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PETERBOROUGH
CITY COUNCIL

AUDIT COMMITTEE

MONDAY 7 SEPTEMBER 2009
7.00 PM

Bourges/Viersen Room - Town Hall

THERE WILL BE A TRAINING SESSION FOR ALL AUDIT COMMITTEE MEMBERS PRIOR TO THE FORMAL MEETING. THIS WILL COMMENCE AT 18.30 AND WILL COVER RISK MANAGEMENT AND BUSINESS CONTINUITY.
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

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.

Emergency Evacuation Procedure – Outside Normal Office Hours

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

Committee Members:

Councillors: 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

PETERBOROUGH
CITY COUNCIL

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
MONDAY 29 JUNE 2009 AT THE BOURGES/VIERSEN ROOM - TOWN HALL

Present: Councillors M Dalton (Chairman), N North (Vice-Chairman), D Harrington, P Kreling and B Rush.

Officers in attendance: Steve Crabtree, Chief Internal Auditor
John Harrison, Executive Director-Strategic Resources
John Blair, Head of Strategic Finance and Performance Improvement
Diane Baker, Fraud and Investigation Manager
Kirsty Nutton, Financial Services Manager - Corporate Accounting
Chris Hughes, PricewaterhouseCoopers
Claire Boyd, Lawyer - Contracts and Procurement
Martin Whelan, Senior Governance Officer

1.   Apologies for Absence

The Committee noted apologies from Councillor Gilbert and Councillor Hussain.

2.   Declarations of Interest and Whipping Declarations

There were no declarations of interest or whipping declarations.

3.   Minutes of the Meeting Held on 1 June 2009

The minutes of the meeting held on 1st June 2009 were agreed as a true and accurate record of the meeting.

4.   Statement of Accounts for the Year Ended 31 March 2009

The committee received a report from the Executive Director – Strategic Resources relating to the statement of accounts for the year ended 31 March 2009.

The committee made the following observations

- Is there any action required on the pension liabilities? *The members were advised that the pension liabilities were regularly evaluated, and that at this stage no remedial action was required.*

- Is the reduced inspection fee an indication of good work? *The representative of PWC advised that it recognised the increased effectiveness of financial controls.*

- Clarification was sought on the current position in relation to the receipt of Icelandic funds? *The Executive Director – Strategic Resources outlined the payment terms for the banks, and agreed to supply members with the latest information outside of the meeting.*

- How are the surplus "earmarked" reserves calculated? *The Executive Director – Strategic Resources confirmed that the figures were calculated on the basis of a policy decision in 2005 by Cabinet.*

- What is the current valuation process? *Officers confirmed that there is a rolling programme of valuations, with the period between valuations determined on a risk*

basis. The committee was advised that the cost of undertaking annual valuations was prohibitively high.

- Are the death rate figures locally sourced? *The Head of Strategic Finance confirmed that the figures were supplied by a Scottish company, but were locally revised.*

- Is the reduced level of school budgets an area of concern? *The Executive Director – Strategic Resources confirmed that there has been a deliberate policy of reducing school reserves.*

- Are the goods and services figures quoted "income" or "profit"? *The Executive Director – Strategic Resources confirmed that this was a profit figure.*

- Does the statement consider the impact of the current economic climate? *The Executive Director – Strategic Resources confirmed that this was factored into the process.*

The committee approved the recommendations as listed in the committee report.

5. **Fraud and Irregularity Annual Report 2008 / 2009**

The committee received a report from the Fraud and Investigation Manager regarding the activities of the team over the last 12 months.

The following questions were raised by the committee;

- Is it possible to pursue individuals through the civil courts for re-payment of losses? *The benefit of the approach was questioned, and it was also noted that there may be legal difficulties in the council pursuing civil actions of this type.*

- Clarification was requested on the meaning of "positive action" in relation to benefit fraud referrals/investigations? *The Fraud and Investigation Manager explained the different possible outcomes in these types of cases.*

- The committee congratulated the team for receiving a 4 star rating at the last assessment.

- In response to an explanation of additional work undertaken by the team, the Chairman asked whether a decision had been on whether there would be a clean register canvass in 2009/10? *The Fraud and Investigation Manager explained that this was beyond her remit, and any questions of this nature should be directed to the Principal Democratic Services Officer. The possibility of also inviting the PDSO to a future meeting was considered.*

- Do the falling numbers on the electoral roll have an impact on funding? *The Head of Strategic Finance confirmed the majority of funding was based on the census, and that the electoral roll figures had a very limited effect.*

6. **Feedback and Update Report**

The Chief Internal Auditor provided an update on the issues raised at the meeting held on 1st June 2009.

7. **Audit Committee Work Programme 2009 / 2010 (Including Any Training Needs)**

The committee noted the report.

The meeting closed at 7.32 pm

Audit Committee	AGENDA ITEM No.4
7 SEPTEMBER 2009	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Dalton, Chair of Audit Committee	
Contact Officer(s):	Stuart Hamilton, Resilience Services Manager	Tel. 207207

RISK MANAGEMENT UPDATE

R E C O M M E N D A T I O N S	
FROM : Paul Phillipson, Executive Director Operation*s*	**Deadline date :** N/A
The Audit Committee is asked to:- 1. Approve the Risk Management & Business Continuity Policy 2. Approve the Risk Management & Business Continuity Strategy	

1. **ORIGIN OF REPORT**

1.1   This report is submitted to the Audit Committee as a result of the responsibility for Risk Management moving to the Resilience Team and a new Policy and Strategy being written to include Business Continuity Management, which has not previously been subject to a Policy or Strategy.

2. **PURPOSE AND REASON FOR REPORT**

The purpose of this report is to:-

a.   seek formal approval for the Risk Management & Business Continuity Policy (Appendix A)

b.   seek formal approval for the Risk Management & Business Continuity Strategy (Appendix B)

3. **TIMESCALE**

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

4. **RISK MANAGEMENT IMPLIMENTATION**

4.1   With Risk Management moving from Strategic Resources to the Resilience Team and the integration with Business Continuity, a new Policy and an updated Strategy has been written to reflect the change in how the service is going to be delivered.

4.2   Several 'Risk Champions' have been identified in each of the directorates to take forward the implementation of Risk Management in their area. The first workshop is planned for 5th November where the process of Risk Management implementation will be discussed.

4.3 The Resilience Team has a Senior Business Continuity & Risk Management Officer who will oversee the implementation of the new Policy and Strategy across the authority and will work with all the Directorates to ensure a consistent approach to Risk Management.

5. REVISED RISK MANAGEMENT and BUSINESS CONTINUITY STRATEGY

5.1 Below is a table showing the significant changes in the Risk Management and Business Continuity Strategy.

Amendment	Reason
Strategy changed to include Business Continuity	There was previously no Strategy for Business Continuity. The new Strategy incorporates Business Continuity as well as updating the Risk Management strategy
Consistency in approach	Previous Risk Registers were inconsistent in their approach and style between the Directorates. The new Strategy will ensure a consistent approach is adopted.
Change to Risk Matrix	Although still working on a 5x5 matrix, it has been simplified to three review categories instead of the current four
Change to Likelihood descriptors	Changed to be consistent with the Impact descriptors and to reflect the industry standard descriptors.
Classification system	This has been streamlined from the current 16 to 6 broad categories to enable a simplified approach
A move towards Enterprise Risk Management	This will offer a framework of processes to ensure a comprehensive and dynamic approach to Risk Management.
Change in reporting mechanism	All Directorates risk registers will be collated and monitored through the Resilience Team to enable the Corporