and management, accountable body responsibilities and risk management.

The Council is seeking to put in place it's own risk register for each of the significant partnerships it is involved in (and those shared with Partners) and is contributing to the monitoring, or production of each Partnership's own risk register.

Internal Audit has developed a Partnership Toolkit in order to assist in the review and governance arrangements for all current and future partnerships, and has been used to review the Greater Dogsthorpe Partnership.

DIRECTORATE / HEADS OF SERVICE ASSURANCE STATEMENTS

Each Director / Head of Service is required to provide assurance on the adequacy and effectiveness of a range of key controls operating throughout 2008 / 2009.

In a departure from previous years, separate questionnaires have been issued rather than one generic document. This was adopted so that both strategic and operational activity areas could be measured.

A further requirement is for Heads of Service to provide commentary on any contingent liabilities which may impact on the overall accounts of the authority. Responses to these are circulated to Strategic Finance for inclusion in the accounts as appropriate. Overleaf are the statements issued. In reviewing the returns for each area, the key messages identified and / or actions to improve are as follows:

- Services have identified principal risks which impact on their objectives to meet the Corporate Plan. Regular refreshes take place of these to ensure continuing delivery.

- The Council has seen rapid change in during the year, from departmental changes and service realignment, a senior management review, to the ongoing delivery of efficiency savings from business transformation. All departments and factored these into their service plans and deliver contracts.

- Regular service reviews are undertaken to take account of the economic downturn and the potential impact on services. This has included the review of service levels, together with staffing levels and in some areas has allowed for a number of voluntary redundancies to reduce the financial impact overall.

- Business continuity arrangements are continuing to develop. The central repository for all plans has assisted in better coordination.

- The establishment of a Head of Service Forum below the Corporate Management Team has started to take on more operational issues, leaving CMT to concentrate more on strategic elements.

Overall, there are no issues identified which impact on the Council's overall control environment. A number of new governance issues (13) have been established and these have been reflected in the Draft Annual Governance Statement.

CORPORATE MANAGEMENT: ANNUAL ASSURANCE STATEMENT

The Accounts & Audit Regulations require the Council to conduct a review at least once a year of the effectiveness of its internal controls and governance arrangements and to include a separate document (known as the Annual Governance Statement) within our financial statements.

In order to produce this document, assurance is required from all Directors / Heads of Service on the effectiveness of their current systems, procedures and accompanying controls. All Directors / Heads of Service are being asked to consider and assess the Council's position in respect of Corporate Governance and are required to individually complete, certify and return the attached statements of corporate responsibility.

In a departure from previous years, different returns have been issued to Directors to that issued to Heads of Service. Whilst fundamentally covering similar ground, the Directors return is set at a strategic level, with the Heads of Service return covers more operational activities.

In completing this exercise it is acknowledged that the system of internal control / governance can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or will be detected within a timely period. The attached statement should be completed "to the best of your knowledge". Also attached is last years statement for information.

I would be grateful for the return of the certified statements to **Steve Crabtree, Chief Internal Auditor by 27th March 2009** (ideally in electronic format).

It is advised that Directors / Heads of Service keep a copy of the certified statement in case of further enquiries from the external auditors in connection with how the statement can be evidenced. If you have any questions about the statement please contact Steve Crabtree, Internal Audit (☎ 384557)

Steve Crabtree
Chief Internal Auditor
27 February 2009

Ref.	Key Area	Confirmed		Comment / Evidence
1. POLICY AND DECISION MAKING				
		Yes	No	
1.1	Have corporate and service policies been disseminated effectively to your staff?			
1.2	Have all decisions in your directorate been made through proper process in accordance with the Council's constitution?			
1.3	Have strategic or key decisions been properly documented and taken after fully considering risk and resourcing issues?			
1.4	Have corporate priorities and policies been reflected in your Directorate's Business / Service Plan / Delivery Contract?			
1.5	Have your service policies been properly approved in accordance with the Council's constitution?			

Ref.	Key Area	Confirmed		Comment / Evidence
2. SERVICE DELIVERY				
		Yes	No	
2.1	Have departmental priorities been identified and reflected in: • Service / business plans? • Performance indicator targets? • Individual targets detailed in appraisals? • Budget / medium term financial plan?			
2.2	Priorities are informed by appropriate consultation, including customers and the Corporate Plan			
2.3	Have priorities been communicated within the department?			
2.4	Are business plans in place for all business units?			
2.5	Have critical and priority services been identified and business continuity plans been developed and approved for these?			If YES, please state your critical and priority services
2.6	Are the business continuity plans in the above areas regularly reviewed and tested?			
2.7	Are all statutory obligations been provided in your service area and has all legislation been complied with?			
2.8	Are delegated powers sufficient for the needs of the service?			

3. STRATEGIC AND OPERATIONAL RISK MANAGEMENT				
Ref.	Key Area	Confirmed		Comment / Evidence
		Yes	No	
3.1	Do you liaise with your directorate risk management representative / champion who can feed issues into meetings of the Corporate Risk Management Group and report back on corporate initiatives?			
3.2	Do you have departmental and business units risk registers?			
3.3	Do the risk registers include consideration of all types of risk including fraud risks, partnership risks and opportunity risks?			If YES, please provide evidence of key fraud risks identified in your department
3.4	Are the departmental and business unit risk registers reviewed and updated at least quarterly?			
3.5	Have risk owners been allocated to all key risks identified to ensure appropriate actions are taken to manage and monitor the risks?			
3.6	Have the risks for significant partnerships been considered, documented and monitored? (see also 5.5 below)			

4. PERFORMANCE MANAGEMENT				
Ref.	Key Area	Confirmed		Comment / Evidence
		Yes	No	
4.1	Have key performance indicators been established and is progress monitored and regularly reported to the senior management team, corporate management team and portfolio holder?			
4.2	Have robust systems and clear responsibility for monitoring each PI have been established to provide accurate and timely performance information?			
4.3	Have any of the departmental BVPI's been reserved by the Councils External Auditor?			
4.4	Do the key or local indicators indicate significant performance issues?			If YES, please detail
4.5	Are the number and type of complaint / comment received by the department monitored and regularly reviewed?			
4.6	Are issues arising from Ombudsman investigations prioritised and regularly reviewed?			

Ref.	Key Area	Confirmed		Comment / Evidence
	5. PARTNERSHIPS WITH OTHER PUBLIC BODIES, VOLUNTARY AND COMMUNITY ORGANISATIONS INVOLVING FUNDING OF OVER £50,000 P.A.			
		Yes	No	
5.1	List all said partnerships currently operated within your department?			
5.2	Do you have assurance that there are effective financial and governance arrangements in place for these partnerships?			
5.3	Do you have assurance that partners, staff and other stakeholders understand the respective partnership roles and responsibilities?			
5.4	Is an exit strategy in place for each significant partnership and has this been fully documented?			
5.5	Do you have assurance that departmental / business risk registers adequately record partnership risks and where appropriate that the partners are actively involved in the risk register process (see also 3.6 above)?			

Ref.	Key Area	Confirmed		Comment / Evidence
	6. FINANCIAL AND ASSET MANAGEMENT			
		Yes	No	
6.1	Was a budget set for your department that was aligned to your business plan?			
6.2	Has clear responsibility been assigned for all budgets within your directorate?			
6.3	Have individual managers with the responsibility for budgets received appropriate financial training?			
6.4	Do you have assurance that all relevant staff in your department are aware of and have access to the Councils Financial Regulations, Contract Standing Orders and other departmental specific financial procedures / guidance?			
6.5	Do you have assurance that all relevant staff in your department have received appropriate training in finance including how to use the Council's financial systems?			
6.6	Have any significant virements (budget variations) between budget heads been properly approved?			
6.7	Are all fees and charges regularly reviewed and are invoices raised promptly?			
6.8	Have estimated efficiency savings been identified and agreed with relevant managers to ensure that the required level of efficiency savings can be made?			
6.9	Is the progress towards achievement of those efficiency savings monitored and appropriately evidenced to support the delivery of your departments budget?			
6.10	Have service area asset management plans been prepared and are they reviewed annually?			
6.11	Are asset registers and inventories maintained in compliance with guidance?			

7. STAFF				
Ref.	**Key Area**	**Confirmed**		**Comment / Evidence**
		Yes	**No**	
7.1	Do you have assurance that the expected standards of behaviour of staff and of Councillors (e.g. Employees Code of Conduct and Member / Officer Protocol) have been communicated to all staff?			
7.2	Do all staff have up-to-date job descriptions and agreed development plans?			
7.3	Are all individuals working for your department remunerated through the Council's payroll system, or the Council's creditor system (following an assessment of the individual's employment status)?			If creditor system, please document who and why
7.4	Do recruitment procedures include pre-employment checks to assess suitability for the job include: • CRB checks for posts involving children or vulnerable adults? • Required qualifications are retained? • Previous employment references? • Work permit / right to work in the UK checks?			
7.5	Is all staff sickness reported in accordance with Council policy?			
7.6	Are you and your staff aware of the Council's rules relating to declaration of interests, and acceptance of gifts and hospitality?			
7.7	Do you have significant concerns that your department is unable to recruit / retain staff with the required skills to provide services?			
7.8	Have all staff been properly inducted?			

8. INFORMATION GOVERNANCE				
Ref.	**Key Area**	**Confirmed**		**Comment / Evidence**
		Yes	**No**	
8.1	Do you have confidence that robust arrangements are in place to monitor compliance with Freedom of Information and Data Protection legislation?			
8.2	Have all staff been trained in use of relevant IT systems?			
8.3	Do all staff have unique access to IT systems and that their access is commensurate with their duties?			
8.4	Are you satisfied that all staff and consultants (that you were responsible for) that have left the employment of your department during 2008 / 2009 have been removed from accessing Council IT systems?			
8.5	Are staff in your department aware of policies in relation to the use of Council equipment and systems (e.g. IT Security Policy, internet and email policy, phone usage etc.)?			

9. CONTROL ENVIRONMENT					
Ref.	Key Area	Confirmed		Comment / Evidence	
		Yes	No		
9.1	In 2008 / 2009, within your directorate, have there been any breaches of security or fraud resulting in loss of Council assets or injury to staff?				
9.2	Have all agreed Internal Audit recommendations relating to your department been implemented, or will be by the agreed implementation date?				
9.3	Have all key systems and operations within your directorate been documented?				
9.4	Have all frauds and financial irregularities identified been referred to Corporate Fraud Unit and / or Internal Audit in accordance with the Anti Fraud and Corruption Strategy?				
9.5	Have all breaches of Standing Orders been reported to the Councils Monitoring Officer?				
9.6	Have you had input into the annual audit plan?				
9.7	Please provide details of all external audit inspection reports carried out in your department during 2008 / 2009 and details of any significant weaknesses identified				

10. SIGNIFICANT CONTROL AND GOVERNANCE ISSUES
Please identify here any issues that you feel represent a significant control item or governance issue. Guidance issued by CIPFA in relation to what should be considered "significant", for inclusion in the Council's Annual Governance Statement, may be those which:
- Have seriously prejudiced or prevented achievement of a principle objective;   - Has resulted in the need to seek additional funding to allow it to be resolved;   - Required a significant diversion of resources;   - Has had a material impact on the accounts;   - The Audit Committee has advised that it should be considered as significant;   - Has resulted in significant public interest or has seriously damaged reputation;   - Has resulted in formal actions being taken by the Chief Financial Officer or Monitoring Officer;   - Received significant adverse commentary in external inspections reports that has not been able to be addressed in a timely manner   The above is only guidance and not an exhaustive list:
I confirm that this document provides a fair reflection on the system of internal control and governance arrangements operating within my directorate since 1st April 2008.

NAME:		DEPARTMENT:		DATE:	

HEADS OF SERVICE: ANNUAL ASSURANCE STATEMENT

INSTRUCTIONS

Your response to this questionnaire will be used to provide assurance for the Annual Governance Statement for 2008 / 2009. The questionnaire is designed to evaluate all components of internal control and will do so for all services within the Council. It will identify areas where the Council needs to focus its control efforts and will provide a valuable benchmark against which the Council can measure its success in achieving improvements.

We have based our questionnaire on the components identified by CIPFA, which are necessary to consider when preparing the Annual Governance Statement (previously the Statement of Internal Control). On completion of the questionnaire you are required to sign a statement (electronic completion / submission preferred) to confirm the following processes have been achieved for your area of responsibility:

- **Principal statutory obligations and organisational objectives have been established**
- **Principal risks to achievement of objectives have been identified**
- **Key controls have been identified and evaluated to manage principal risks**
- **There are mechanisms in place to obtain assurances on the effectiveness of key controls**

You are required to complete the questionnaire at Part A and consider each statement and either agree or disagree with it. If you agree with a statement, you are required to document appropriate evidence in support of this.

Examples of evidence that may support your statements include:		
• Strategy / Mission Statements	• Risk Registers	• Devolved Responsibility
• Codes of Conduct	• Job Descriptions	• Procedure Manuals
• Service Plans	• Implementation of Recommendations	• Independent Review / Inspection Reports

On completion of the questionnaire, you need to evaluate your responses for each section and consider whether they impact on your overall assurance of the system of internal control. The Statement of Internal Control at Part B should then be completed and signed to confirm that your answers, to the best of your knowledge, give an accurate representation of internal controls for you areas of responsibility.

Your questionnaire and statement will be a primary source of evidence for the evaluation of current standards of internal control. If this document is not fully completed, signed and submitted on time the Council will not be able to take assurance on the effectiveness of internal controls in your area.

A separate questionnaire / document has also been submitted to all Executive Directors for completion. **The completed questionnaire should be returned to the Chief Internal Auditor by 27 March 2009.**

Steve Crabtree
Chief Internal Auditor
Strategic Resources

THE CONTROL ENVIRONMENT FOR ESTABLISHMENT OF PRINCIPAL STATUTORY OBLIGATIONS AND ORGANISATIONAL OBJECTIVES

The control environment has a direct influence on the way the Council's activities are structured, objectives established, mandatory and discretionary requirements met and risks assessed. It also influences control activities, information & communication systems and monitoring activities. An effectively controlled Council establishes policies and procedures, including a written code of conduct, which fosters shared values and teamwork in pursuit of the Council's objectives. The control environment is assessed based on the following factors:

- Integrity and ethical values
- Commitment to competence
- Organisational structure
- Scheme of delegation
- Human resource policies and practices
- Information and communication

A	**INTEGRITY AND ETHICAL VALUES** Integrity and ethical values are essential elements of the control environment, effecting the design, administration and monitoring of other internal control components.			
No	**Detail**	**Agree**	**Disagree**	**Comments**
A1	**The Council's Code of Conduct** • Is comprehensive, relevant and addresses matters of significance to you. • Breaches in the Code are addressed and resolved consistently, timely and equitably. • The existence of the Code and the consequences of its breach are an effective deterrent to unethical behaviour. • Your employees fully and clearly understand what behaviour is acceptable and unacceptable under the Council's Code of Conduct and know what to do when they encounter improper behaviour			
A2	**Conflicts of Interests policy and expected ethical standards** • Are comprehensive, relevant and address matters of significance to you. • The importance of integrity and ethical behaviour is frequently and clearly communicated during staff meetings and one-to-one discussions. • A commitment to integrity and ethical behaviour is demonstrated by example in all day-to-day activities. • Employees are generally encouraged to do the right thing when faced with pressures to cut corners with regard to policies and procedures.			
B	**COMMITMENT TO COMPETENCE** The competence levels for all jobs within the Council are assessed and employees in post have the requisite knowledge and skills to enable them to do a good job.			
B3	All jobs within your area of responsibility are adequately defined in terms of the knowledge and skills needed to perform them			
B4	Employees within your area of responsibility are properly trained and are capable of performing their jobs			
B5	Their individual objectives focus on both the long-term and short-term and address a broad spectrum of criteria (e.g. quality, productivity, leadership, teamwork and self-development.)			

No	Detail	Agree	Disagree	Comments
C	**ORGANISATIONAL STRUCTURE** The Council's organisational structure provides the framework within which its activities for achieving Council-wide objectives and mandatory and discretionary obligations are planned, executed, controlled and monitored			
C6	**The organisational structure in your Service** • Facilitates the flow of information both up and down within your Service. • Facilitates the flow of information across to other Services. • Provides adequate supervisory and managerial oversight.			
C7	**Managers in your Service** • Periodically evaluates the organisational structure relevant to their section in light of changes in the scope, nature, or extent of your operations. • Have ready access to senior management in addressing significant issues in respect of structure/organisation			
C8	Employees do not work excessive overtime and do not cover vacant posts for excessive periods of time			
D	**DEVOLVED RESPONSIBILITY** This component includes the assignment of authority and responsibility for operating activities as well as establishing reporting relationships and authorisation protocols.			
D9	Management designates who is responsible for committing your function to financial or contractual obligations through a formal delegation of authority.			
D10	**Delegation within you area defines and ensures** • Limits for contracts and financial transactions are clearly communicated and understood by employees within your Service.			
D11	You accept responsibility for information generated within your function and on reported results.			
E	**HUMAN RESOURCE POLICIES AND PROCEDURES** Human resource practices send messages to employees regarding expected levels of integrity, ethical behaviour and competence. Such practices relate to hiring, orientation, training, evaluating, counselling, promoting, compensating and remedial actions.			
E12	Existing personnel policies and procedures facilitate recruiting and developing competent and trustworthy personnel necessary to achieve the Council's objectives.			
E13	Does your Service ensure • New employees are made aware of their responsibilities and management's expectations. • Supervisory personnel meet periodically with employees and discuss opportunities for improvement.			

F	**INFORMATION AND COMMUNICATION QUALITY OF INFORMATION**			
	Pertinent information must be identified, captured and communicated in a form and time frame that enables people to carry out their responsibilities. Effective communication must also occur in a broader sense, flowing down, across, and up the organisation. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties such as customers, suppliers, regulators and other stakeholders. Information is needed at all levels of the organisation to operate effectively and move towards achievement of the business objectives. Information is identified, captured, processed and reported by information systems. To be effective, information gathering mechanisms must not only identify and capture needed financial and non-financial information; they must also process and report it in a time frame and way that is useful in controlling the Council's activities.			

No	Detail	Agree	Disagree	Comments
F14	**Adequate information gathering mechanisms are in place** • To capture and process data so that transactions can be conducted in an orderly and efficient manner. • For identifying emerging information needs • To generate reports that are adequate and contain sufficient and meaningful information.			
F15	An information technology plan has been developed for your function that is linked to achieving your function's objectives.			
F16	Effective communication is in place so that • Employee's roles and responsibilities regarding internal control and risk assessment are communicated clearly and effectively by management and these roles and responsibilities are uniformly understood. • Management clearly communicates responsibilities and expectations for your Service and everyone in your Service uniformly understands them. • Information is communicated effectively both up and down within your Service and across to other Services.			
F17	A clear communication channel has been established to • Report suspected improprieties. • Provide feedback to persons who report suspected impropriety • Ensure persons are immune from reprisals			
F18	Realistic mechanisms are in place for • Employees to provide recommendations for improvement. • Employee suggestions to be acknowledged by providing incentives or other meaningful recognition.			
F19	**Third Parties** • Management is receptive to comments by internal and external auditors and other review agencies regarding control deficiencies or suggestions for improvement. Appropriate actions are taken and documented. • Outside parties understand the Councils ethical and behavioural standards and expectations regarding dealings with the Council.			

IDENTIFICATION OF PRINCIPAL RISKS TO ACHIEVEMENT OF OBJECTIVES

Risks affect an authority's ability to maintain financial strength, positive public image and maintain the overall quality of its services and people. Management must determine how much risk is to be prudently accepted and strive to maintain risk within these levels. Objective setting is a precondition to risk assessment. There must first be objectives before management can identify risks to their achievement and take necessary actions to manage the risks. Objective setting, then, is a key part of the management process. While not an internal control component, it is a prerequisite to and an enabler of internal control.

The process of identifying and analysing risk is an on-going process and is a critical component of an effective internal control system. Management must focus carefully on risks at all levels of the Council and take necessary actions to manage them. Risks should be identified and assessed at both Council-wide and a Service level. **The risk assessment component of an effective internal control system is evaluated based upon the following factors:**

- Council-wide Objectives;
- Service-level Objectives;
- Managing Change

A	**COUNCIL-WIDE OBJECTIVES**
	By setting objectives at both the Council and Service level, the Council can identify critical success factors. The Council's objectives are defined within the Corporate Plan, which sets out the key activities to ensure that the Council's goals are attained. Objective setting enables management to identify measurement criteria for performance, with focus on critical success factors.

No	Detail	Agree	Disagree	Comments
A20	The Council's Corporate Plan and Service objectives have been established and clearly communicated.			
A21	Adequate mechanisms are in place to identify and assess barriers to achieving Council-wide objectives			
A22	Mechanisms are in existence to ensure • That management is able to periodically assess whether Council-wide objectives have been achieved. • Key performance indicators and measurement criteria for achieving Council-wide objectives have been communicated and are generally understood.			
B	**SERVICE-LEVEL OBJECTIVES** Council-wide objectives must be broken down into Service-level objectives, consistent with the overall strategy and linked to activities throughout the Council. Service-level objectives need to be clear and readily understood by the people taking actions and responsibility for their achievement and they must be measurable.			
B23	Mechanisms are in existence to ensure. • Objectives for your Service are clearly linked to and support Council-wide strategies and objectives • Council-wide strategies and objectives are clearly understood by employees responsible for achieving results. • Specific criteria are set to measure whether objectives for your Service have been achieved • Resources are generally sufficient to achieve objectives for your Service, if not, plans are in place to acquire needed resources. • Employees in your Service participate in establishing objectives and ultimately own results for which they are responsible.			
B24	Adequate mechanisms are in place to identify and assess barriers to achieving objectives for your Service.			
B25	The process used to analyse risks in your Service is clearly understood and includes estimating the significance of risks, assessing the likelihood of their occurring and determining steps to mitigate them.			

C	MANAGING CHANGE			
	As the Council's activities evolve, the internal control system requires change because an effective system under one set of conditions will not necessarily be effective under another. Mechanisms to manage change should be forward-looking, so the Council can anticipate and plan for significant changes. Fundamental to risk assessment is a process to identify changed conditions and take actions as necessary. Early warning systems should be in place to identify conditions signalling new risks.			
No	**Detail**	**Agree**	**Disagree**	**Comments**
C26	Formal and / or informal mechanisms exist that anticipate, identify, and respond to routine events or activities that could have an impact upon achieving Council-wide or Service-level objectives.			
C27	Mechanisms exist to incorporate changes to the Council mission and strategy into Council-wide and Service-level objectives.			

IDENTIFYING AND EVALUATING KEY CONTROLS TO MANAGE PRINCIPAL RISKS

Control activities are policies and procedures used to ensure objectives are met. Control activities vary depending upon the nature of the risk mitigated and are carried out to ensure that the risks are minimised to an acceptable level. **The control activities component of an effective system of internal control is evaluated based upon the following factors:**

- Policies and Procedures;
- Control Activities in Place.

A	POLICIES AND PROCEDURES
	Control activities usually involve two elements: a policy establishing what should be done and procedures to affect the policy. Regardless of whether a policy is written, it must be implemented conscientiously and consistently. A procedure will not be useful if performed mechanically without a continuing focus on conditions to which the policy is directed.

No	Detail	Agree	Disagree	Comments
A28	**Appropriate policies and procedures** • Have been developed and implemented for each of your Services major processes. • Identify how processes are to be performed and monitored and who is responsible for carrying them out. • Reviewed and monitored to address any exceptions to your Service's policies and procedures.			
B	**CONTROL ACTIVITIES IN PLACE** Control activities are a significant part of the process by which the Council strives to achieve its objectives. Control activities serve as mechanisms for managing and mitigating risk, thereby enabling the achievement of objectives. Control is built directly into processes and always relates back to the risk it was designed to mitigate.			
B29	**Control activities described in policy and procedure manuals are** • Actually applied the way they are intended to be applied and relate clearly to identified risks. • Periodically reviewed by supervisory personnel to assess the functioning and overall effectiveness of controls			
B30	**Responsibilities in your function have been assigned so that** • Individuals are precluded from processing data transactions in their entirety or from maintaining records for transactions in which the individual participated. • Individuals from your Service have appropriate responsibility for control over assets and data and the processing of transactions. • Effective routine procedures verify the accuracy of data when it is entered, processed, generated, distributed or transferred			
B31	Effective contingency plans have been developed and documented for your Service to deal with service interruptions if they occur. This is supported by periodic tests of contingency and disaster recovery plans to ensure that they are current, operational and effective			

OBTAINING ASSURANCE ON EFFECTIVENESS OF KEY CONTROLS

Internal Control Systems need to be monitored – a process that assesses the quality of the system's performance over time. This is accomplished through on-going monitoring activities, separate evaluations or a combination of the two. Internal control deficiencies should be reported to management, with serious matters reported to senior management and Members. **The monitoring component of an effective system of internal control is evaluated based upon the following factors:**

- On-going Monitoring;
- Separate Evaluations (Audits or other Independent Reviews);
- Significant Control Issues.

A	**ON-GOING MONITORING** On-going monitoring procedures are built into the Council's normal every day activities. Monitoring procedures that are an inherent part of the Council are more effective than procedures performed in connection with separate evaluations (audits). The Council should focus on ways to enhance its on-going monitoring activities and, thereby, emphasise "building in" versus "adding on" controls.			
No	**Detail**	**Agree**	**Disagree**	**Comments**
A32	Management has established performance measures for processes in your Service and receives periodic reports against those measures.			
A33	Personnel responsible for the key controls within your Service are required to "sign off" on their accuracy and integrity and are held accountable if deficiencies are discovered.			
A34	In the event of known control breakdowns or deficiencies, controls that should have prevented or detected problems are reassessed and modified as appropriate.			
B	**SEPARATE EVALUATIONS** The frequency of separate evaluations necessary for management to have reasonable assurance about the effectiveness of the internal control system is a matter of judgment. In making that determination, consideration should be given to the following: the nature and degree of changes occurring and their associated risk; the competence and experience of the people implementing the controls; and the results of on-going monitoring.			
B35	Your service ensures that - Controls most critical to mitigating high priority risks in your Service are evaluated with requisite frequency. - Evaluations of the entire internal control system are performed when there are major strategy changes, major acquisitions or disposals, or operations and methods of processing financial information are changed. - An appropriate level of documentation is developed by your Service to facilitate the understanding of how your internal control system works.			
B36	The Internal Audit Service has personnel who have the experience and skills necessary to understand your Service's operations.			
B37	Relationships with other review agencies have been formalised to ensure that all parties are aware of their roles and responsibilities, contacts and agreed services provided to and by the Council.			

No	Detail	Agree	Disagree	Comments
C	**SIGNIFICANT CONTROL ISSUES** Deficiencies in an organisation's internal control system surface from many sources, including the organisation's on-going monitoring procedures, separate evaluations of the internal control system and external parties. The term "significant control issue" is defined broadly as a weakness within an internal control system worthy of attention. A significant control issue, therefore, may represent a perceived, potential or real shortcoming, or an opportunity to strengthen the control system to provide a greater likelihood that the Council's objectives will be achieved.			
C38	Control deficiencies are identified • By on going monitoring activities of the Council, including managerial activities and everyday supervision of employees. • By separate evaluations of your internal control system.			
C39	Internal control deficiencies that can effect the attainment of the Council's objectives • Are reported to those who can take necessary action (to at least one level of management above the person directly responsible). • Senior management ensures that follow-up actions are taken in response to reported control deficiencies.			

Please document any "significant issues" which you have identified, and either details of how it was resolved, or the Actions put in place to address.

SIGNIFICANT ISSUES:

<div align="right">

PART B

</div>

SUMMARY ASSESSMENT OF INTERNAL CONTROL

Taking into consideration my evaluation of the components of an effective system of internal control in previous sections of this questionnaire, I can confirm that:

	Agree	Disagree
Principal statutory obligations and organisational objectives have been established		
Principal risks to achievement of objectives have been identified		
Key controls have been identified and evaluated to manage principal risks		
There are mechanisms in place to obtain assurances on effectiveness of key controls		

✓ ***Indicate as necessary**

I affirm that this control self-assessment has been completed by me and that to the best of my knowledge the answers provided are an accurate representation of internal controls for the items addressed.

NAME	TITLE
SIGNATURE	**DATE**

Please complete and return the questionnaire, together with the <u>signed</u> statement and the action plan if you have identified any weaknesses / improvements that need to be made.

VIEW OF PRICEWATERHOUSECOOPERS (External Auditors)

External Audit Reports discussed at Audit Committee during 2008 / 2009 have included:

30 June 2008	Audit and Inspection Plan 2008 / 2009
23 September 2008	Audit Report to those charged with Governance 2007 / 2008
9 February 2009	Use of Resources Assessment Report to Management: Audit of Statement of Accounts 2007 / 2008 Data Quality Arrangements
30 March 2009	Annual Audit and Inspection Letter 2007 / 2008

The Annual Audit and Inspection Letter 2007 / 2008 outlined the overall judgement that Peterborough is performing well and is currently classified as "three star" under the Comprehensive Performance Assessment. It also issued an unqualified opinion on the Council's 2007 / 2008 Accounts. This was discussed at Cabinet and Audit Committee on 30 March 2009.

For all other reports produced, detailed action plans have been established to resolve any weaknesses identified and assurance met by regular reviews against those plans.

Key messages identified are:

The Council met the deadline to publish its 2007/08 accounts by 30 September 2008, and we issued an unqualified audit opinion on them prior to that date. Despite some changes to local government accounting requirements this year, information was available on a timely basis, assisting the efficient completion of the audit. Financial Reporting remains an area of notable practice.

The Council recorded an underspend of £2.4m, which was transferred to reserves, against its net revised revenue budget for the year (net of Dedicated Schools Grant passed to schools) of £132.6m. As reported in the Statement of Accounts, the overall position was underpinned by net underspends in Strategic Resources of £4.1m and Assistant Chief Executive's of £1.3m, and an overspend of £3.0m in Children's Services.

As in the prior year, the Council has continued its policy of operating with a General Fund balance of £6.0m, representing 4.5% of the net 2007/08 budget.

The Council has continued to make progress in its management arrangements relating to data quality. However, there are a number of elements that could be improved further. For example, ensuring that data quality arrangements affecting partnership working are fully embedded and that key actions identified in the Data Quality action plan have been full implemented and embedded.

Our assessment covering aspects of the Council's use of resources as part of the most recent Audit Commission Comprehensive Performance Assessment (CPA) review identified continued improvements. The Council's assessed scores increased for five of the eleven 'key lines of enquiry'. Overall, the Council maintained its score of 'performing well'.

In particular, arrangements in relation to Internal Control have improved significantly since 2007. Existing good practices in Financial Management and Financial Reporting have also been embedded.

Significant changes are being made to the Use of Resources review for 2009 as the new Comprehensive Area Assessment is implemented, which the Council will need to prepare for.

The Council has many significant challenges in future years, including:

- *The current global economic downturn places the timetable of the city's ambitious growth and regeneration programme at risk. The Council is investigating innovative procurement strategies to deliver its growth agenda, which will require effective project management, including the identification and management of risks;*
- *In Children's Services, work is continuing to transform practices, to ensure that statutory obligations are met efficiently, and to deliver an improved service. The investments made in Children's Services have resulted in the service achieving a 2 star rating in the recent Ofsted Annual Performance Assessment;*
- *Successful completion of a number of significant capital schemes, notably, a number of schemes relating to the redevelopment of the city centre, the Waste Management Solution and the schools refurbishment programme;*
- *Translating achievements in improving processes into improved outcomes. In particular, whilst the Council can demonstrate that it has good processes in place to manage and improve Value for Money, it has not been able to demonstrate that these have translated into improved performance either consistently across the Council as a whole, or relative to comparator authorities; and;*
- *The adoption from 2010/11 of International Financial Reporting Standards (IFRS) in local government, with comparative data required for 2009/10.*

The Annual Governance Statement sets out key elements of the systems and processes that comprise the Council's governance framework, and the arrangements for reviewing its effectiveness. From this review, the Council identified a number of areas for ongoing improvement.

For 2008 the Peterborough City Council has been assessed as improving adequately. The following Direction of Travel summary highlights key issues:

- *Outcomes are improving in some areas that matter most to residents. Improvements are being made in environmental services, particularly in recycling and composting and in reported incidents of fly-tipping and graffiti. There are areas where performance is below expectation and the overall rate of improvement has not reached the average for single tier authorities. For example, crime levels are reducing but still comparatively high. The Council is working effectively in partnership. This includes delivering multiagency services in special schools, reducing under age drinking and improving the provision of English for speakers of other languages. The Council performs well in the use of resources.*

Good progress is being made to implement plans to drive improvement. Key strategic plans are in place and there is alignment between Council and community plans. This is reinforced through the new performance management system. Capacity is being strengthened through a management restructure, the filling of key vacancies and by reinvesting savings in frontline services. Actions are addressing poorer performing services but are yet to achieve all planned improvements.

We have made the following recommendations on the basis of the key messages detailed above:

Recommendations

1 *The Council needs to continue to deliver improved outcomes in Children's Services.*

2 *The investment being made by the Council in respect of business transformation and service developments needs to be translated into performance outcomes.*

3 *Further improvements need to be made in respect of the Council's arrangements for ensuring Data Quality.*

4 *Ensure that early steps are taken to plan for the adoption in local government accounting from 2010/11 of International Financial Reporting Standards (IFRS). Comparative data will be required for the 2009/10 year, meaning that the practical transition date to IFRS is 1 April 2009.*

5 *Given the current financial climate, it will be important for the Council to closely monitor its own financial position, and to work with its partners to take action where appropriate.*

6 *The Council will need, as a priority, to prepare for the significant changes to the criteria and framework of the Use of Resources review that apply with the introduction of the Comprehensive Area Assessment from 2009.*

7 *Balances carried forward by schools at 31 March 2008 were £9.5m, an increase of £1.1m compared to 2006/07. In light of this, the Council, in conjunction with School Governors, should continue to keep the level of reserves under review and consider whether there is an appropriate balance between holding funds for future use and current expenditure.*

8 *Balances carried forward by schools at 31 March 2008 were £9.5m, an increase of £1.1m compared to 2006/07. In light of this, the Council, in conjunction with School Governors, should continue to keep the level of reserves under review and consider whether there is an appropriate balance between holding funds for future use and current expenditure.*

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PETERBOROUGH CITY COUNCIL

(DRAFT) ANNUAL GOVERNANCE STATEMENT 2009

SCOPE OF RESPONSIBILITY

Peterborough City Council is responsible for ensuring that its 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. The City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

With effect from April 2008, the council implemented the principles of the CIPFA / SOLACE Framework – "*Delivering Good Governance in Local Government*" (CIPFA 2007) within a Local Code of Governance. A copy of the code is on our website at www.peterborough.gov.uk or can be obtained from:

Peterborough City Council
Democratic Services
Town Hall
Bridge Street
Peterborough
PE1 1HQ

This statement explains how the City Council has complied with the code and how it meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the City Council is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the City Council's policies, aims and objectives, to evaluate the likelihood of these risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the City Council for the year ended 31st March 2009 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

The Council is a complex organisation with an appropriately comprehensive governance framework. The Council works in a dynamic environment and keeps its processes under constant review. Our governance framework derives from six core principles identified in a 2004 publication entitled *The Good Governance Standard for Public Services*. This was produced by the Independent Commission on Good Governance in Public Services - a commission set up by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Office of Public Management. The commission utilised work done by, amongst others, Cadbury (2002), Nolan (1995) and CIPFA / SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles state that good governance means:

(1) Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.

(2) Members and officers working together to achieve a common purpose with clearly defined functions and roles.

(3) Promoting the values of the Authority and demonstrating the values of good governance through behaviour.

(4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

(5) Developing the capacity and capability of members to be effective and ensuring that officers (including the statutory officers) also have the capability and capacity to deliver effectively

(6) Engaging with local people and other stakeholders to ensure robust local public accountability.

Peterborough has used these principles when gathering evidence to gain assurance that governance is robust, and have applied the format suggested by CIPFA (see diagram 1) towards preparing the Annual Governance Statement. After the first steps at objective 1, the core principles are evidenced to give assurance. By following this process a comprehensive review of governance arrangements is undertaken in line with CIPFA guidance.

Diagram 1: Review of Annual Governance Statement and the Assurance Gathering Process
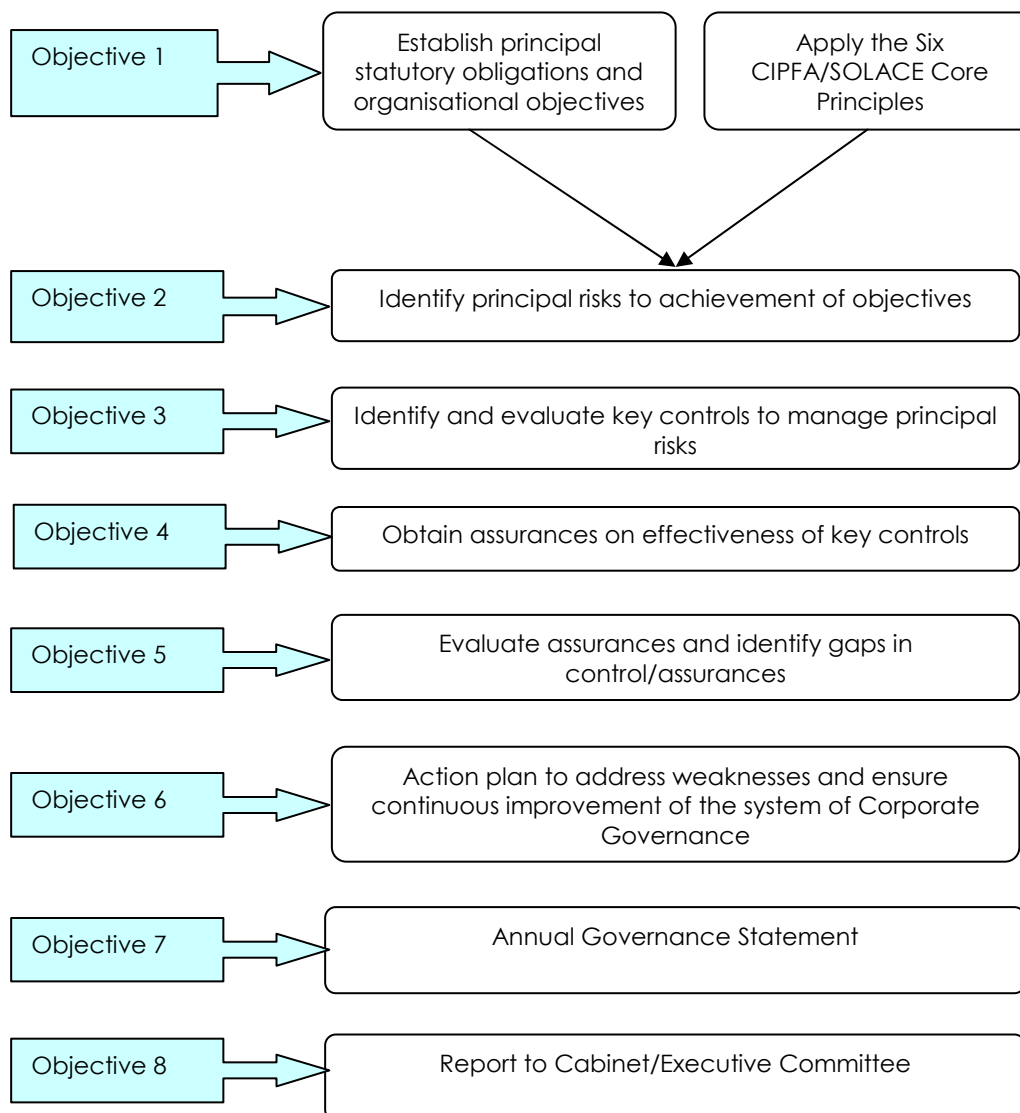
The key elements of each of these core principles are as follows:

Principle 1: Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area

The Council has a clear statement of its purpose and vision as set out in the Corporate Plan which is published on an annual basis. A copy of the Corporate Plan can be found at: http://www.peterborough.gov.uk. The Corporate Plan sets out the overarching strategy for the Council including its priorities and the outcomes that it is seeking to achieve. The Plan provides a clear basis for corporate and service planning which is carried out in accordance with the Corporate Planning Cycle. The Council Plan has clear links to the Sustainable Community Strategy and Local Area Agreement.

> **The City's Vision**:
>
> *"A bigger and better Peterborough that grows the right way, and through truly sustainable development and growth….*
>
> *Improves the quality of life of all its people and communities, and ensure that all communities benefit from growth and the opportunities it brings.*
>
> *Creates a truly sustainable Peterborough, the urban centre of a thriving sub-regional community of villages and market towns, a healthy, safe and exciting place to live, work and visit, famous as the environment capital of the UK.*

The Council previously had four priority areas, broadly focusing on safety and the environment, health and well-being, improving our economy, and ensuring children have access to excellent educational opportunities. These have now been subsumed into those from the Sustainable Community Strategy. Each of these priority areas has a focus on a number of outcomes that will collectively deliver the improvements that Peterborough expects.
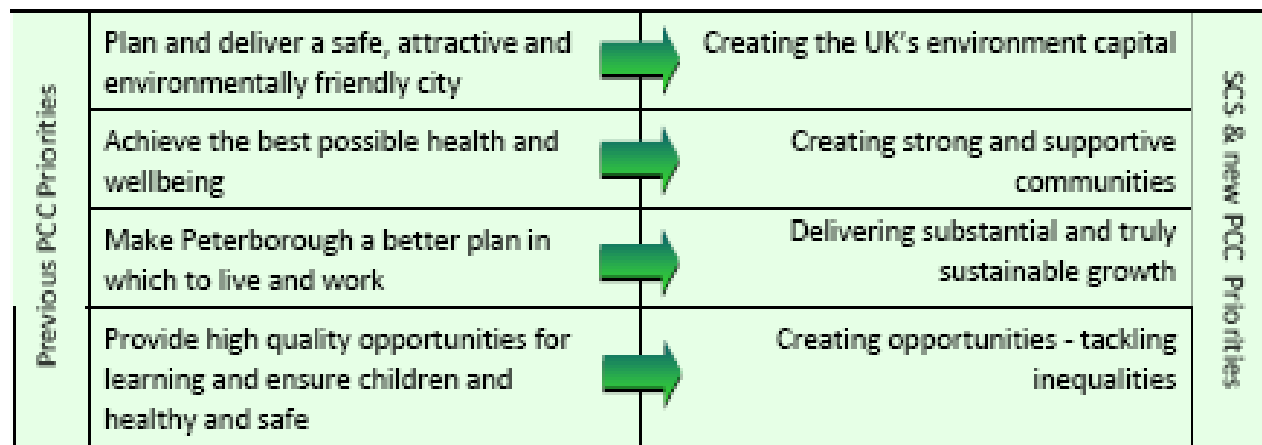
The Vision is reviewed through a variety of means including ongoing analysis of performance information; a review of national and local drivers for change; consultation with stakeholders, including residents, businesses and partner organisations. This is structured around the Corporate Planning Cycle, so that any changes made are cascading through the organisation to inform and amend service and business plans.

The annually updated Corporate Plan contains a statement of objectives within each corporate priority. This describes the areas where we are focussing our activities over a three year period. This document also records information about the Council's services and finances, and lists targets for the next three years together with planned improvements. It includes performance indicators, both national and local, to show how well we performed in previous years, plus our plans against these indicators for future years. All employees have been issued with pocket sized cards detailing the strategic priorities, in addition to priority posters being situated in all key council properties.

The Council ensures that its vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that its vision is clearly articulated and disseminated. The Council conveys vision for the future, strategic direction,

priorities and targets to the community by a number of methods. The Corporate Plan, Policy Framework and Budget, Local Area Agreement and a variety of other plans and strategies are considered in public at Scrutiny Committees, Cabinet and Council Meetings. In addition, various forums are utilised to obtain feedback from stakeholders to help in shaping the future development of our vision for the future including future investment and services provided. As part of this process, any impact on governance arrangements will be identified and responded to.

The Council uses a range of methods to measure the quality of service for users in order to ensure that the Council can review the quality of service that is being provided. This includes carrying out satisfaction surveys and monitoring relevant performance indicators. The Council has a detailed performance management framework in place which is effectively used to monitor and manage performance. Performance is cascaded through service plans, individual employee appraisals and action plans. Performance reports are produced on a quarterly basis and is considered by the Council's Corporate Management Team (CMT), the Cabinet, and Scrutiny Committees. The information on performance is reported annually through the Corporate Plan and the report is also fed into the budget process. This ensures that the Council reviews and monitors the quality of service and reflects the needs of its users in its Corporate Plan and Medium Term Financial Plan in order to ensure improvement. A further development to improve performance has included the establishment of "critical issues" which are reported regularly through the CMT. These reports use a *traffic light system* to make interpreting results easier. This provides a focus on key areas which may require more attention or resource in order for the Council to achieve its objectives. The reporting process is under constant review in order to develop its maximum potential. The Council has put in place effective arrangements to deal with potential failures in service delivery. The Council has a comprehensive comments, compliments and complaints scheme. All employees are subject to performance and development review processes which should address any failures in service delivery by employees.

The council maintains an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The council has established an ambitious business transformation programme to take the council forward. Rated as a three star authority, the city council's performance has improved over recent years. However, the authority is still inefficient in parts. In some areas outdated systems and processes make relatively simple tasks resource-intensive. In other areas a lack of shared systems means duplication and wasted resource.

There are two work streams for the transformation programme. The first focuses on procurement which aims to deliver ongoing annualised savings. The second is about driving efficiency – with the successes of the procurement strand providing funding for the efficiency agenda. The efficiency focus is on the use of ICT to simplify processes; reducing the cost of business support; and rationalising current ICT-related supplies and service contracts. The organisation will become smaller and there will be a number of restructures to equip the council for its future activity. A range of corporately negotiated contracts mean that purchasing across the organisation is consistent and offers best value for money for the council as a whole. Teams across the council are proactive in identifying further efficiencies within their own work areas and across the council and business transformation consultants have trained many managers and team leaders to approach their work with a greater business focus. Customers are happy with the more co-ordinated service they receive from the council and as a result satisfaction ratings are rising. Other councils are beginning to visit Peterborough to learn about some of the best practice generated here

These projects will ensure that the Council can effectively manage the budget process and future cash limit allocation. The Business Transformation Programme will aim to drive efficiencies across the Council from areas including the Corporate Procurement Strategy and procurement initiatives. Major projects in progress at 31 March 2009 include the proposals for an ICT Managed Service, the provision of services to other councils, and the

The council reviewed its contract standing orders and financial regulations in the year and these were approved by Full Council in summer 2007. Revised procurement rules and processes have been adopted and further refinements identified so as to ensure continuing improvement and simplification, whilst maintain appropriate governance checks.

The Council continues to develop and refine systems for identifying and evaluating all significant risks, via CMT. Council approved a Risk Management Strategy in October 2004 and this has been annually

refreshed through Cabinet, and more recently through the Audit Committee. Major changes to the overall risk profile of the council are reported through to members on the Audit Committee.

When the Council works in partnerships, it has a methodology which ensures that there is a common vision underpinning the work of the partnership that is understood and agreed by all partners. The Council works in many different partnerships, ranging from the strategic to the operational. The overarching vision for partnership working is set out in the Sustainable Community Strategy supported by the Local Area Agreement which articulates it. The Local Area Agreement sets out a range of outcomes that Peterborough and its various partnerships aim to achieve supported by clear, measurable targets and indicators. The constitution establishes a Partnership Framework which aims to ensure that all potential partnerships to be entered into by the Council have a common vision and clear objectives.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles

The Council has set out a clear statement of the respective roles and responsibilities of the Executive (known as the Cabinet) and of the Cabinet's members individually and the Authority's approach towards putting this into practise. The Council is governed by a constitution which sets out the main control mechanisms including the appointment of a monitoring officer. The Council operates a Leader and Cabinet model of decision making. Although some decisions are reserved to full Council, there are a number of decisions which are made by Cabinet in accordance with the Local Government Act 2000. The role and form of composition of the Leader of the Council, and individual Cabinet Members is set out in Article 6 of Part II of the Council's Constitution. The Council's Constitution can be found at: http://www.peterborough.gov.uk. The Constitution provides that the Cabinet is responsible for all the functions of the Council that are not the responsibility of any other part of the Council. The manner in which Cabinet business is transacted is governed by written procedures and principles contained in the Executive Decisions within and outside the Policy Framework within the Constitution. Individual Cabinet members receive regular feedback from the senior officers within their portfolios on the progress of objectives. Issues of strategic and corporate importance are referred to Cabinet.

The Council has set out a clear statement of the respective roles and responsibilities of councillors who are not part of the Cabinet, and councillors generally and of senior officers. All members of the Council attend council meetings. Councillors who are not part of the Cabinet are able to sit on the Scrutiny Panels (Health and Adult Social Care; Business Efficiency; Children's and Lifelong Learning; Community Development; and Environment) which can hold the Cabinet to account by reviewing decisions, undertaking reviews of the Council's functions, and consider any relevant matters affecting the city or its residents. These non-executive councillors also serve on regulatory committees (Audit; Planning and Environmental Protection; Standards; Licensing; and Employment). These regulatory committees consider a variety of non-executive functions. The general powers delegated to all Directors and specific powers delegated to individual Directors and Senior Council Officers are clearly set out in the Scheme of Delegation within the Constitution at http://www.peterborough.gov.uk.

The Council has developed protocols to ensure effective communication between councillors and officers in their respective roles. The Council's Constitution contains a significant amount of formal guidance in the form of procedure rules, codes, and protocols to ensure that councillors are aware of their roles, powers and duties in relation to the Full Council Meeting, the Cabinet, Scrutiny and Scrutiny Panels, contracts and a Code of Conduct for Councillors. The Constitution also contains codes and protocols advising on the Code of Conduct of Officers and a specific protocol on Member / Officer Relations.

Information bulletins are circulated to councillors on current local government issues and publications and regular briefings are provided on their role. Notices of all key decisions to be taken are published in the Council's Forward Plan in which the community is advised firstly that the decision is to be taken and secondly to whom representations can be made. In this was the public interest in major decisions to be taken by the Council is stimulated. Agendas, reports and published decisions are available to councillors and the general public via the Council's web pages. Also, the Council operates a Members' Enquiry service for all councillors to refer ward based issues to officers of the Council for investigation and comment.

The Leader and the Chief Executive recognise their role in ensuring good governance emanates throughout the organisation. They are acutely conscious that all the evidence shows that effective, complimentary working between a leader and a chief executive is key to the effectiveness of a local authority. They have therefore developed a clear understanding of their respective roles within the context of the Council's objectives. Their regular meetings help ensure that they communicate frequently and effectively and share intelligence on any issues where role confusion might otherwise be possible.

The Council has in place mechanisms to allow effective, independent and rigorous examination of the proposals and decisions of the Cabinet by Scrutiny Committee. Key decisions are taken at full meetings of the Council or Cabinet and are published in a forward plan. The Scrutiny Committee has no decision making powers but monitors the performance of the Leader and Cabinet and scrutinises services and policies throughout the Council. The Chairman or any Councillor can call in for review by the Scrutiny Committee any decision made by the Cabinet or by individual Portfolio Holders. Scrutiny Committee meetings are open to the public. In order to facilitate greater transparency and challenge within the organisation, in May 2006, Full Council agreed to the establishment of a separate Audit Committee in line with recognised best practice within local government.

The Council has set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective Employment Committee. Remuneration and terms and conditions of the Council's officer base are strategically managed by the Human Resources Division within the Chief Executive's Directorate. Individual Directors are responsible for Human Resources issues within their service areas for staff below Head of Service level. In addition, the Council implemented a job evaluation scheme in March 2008 which has been utilised to establish single status harmonisation. The terms and conditions of members are clearly set out in the Members' Allowances Scheme within the Council's Constitution. The Scheme covers basic and special responsibility allowances, and pensions. The Scheme is approved by the Council following preparation and review by an independent Panel.

The Council has determined a scheme of delegated and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decisions by the Council taking account of relevant legislation and it ensures that it is monitored and updated when required. The Council's Scheme of Delegation is included in the Constitution which is updated as required. This clearly sets out functions reserved to the Full Council Meeting, the Cabinet Councillors, collectively and individually, and other decision-making bodies of the Council including officer delegated powers.

The Constitution contains a list of Policy Framework items which must be approved by the Council Meeting and in respect of which the view of Scrutiny Committees and the Cabinet Meeting collectively are considered.

The Council ensures that effective management arrangements are in place at the top of the organisation. The Council has made the Chief Executive responsible and accountable to the authority for all aspects of operational management. The Chief Executive as Head of Paid Services is responsible for all matters associated with the professional management of the Council. Following consultation during summer 2008, a new senior management structure was introduced in September 2008. The Chief Executive is assisted by a Deputy Chief Executive and Executive Directors, each of which is responsible for a designated strategic area of the Council's service. The overall management structure of the Council, showing in general terms how officers are deployed and managed, is published in Part 7 of the Constitution.

The Council has in place an Executive Director (Resources) to be responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. The functions of the Executive Director (Resources) as the Council's Section 151 officer are set down in statute and are defined in the Constitution. As part of his function, there is a requirement to present fairly the financial position of the Council at the accounting date and its income and spending for the financial year (ended 31 March 2009), including:

- Selecting suitable accounting policies and applies them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Complying with the Code of Practice on Local Authority Accounting in Great Britain, together with International Financial Reporting Standards;
- Keeping proper, up to date accounting records; and
- Taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Executive Director (Resources) is also responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control.

In addition the Council has appointed a Monitoring Officer to be responsible for maintaining the Council's Constitution, the promotion and maintenance of high standards of conduct and has the status to provide advice and support and to co-ordinate training to Members. The Council employs a Council Solicitor to ensure that all applicable statutes, regulations, and other relevant statements of good practice are

complied with. The functions of the Council's Monitoring Officer are clearly set out in Article 11 of the Constitution.

Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Council has designated the Solicitor to the Council as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consultation with the Chief Executive and Executive Director (Resources) she will report to the Full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Furthermore, the Council has put in place arrangements to ensure that its procedures and operations are designed in conformity with the appropriate ethical standard. The Constitution provides that the Monitoring Officer will contribute to the promotion and maintenance of high standards of conduct and ethics through the provision of support to the Standards Committee. The Standards Committee and the Monitoring Officer monitor the procedures and operations to ensure their continued compliance.

The Council has developed and adopted a number of codes and protocols that govern both Member and officer activities - published in Part 5 of the Constitution - defining the standards of behaviour such as:

- Members Code of Conduct
- Officers' Code of Conduct
- Member / Officer Protocol
- Planning Code of Conduct
- Member declarations of interest
- Gifts and hospitality

The Council has developed and maintained an effective Standards Committee, with independent members including the Chair, which acts as a means to raise awareness and take the lead in ensuring high standards of conduct are firmly embedded within the local culture. The terms of reference are clearly set out in the Constitution. The Council has adopted the Code of Conduct which provides that members must declare personal interests in matters and also not take part in the decision making process if they have a prejudicial interest.

The Council has put in place arrangements to ensure that members and employees of the Authority are not influenced by prejudice, bias or conflicts of interests in dealing with different stakeholders and has put in place appropriate processes, such as the Officers Code of Conduct, to ensure that they continue to operate in practice.

Legal Services has achieved Lexcel accreditation, which is the Law Society's practice management standard, only awarded to solicitors who meet the highest management and customer care standards. Lexcel accredited practices undergo rigorous independent assessment every year to ensure they meet required standards of excellence in areas such as client care, case management and risk management.

The Council has maintained Investors in People accreditation throughout the organisation on an individual departmental basis. This quality framework ensures that the Council's employees have the right knowledge, skills and motivation to work effectively.

Building Control Services and Library Services have achieved accreditation under the Charter Mark standard, which is the government's national standard for excellence in customer service.

The financial management of the Council is conducted in accordance with the financial rules set out in the Constitution and with Financial Regulations. The Council has designated the Executive Director (Resources) as the statutory Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The appropriate governance arrangements are put in place to ensure that:

- Accounts and financial records to meet the requirements of statutes, regulations, accounting conventions and codes of practice.
- An independent audit function is maintained to carry out an examination of accounting, financial and other operations of the Council.

- Financial statements are in place across the Council to deliver a framework for financial control, provide accurate, timely and consistent monitoring information, and sound advice on financial decisions to be made by officers and members.

The Council has a Medium Term Financial Strategy, reviewed annually, under which it plans its finances over a three year rolling period. The Council sets annual revenue and capital budgets and these are monitored throughout the year by various mechanisms. Budget monitoring reports are taken to Management Teams and Members on a regular basis.

The Council's Internal Audit service complies with the Accounts and Audit Regulations 2003 (amended 2006) and operates in accordance with the "*CIPFA Code of Practice for Internal Audit in Local Government in UK 2006*". The Head of Internal Audit has unrestricted access to all Council records and property, and the organisational independence to form an objective opinion on the adequacy and effectiveness on the whole system of internal control. The work of Internal Audit is planned using risk assessments, assurance from other inspectorates, and discussions with Directors and Heads of Service; and annual plans are formulated and approved by Audit Committee. The work includes not only reviews of financial control, but also of risk management, control over the achievement of organisational policies and objectives, and compliance with laws and regulations. The outcome of all audit reviews are reported to the appropriate Director, and matters of concern are raised with the Chief Executive, Executive Director (Resources), Leader of the Council and the Chair of Audit Committee.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council has several committees which carry out regulatory or scrutiny functions which encourages constructive challenge and enhances the Authority's performance overall. The Council's established scrutiny function consists of a number of Scrutiny Panels and an overall Scrutiny Committee. The function is reviewed regularly. An annual "Scrutiny report" is produced. The Council also participates in a number of joint scrutiny arrangements, principally with local health bodies.

The Scrutiny Panels review and / or scrutinise decisions made or actions taken in connection with the discharge of any of the councils functions.

FULL COUNCIL
CABINET
Scrutiny Committee

↙   ↘

Scrutiny Panels	Regulatory Committees
Health and Adult Social Care	Audit
Business Efficiency	Planning and Environmental Protection
Children's and Lifelong Learning	Standards
Community Development	Licensing / Licensing Act 2003
Environment and Community Safety	Employment

The regulatory committees each have a specific function.

- Audit. To provide assurance about the adequacy of the internal controls; financial accounting and reporting arrangements; anti-fraud and anti-corruption arrangements; that effective risk management is in place; and issues raised by internal and external audit. The expectation from this committee is that its work is intended to enhance public trust in the corporate and financial governance of the council. This committee was first established in June 2006 and is based on best practice as prescribed by CIPFA. The Council has a confidential reporting policy ('Whistleblowing') which is embedded in the constitution and has been publicised to staff. The policy is also on the Council's web site so that contractors are aware of the policy. Any reports under whistleblowing are also reported in to committee;

- Planning and Environmental Protection. The committee decides planning applications for building development, including new homes, commercial buildings, alterations and change of use, where permission is not granted under delegated authority. There is also an enforcement function, where breaches of planning control are referred to the committee. To ensure that the citizens of Peterborough can engage with the Council a public speaking scheme is in operation.

- Standards. Standards Committee is a group of ten people appointed by the council to promote high standards of conduct by city councillors, parish councillors and co-opted members. Five committee seats are taken by independent people - ordinary members of the public who have responded to our advert in the local press and applied to join the committee. They give their time voluntarily, to serve the community. One of these independent people chairs the committee. The remaining places are made up by five city councillors being representatives from each political party. Two elected parish councillors also sit on the committee. The committee promotes and maintains high standards of conduct by city and parish councillors, encourages all councillors to observe the Code of Conduct, informs councillors about the Code of Conduct and helps them to avoid inadvertent breaches, arranges training on matters relating to the Code of Conduct and deals with any complaints about breaches of the Code of Conduct by a councillor which have been referred back to the city council by the national Standards Board for England. Since 2008, complaints have been investigated within the Council by the Corporate Fraud team.

- Licensing / Licensing Act 2003. The Licensing Committee considers whether to issue, suspend, revoke, refuse to renew, or amend conditions to licences such as hackney carriage and private hire vehicles where not delegated to officers, or the relevant officer has referred the application to the Licensing Committee. Separately, the Licensing Act 2003 Committee considers whether to grant, refuse or amend conditions to licences for premises that serve alcohol, late night refreshment and / or provide entertainment where the council has received representations from relevant authorities or interested parties

- Employment. The Employment Committee appoints senior officers and decides terms of employment, determines employee procedures and implements the council's equal opportunities policy. A separate sub-committee hears employee appeals.

In addition to the regulatory committees above, there are two other committees in operation which are not public meetings, these being the Members' Allowances Committee and the Appeals Committee (Service Issues). The Members' Allowances Committee is an independent panel consisting of members of the public and is held annually. The committee recommends to council a scheme of payments to councillors in recognition of their public service and advises on appropriate levels of allowances to cover expenses. The Appeals Committee (Service Issues) can call upon the Appeals Panel for additional members to hear particular appeal cases. This will ensure that sufficient members are available to hear appeals, the members hearing an appeal must have received relevant training in the issue in question, and that members hearing an appeal were not involved in the original decision which is in question.

To ensure that professional advice on legal and financial matters is available and recorded well in advance of any decision and is used appropriately when decisions have significant legal or financial implications the Council's decision making procedures specifically require the inclusion of legal and financial advice in reports on matters requiring an Executive decision.

As well as decisions made by Members, ongoing managerial decisions must be made to ensure the business is provided. Various principles, protocols, policies and procedures are in place to ensure there is a consistent treatment across the council.

Principle 5: Developing the capacity and capability of members and officers to be effective

In developing Members' skills, the Council has an overall development strategy for Members. This strategy states that the Council is committed to providing learning and development opportunities to assist members in developing and maintaining the skills and knowledge required in fulfilling their roles as members. The Council's stated commitment is to develop a supportive learning environment for member development to encourage members to make full use of learning and development support.

The council does provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis. The Council has a comprehensive induction scheme for Members which covers all aspects of the council together with specific targeted training for key committee work. As and when new members are appointed, this is delivered. In February 2008, the Council issued an Audit Committee Handbook to assist in the development of audit committee members. All new and transferring employees will receive an effective induction tailored to their needs, although there are key messages given to all: such as freedom of information and data security, procurement and financial regulations. The line manager is responsible for ensuring that the induction process is tailored to the needs of the individual and for ensuring that the process is carried out

thoroughly and effectively. Each induction must conform to the minimum standards set out in the Council's checklist.

The Head of Paid Service, Chief Financial Officer and Monitoring Officer are all given clear and specified roles within the Constitution. The Constitution provides that these officers will have the appropriate resources given to them in order to perform their statutory roles.

For officers the Council has comprehensive job descriptions and person specifications to ensure that staff have the skills to carry out those roles and thereafter the Council is committed in ensuring appropriate training for staff. Developing skills on a continuing basis to improve performance including the ability to scrutinise and challenge, and to recognise when outside expert advice is needed. The Council has a comprehensive review, Annual Performance and Development scheme, which ensures that performance is constantly being improved and monitored. Where capability issues are identified, appropriate processes are in place to try to resolve these.

A comprehensive business transformation programme is in place to improve / simplify the processes and procedures in place to make the council more efficient and accessible. This ongoing programme of events, once these are embedded, the council will be more effective.

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

The Council has made clear to itself, all staff and the community to whom each part of the Council is accountable and for what. This is set out in the Council's Constitution.

It has a well developed communication strategy that sets out the channels of communication that are to be used to reach all sections of the community and other stakeholders. Communication channels include: newspapers, MORI Surveys, press releases, internet, public question time at committee meetings, public speaking on planning applications, open forums, member surgeries etc.

It uses a range of measurements, all dependent on the aims and objectives of the individual campaigns to measure their effectiveness. The Council also uses Best Value Performance Indicator information on satisfaction with communication with and from the Council as a measure of the effectiveness of its communications.

The Council has in place arrangements to enable it engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands. This is demonstrated by the fact that the Council has well established methods of engaging with the community including:

- Citizens Panel;
- Focus groups (face to face and on-line) - with, for example, refugees and asylum seekers, disabled people, young people, older people;
- Employee forums / Joint consultative forum;
- Voluntary and community sector network;
- One-off consultation events;
- Public meetings.

All consultation is carried out for purpose and is not generic so that it deals with specific issues. The Council recognises that different sections of the community have different priorities and is able to analyse consultation results on this basis.

On an annual basis publishes the Corporate Plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period. The forward looking section of the plan which sets out the authority's vision, strategy and plans, and medium term financial plans for the coming period is published in March / April each year. The backward looking section of the plan outlining information on outcomes, achievements, financial outturn and Performance Indicators, including satisfaction of service users, is published by 30 June annually. A summary of this information is published as an annual report for public consumption.

Council employees also need to see accountability and the protection of their rights. The Council's confidential reporting policy (Whistleblowing) is set out in the Council's Constitution. The policy states that

the Council is committed to the highest possible standards of openness, probity and accountability. The policy aims to:

- encourage employees to feel confident in raising serious concerns and to question and act upon concerns about practice
- provide avenues for employees to raise those concerns and receive feedback on any action taken
- ensure that employees receive a response to their concerns and that they are aware of how to pursue them if they are not satisfied
- reassure employees that they will be protected from possible reprisals or victimisation if they have a reasonable belief that they have made any disclosure in good faith.

The policy sets out in detail the safeguards that apply. In addition, the Council has a range of effective policies and procedures including:

- Code of Conduct for Employees
- Grievance procedures
- Dignity at Work Policy
- Health and Safety Policy
- Diversity and Equalities policies

When working in partnership the Council ensures that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes. Existing mechanisms and groups are used where appropriate. In the work cycle of the partnership it is clear and demonstrable to the public what happens to any feedback and the positive changes that are made as a result. All consultation activity carried out by the Council is registered on the Corporate Register of Consultation. The Council issues Consultation Guidance to all members which sets out clear processes to be followed as well as helping to identify the most appropriate methods of consultation and feedback, depending on the audience.

REVIEW OF EFFECTIVENESS

Peterborough has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Following new guidelines issued on governance by CIPFA / SOLACE, the Head of Internal Audit produced a revised Local Code of Governance. This was endorsed in March 2008.

Peterborough City Council has adopted the Leader and Cabinet model of political management under the Local Government Act 2000. Ultimate authority rests with the Council meeting as a corporate body ("Full Council") but policy in specific areas is delegated to Cabinet portfolio holders. Minutes of all meetings are freely available. The Council has a Conservative administration. This has operated effectively throughout the year, with difficult decisions being taken through formal routes, maintaining transparency in the process. Scrutiny Committee provides assurance across a wide range of corporate governance issues. it can "call in" a decision which has been made by the Cabinet but not yet implemented, to enable it to consider whether the decision is appropriate. As detailed above within the Governance Framework, various committees and Scrutiny Panels have been established to allow Members to establish "task and finish" groups, which can look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Cabinet.

Member elections are conducted on a rolling basis over a four year cycle. This allows the electorate to approve the Council's policies and practices by re-electing Members who have displayed good governance credentials, and facilitates democratic accountability. It also presents an opportunity for a more diverse population representation on the Council. In recent years Peterborough has been subject to a number of cases of electoral fraud. Following a review of the internal processes, changes were successfully implemented during the May 2008 elections.

The Standards Committee enables member scrutiny to be undertaken in a formal setting. This committee reinforces the corporate governance credentials of the Council and ensures that infractions of the established governance procedures are examined. Each meeting receives reports from the Monitoring Officer and details of any referrals from the Standards Board for England. Other issues discussed during the year have included a new Code of Conduct for Members, a revised Local Code of Conduct in relation

to Planning and Licensing, and the CRB checks for Members. Recent changes in legislation now allow the Standards Committee to assess complaints made against Members locally, and to enable this to happen, Peterborough has developed its own protocol in this area.

The Audit Committee is an established component of the corporate governance regime. It undertakes the core functions of an audit committee following CIPFA guidance outlined in the *Audit Committee - Practical Guidance for Local Authorities*. The committee meet regularly and reviews financial information including the annual statement of accounts and governance statement, quarterly internal audit performance reports, external audit reviews, risk management updates including reviews of the overarching strategy, and fraud related matters. Annually, the Internal and External Audit Plans are approved through the committee.

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an annual plan, and from which the annual workload is identified. There are a number of key factors for assessing the degree of risk within each auditable area. These have been used in Internal Audit's calculation and are based upon on the following factors: control environment, management arrangements, materiality, system complexity and corporate significance. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and / or chief officer. On a monthly basis, completed reports are also circulated to the Chief Executive, Executive Director (Resources), Leader of the Council and the Chair of Audit Committee. Each report includes recommendations for improvements that are included within an action plan (and graded as Critical, High, Medium or Low) and requires agreement or rejection by service manager and / or chief officers. The process includes follow up reviews of recommendations to ensure that they are acted upon, usually within six months. All audit reports are graded in terms of an assessment on the overall control environment in place within that system. Current opinion classifications are:

Full assurance	The system is designed to meet objectives and controls are consistently applied that protect the Authority from foreseeable risks
Significant assurance	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks
Limited assurance (*)	There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority
No assurance (*)	Controls are weak and/or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives

(*) Reports with these ratings are reported to the Audit Committee for member scrutiny

A rating of No Assurance requires immediate management attention and arrangements will be made for a further review to be carried out at a later (agreed) date.

The Internal Audit service is subject to regular inspection by PricewaterhouseCoopers, our external auditors, who place reliance on the work carried out by the section. During 2007 the Internal Audit service was subject to external review by PwC and this was followed up in January 2009. A number of recommendations were made and have been implemented.

The Head of Internal Audit provided an annual opinion on the status of the Council in terms of the governance and overall controls. For this year he has provided an unqualified opinion.

Risk management is handled through a range of mechanisms outlined in the previous section. Risk owners are in place for all corporate risks. The risks cascade down to the services, who manage the risks via the service planning process and regular review. Corporate risks are revisited through CMT. Risks are accounted for in all project planning, the creation of the Medium Term Financial Strategy and other Council operations as an inherent part of normal procedure.

There are various sources of assurance the Council has gained in order to underpin its framework. These include:

- Assurance from Directors. A separate annual evaluation questionnaire is circulated to Executive Directors. Covering their strategic role, the questionnaire evaluates:

  - Policy and decision making;
  - Service delivery;
  - Strategic and Operational Risk Management;
  - Performance management;
  - Partnerships with other public bodies, voluntary and community organisations;
  - Financial and asset management;
  - Staff;
  - Information governance; and
  - The control environment.

- Assurance from Heads of Service. All Heads of Service are requested to complete an annual assurance statement which covers all aspects of their managerial role. This is used to confirm that corporate governance processes, risk and internal control systems have been operating within their areas of responsibility. It covers such areas as:

  - The control environment for establishment of principal statutory obligations and organisational objectives;
  - Identification of Principal Risks to Achievement of Objectives;
  - Identifying and Evaluating Key Controls to Manage Principal Risks; and
  - Obtaining Assurance on Effectiveness of Key Controls

- Assurance from the Audit Commission, other Inspection Agencies and External Audit. During 2008, the Audit Commission undertook a comprehensive review of the workings of the Council. This included reviewing the Council's Direction of Travel; revisiting the Corporate Assessment Use of Resources position; and various value for money and compliance reviews. On completion of their work, a Joint Audit and Inspection Letter is issued to the Council. The last Joint Audit Letter was issued March 2009 for the financial year 2007 / 2008, and was discussed and endorsed at meetings of the Cabinet and Audit Committee on 30 March 2009. The main conclusions from the Letter are:

  - Deadlines for the production and publishing of final accounts by 30 September 2008 were met, and an overall unqualified audit opinion provided;
  - An overall underspend on the budget was achieved in 2007 / 2008;
  - Continued progress in management arrangements relating to data quality, although a number of elements could be improved further, for example partnership working data quality;
  - Continued improvements in a number of Use of Resources Comprehensive Performance Assessment areas. In particular significant improvements in Internal Control since 2007;
  - The council maintained its score of "performing well" overall;
  - Significant challenges for future years include the move towards the Comprehensive Area Assessment; the economic downturn and its impact on the growth and regeneration programme; the transformation of practices within Children's Services; and the completion of major capital schemes.

The actions arising from the significant control issues detailed in last years Annual Governance Statement have been monitored throughout the year and reported through to Audit Committee

SIGNIFICANT GOVERNANCE ISSUES

The review of the effectiveness of the governance framework has identified some issues which are shown below along with the action plans that are in place to address them and ensure continuous improvement of the system. The issues were identified as a result of the review of arrangements and by the work of external and internal audit. Whilst there are no "significant" control deficiencies to report, the following are included as issues that may attract public interest.

The 2007 / 2008 Annual Governance Statement identified 5 key areas as issues to be addressed which have required attention to ensure continuous improvements are delivered. Regular reports have been taken to Audit Committee providing progress against the agreed actions.

GOVERNANCE ISSUES 2007 / 2008 - PROGRESS MADE			
ACTIVITY		**AREA FOR IMPROVEMENT**	**LEAD / OFFICER / PROGRESS**
2008-01	Management of the Private Finance Initiative (PFI)	The Council signed up to a PFI for the transformation of secondary school education. Regular monitoring is required to ensure that the project delivers to its objectives and those risks are appropriately identified and mitigated.	Director of Children Services Ongoing monitoring is undertaken of the PFI contract. Specific accounting treatment is maintained within the council's accounts to ensure correct recording of charges over the life of the contract. Ongoing.
2008-02	Development of Local Area Agreements	The authority is increasingly engaged in partnership working with both the public and private sector. There is an increased expectation in terms of establishing assurance on governance arrangements for the growing number of partnership and joint working activities.	Original remit of Assistant Chief Executive. Lead Officer has reverted to the Deputy Chief Executive following a review of the senior management structure. Agreements have been established with each provider - whether public, private or voluntary sector. Continue to roll out the partnership protocols developed and the associated toolkit. Ongoing.
2008-03	Business Continuity	Business continuity is a risk for every business. The Council needs to ensure those services which are required to produce and test business continuity as well as (emergency) resilience plans, do so.	Original remit Director of Environment and Community Services. Lead Officer has reverted to the Executive Director (Operations) following a review of the senior management structure. During 2007, an actual incident took place - the flooding of a key council building - resulting in a business continuity plan being put into action. Following this, a working group was set up to establish the lessons to be learnt, and any further changes required to ensure smoother delivery / mitigate any future disasters. Various developments and changes have been proposed and these have been communicated and endorsed by CMT. Ongoing business continuity and disaster recovery exercises are undertaken, the last being in December 2008, primarily in relation to the cessation of ICT systems / buildings. Further exercises based on different scenarios are planned on an ongoing basis. Ongoing.

GOVERNANCE ISSUES 2007 / 2008 - PROGRESS MADE			
ACTIVITY		**AREA FOR IMPROVEMENT**	**LEAD / OFFICER / PROGRESS**
2008-04	Safeguarding electronic data	Fundamental reviews of the ICT infrastructure during the year have established a clear blue print to ensure the protection of the interests of the council, its employees and the citizens of Peterborough.	Executive Director (Resources) Whilst the council itself has not experienced any data losses, it is mindful of incidents in other public sector bodies. An incident team was created in October 2008 with the Primary Care Trust (and coordinated by them) following a potential issue within a family centre. Exemplary practice was followed. Flowing from this, various encryption arrangements have been put in place in relation to laptops within the Council and the use of USB data sticks has been restricted. Increased awareness has been made across the Council with the establishment of separate pages on Insite detailing practical advice on data security. Within the Council, a working group has been commissioned to look further in to the safe storage and transfer of data to authorised sources. The Council has to be compliant with a number of government initiatives, for example, Government Connect project by 31 March 2009, although the deadline for all councils has been extended to 30 September 2009. An action plan is in place to deliver, which includes changes to the IT architecture and councils policies. This is a time critical project to provide a secure environment for data exchanges. If the Council fails to meet the deadline, central government departments will cease to support information exchanges (in particular DWP). Ongoing.
2008-05	Data quality	Data quality arrangements were assessed as weak by the External Auditors.	Executive Director (Resources) Data quality arrangements have improved, with the externally assessed score moving to a 3 (from 2). A Data Quality policy and strategy has been implemented and regularly reviews are undertaken of data quality and the establishment of expected standards by Performance Improvement. Regular monitoring reports are taken to CMT.

The following have been identified as being key governance issues for action during 2009 / 2010.

GOVERNANCE ISSUES 2008 / 2009			
NEW ACTIVITY		**AREA FOR IMPROVEMENT**	**LEAD OFFICER**
2009-01	Credit crunch - lower income	Direct impact from the credit crunch places pressure on the Council's ability to meet its Medium Term Financial Strategy and corporate priorities within allocated budgets. Budgets have been scrutinised to identify savings without cutting services. Ongoing monitoring of costs and income levels are required to ensure that budgetary pressures are identified on a timely basis throughout the year.	Executive Director (Resources) Monthly budgetary control reports to Corporate Management Team Quarterly reports to Cabinet
2009-02	Credit crunch - increase in service requirements	There has been an economic downturn across the whole community, whether in the form of unemployment, reduced wages, shorter working hours etc. Because of the impacts on social well-being, there is a real possibility that there will be an increase in the need for council services. Careful monitoring is required of any increased need for advice, counselling, mental health-type preventative services.	Director of Adult Social Services and Performance Ongoing
2009-03	Credit crunch - impact on capital disposal	The Council has a number of high profile projects in progress. There is extensive public interest and resources in the capital programme are limited. The Council must ensure that resources and risks are managed and prioritised effectively and that the budget is not overspent.	Executive Director (Resources) The budget assumed a risk element for capital values and also the targets are closely monitored
2009-04	Collapse of Icelandic Banks and loss (temporary?) of investment	The Council undertook an immediate review of its investment arrangements following the failure of the Icelandic banks in October 2008, in which it has £3million invested. Separate reports have been taken to Cabinet and Scrutiny Committee covering the strategy. Ongoing updates to be provided.	Executive Director (Resources) Ongoing review of lending list
2009-05	Effective governance	Further enhance effective corporate governance arrangements. This will be achieved by reviewing internal structures and democratic decision making processes. This will ensure that there is more effective coordination of governance arrangements and strong governance is more clearly and easily integrated within corporate decision-making. Effective action is taken where non-compliance is found in either business process or legislation Enhance arrangements to identify, receive and evaluate reports from non-audit internal and external assurance providers identifying areas of weakness in controls and to ensure risks and recommendations are addressed.	Solicitor to the Council Ongoing

GOVERNANCE ISSUES 2008 / 2009			
NEW ACTIVITY		**AREA FOR IMPROVEMENT**	**LEAD OFFICER**
2009-06	Single status agreement	The Council has implemented the Single Status agreement which was made nationally between the National Joint Council for Local Government and Signatory Trade Unions in March 2008. A year on, the council is assured through an independent audit that its pay structure is now free of gender-based inequalities and therefore that the SSA has done its job. Nonetheless, there remain a number of specific appeals to consider, and litigation connected to "backward-looking" cases is progressing through the employment tribunals. The litigation itself and the awards that might be made should some cases succeed represent financial risk for the Council which is actively managed by a project board chaired by the Deputy Chief Executive with Human Resources, Financial and Legal attendance. The initial team of interims officers running the Job Evaluation process and SSA project has been replaced by a small in-house team funded from within the significantly reduced Human Resources budget that has been achieved.	Deputy Chief Executive Quarterly review
2009-07	External Audit recommendations	Ensure that the actions raised by External Audit in various reports are addressed	Executive Director (Resources) Ongoing reports to Audit Committee
2009-08	Sickness absence	With reductions in the workforce, there is the potential for additional pressures on remaining staff to deliver services. If not carefully managed, there could be an increase in sickness levels. The Council has developed revised procedures to tackle sickness throughout the organisation. To monitor enhancements in procedures covering sickness absence to assess the effectiveness of such changes.	Deputy Chief Executive Monthly reports to Corporate and Departmental Management Teams
2009-09	Effective recruitment checks	To further enhance procedures covering the area of recruitment to ensure that all appropriate pre-employment checks are completed prior to employees commencing work	Deputy Chief Executive Quarterly reports
2009-10	Internal Audit Recommendations	Ensure that the actions raised by Internal Audit in various reports are addressed (specific emphasis on LIMITED or NO ASSURANCE)	Executive Director (Resources) Quarterly reports to Audit Committee
2009-11	Shared services	The council is embarking on a programme of shared services and other delivery options which are expected to generate financial savings and other benefits. A controlled programme has been developed which will monitor the implementation and delivery of services through these arrangements.	Executive Director (Resources) Regular reports to Business Efficiency Panel

GOVERNANCE ISSUES 2008 / 2009			
NEW ACTIVITY		**AREA FOR IMPROVEMENT**	**LEAD OFFICER**
2009-12	Audit Letter - service performance	Need to ensure there is an Improvement in performance in revenues and benefits (as identified in Audit Letter)	Executive Director (Resources) The overall quality of the Benefits Service is maintained as EXCELLENT. Collection rates are closely monitored and ultimate collection rates are being achieved. Production of monthly performance reports
2009-13	Risk management	Operational risk management now resides within the Operations Directorate. There is an ongoing need to ensure that risk management is fully embedded at an operational level in service management, aligned to performance management and define risk appetite.	Executive Director (Operations) Quarterly refresh of risk registers

Otherwise, there are no corporately significant governance issues reported for the year ended 31 March 2009. Issues that would have a material effect on the accuracy of financial statements of the Council for the year ended 31 March 2009 have not been found during Internal Audit work.

The constant change environment in which the Council operates also requires on going review of our governance arrangements. The changes in financing arrangements, together with new methods of service delivery embraced by the Council bring with them new risks and control issues. The Council will continue to monitor change and take appropriate action to manage risk arising from future developments in service delivery.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: …………………………..

Gillian Beasley,
Chief Executive

Date: 30 June 2009

Signed: …………………………..

Councillor Marco Cereste,
Leader of the Council

Date: 30 June 2009

AUDIT COMMITTEE	AGENDA ITEM No. 7
1 JUNE 2009	PUBLIC REPORT

Committee Member(s) responsible:	Councillor Dalton, Chair of Audit Committee	
Contact Officer(s):	John Blair, Head of Strategic Finance	☎ 384 564
	Steve Crabtree, Chief Internal Auditor	☎ 384 557

FEEDBACK AND UPDATE 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. FEEDBACK RESPONSES

Appendix A sets out the outstanding feedback items. Following approval by Committee the identified actions will be transferred to the record of Actions completed for the municipal year.

AUDIT COMMITTEE: RECORD OF ACTION TAKEN (FEEDBACK REPORT)

MUNICIPAL YEAR: MAY 2008 - APRIL 2009

DATE ISSUE RAISED	SUBJECT / ITEM	AUDIT COMMITTEE COMMENTS	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
2 June 2008	Audit Committee Handbook	Include Audit Committee Handbook in committee papers, and provide supporting report	Steve Crabtree	On agenda 30 June 2008	30 June 2008
	Annual Governance Statement 2007 / 2008	Clarification required on the "test case" disrupts policy comment in relation to smoking.	Steve Crabtree	As part of the supporting documentation to produce the Annual Governance Statement, committee received the Assurance Framework (Appendix B on that report) which mapped out the key risks within the organisation and how these were being addressed / mitigated. One priority within the council, as part of the *"achieve the best possible health and well being",* is to increase the access to smoking cessation services and a risk identified to deliver this was "*legal test case disrupts policy"*. This related to a legal challenge to the government's smoking ban in England which was launched in the High Court in June 2007. Freedom to Choose lodged a petition for a judicial review of the legislation at the Royal Courts of Justice citing Article One of the First Protocol of the European Convention on Human Rights which assures the right to peaceful enjoyment of possessions. It also points to Article Eight which covers the right to respect privacy. If the challenge was successful, it could have a material impact on our policy statement.	30 June 2008
	Update and Feedback report	Send Cllr Miners a copy of the feedback report	Steve Crabtree	Report was emailed to Cllr Miners on 3 June, and acknowledgement received back same day.	30 June 2008
	Annual Committee Work Programme	John Blair to organise training session for new Councillors.	John Blair	Will be prior to next meeting on 30 June 2008 (18.30 start) for all Members. A separate session has been organised with new Members for 25 June 2008.	30 June 2008

AUDIT COMMITTEE: RECORD OF ACTION TAKEN (FEEDBACK REPORT: continued)

MUNICIPAL YEAR: MAY 2008 - APRIL 2009

DATE ISSUE RAISED	SUBJECT / ITEM	AUDIT COMMITTEE COMMENTS	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
30 June 2008	-	No items referred for consideration / explanation	-	-	Not applicable
1 Sept 2008	-	No items referred for consideration / explanation	-	-	Not applicable
23 Sept 2008	External Audit Report To Those Charged With Governance 2007/2008 ISA260	To provide some more information regarding the number of over depreciated assets.	Mandy Bretherton John Blair	External Audit have made reference to depreciated assets within their Management Letter report which is submitted to Audit Committee on 9 February 2009.	9 Feb 2009
	Statement Of Accounts And Summary Accounts 2007/2008	To provide examples of trade debt over a year old	John Blair	Debt management and processes are incorporated into the training schedule on 9 February 2009.	9 Feb 2009
3 Nov 2008	Risk Management Update	Strategic Risk Register to be added as a future agenda item	Mandy Bretherton	Has been factored into the agenda for 9 February 2009. While an update report was provided on 9 February 2009, the detailed profile was not included. This has subsequently been reassigned to 1 June 2009. **Further update:** While there is no specific report included on the agenda for 1 June 2009, the strategic risks are identified in the Annual Governance Statement report on the agenda, with details in the appendices.	
	Audit Committee Work Programme 2008/09 Including Any Training Needs	Organise a training session for the Committee involving Debt Management and Write Offs	John Blair	Debt management and processes are incorporated into the training schedule on 9 February 2009.	9 Feb 2009

AUDIT COMMITTEE: RECORD OF ACTION TAKEN (FEEDBACK REPORT: continued)

MUNICIPAL YEAR: MAY 2008 - APRIL 2009

DATE ISSUE RAISED	SUBJECT / ITEM	AUDIT COMMITTEE COMMENTS	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
9 Feb 2009	Agenda Item 4: External Audit Reports	To provide further explanation in relation to the leasing arrangements identified in the *Report to Management* Report on Industrial Units.	Steve Crabtree	The item has been referred to Andrew Edwards, Head of Strategic Property. Initial response received. Whilst it is not clear from the report which site this refers to, clarification has been sought from External Audit to the exact site. Furthermore, the lease arrangements will be obtained from Legal Services. The issues are in relation to the rental agreement. From information currently available: 1. PCC sold the asset(s) to a third party; 2. The Council rents the asset back from the third party. This is done by paying a percentage of the rent due, rather than the rent paid; and 3. The Council rents out the units to others. Once the lease documents have been obtained, there is a clear need to review. By paying a percentage of rent due rather than that collected, the Council could be hit by unit vacancies. With the arrangements having been established almost 30 years ago, there are few, if any, officers around who may have been involved in the lease.	30 March 2009

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AUDIT COMMITTEE: RECORD OF ACTION TAKEN (FEEDBACK REPORT: continued)

MUNICIPAL YEAR: MAY 2008 - APRIL 2009

DATE ISSUE RAISED	SUBJECT / ITEM	AUDIT COMMITTEE COMMENTS	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
9 Feb 2009	Agenda Item: 5 International Financial Reporting Standards	Members requested regular update reports throughout the year together with key timelines on its implementation.	John Blair	This has been factored into the Work Programme for 1 June 2009. **Further update:** This is rescheduled for training which will be provided to Audit Committee members prior to the presentation of the draft accounts on 29 June 2009.	
	Agenda Item: 6 Risk Management Update	Request for a training session on the impact of the credit crunch and the asset disposal programme	John Blair	This has been factored into the Work Programme for 1 June 2009. **Further update:** Training will be discussed in full with the new Chair of the Committee to establish the priorities for training needs and development.	
	Agenda Item: 6 Risk Management Update	Request for the detailed risk profile to be brought to a future meeting of the Committee	John Blair	This has been factored into the Work Programme for 1 June 2009. **Further update:** While there is no specific report included on the agenda for 1 June 2009, the strategic risks are identified in the Annual Governance Statement report on the agenda, with details in the appendices.	
30 March 2009	Agenda Item: 5 Assurance Framework	Request for the Chief Internal Auditor to establish how other authorities ascertain their assurance levels and determine benchmarking	Steve Crabtree	Internal Audit are in the process of completing their Annual Benchmarking in conjunction with CIPFA. These are due to be submitted in early June. Draft feedback is expected in July and final information in September. Best practice ideas are shared, and Peterborough will be including its approach on assurance. We will seek other authority views and works in this area.	

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AUDIT COMMITTEE	AGENDA ITEM No. 8
1 JUNE 2009	PUBLIC REPORT

Committee Member(s) responsible:	Councillor Dalton, Chair of Audit Committee	
Contact Officer(s):	John Blair, Head of Strategic Finance	☎ 384 564
	Steve Crabtree, Chief Internal Auditor	☎ 384 557

WORK PROGRAMME 2009 / 2010

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 summarises the proposed Work Programme for the Municipal Year 2009 / 2010 together any training needs identified. Any specific training is normally provided prior to each committee meeting - either starting at 18.00 or 18.30, dependent on the nature and depth of the subject area.

   The Work Programme is refreshed at every Audit Committee meeting.

Last Updated: 20 May 2009

Activity Area	Responsible Officer	1 June 2009	29 June 2009	7 Sept 2009	28 Sept 2009	2 Nov 2009	8 Feb 2010	29 March 2010
REGULAR AGENDA ITEMS								
Member Training		X	X	X	X	X	X	X
Update and Feedback Report		X	X	X	X	X	X	X
Audit Committee Work Programme		X	X	X	X	X	X	X

Training already identified (per Minutes 9 February 2009):

    IFRS Update
    Credit Crunch and Asset Disposal Programme

To be included as part of Draft Final Accounts training planned for later in June 2009. Date to be confirmed.

Activity Area	Responsible Officer	1 June 2009	29 June 2009	7 Sept 2009	28 Sept 2009	2 Nov 2009	8 Feb 2010	29 March 2010
INTERNAL AUDIT / EXTERNAL AUDIT ACTIVITY								
Internal Audit - Annual Report 2008 / 2009	Steve Crabtree	X						
Internal Audit - Progress Report: Quarterly	Steve Crabtree			X		X	X	X
Internal Audit - Strategy and Plan 2010 / 2011	Steve Crabtree							X
External Audit - Reports (subject to availability)	Steve Crabtree PwC	X		X		X	X	X
External Audit - Joint Audit and Inspection Plan	Steve Crabtree PwC							X
Annual Audit Committee Report	Steve Crabtree	X						

Activity Area	Responsible Officer	1 June 2009	29 June 2009	7 Sept 2009	28 Sept 2009	2 Nov 2009	8 Feb 2010	29 March 2010
REGULATORY FRAMEWORK								
Draft / Final Annual Governance Statement	Steve Crabtree	X	X					
Fraud and Irregularity Annual Report 2008 / 2009	Diane Baker	X						
Risk Management	John Blair			X			X	
Use of Resources	John Blair					X		X
Comprehensive Area Assessment	John Blair					X		X
Assurance Framework	Steve Crabtree					X		X

Updates identified from previous Committee minutes:

1 June   Risk Management (Register Update) - per Minutes 9 February 2009. Has been incorporated into the Annual Governance Statement

Activity Area	Responsible Officer	1 June 2009	29 June 2009	7 Sept 2009	28 Sept 2009	2 Nov 2009	8 Feb 2010	29 March 2010
ACCOUNTS								
Statement of Accounts / Summary Accounts 2008 / 2009	John Blair		X					
Audit of Statement of Accounts	John Blair				X			
International Financial Reporting Standards	John Blair	X				X		

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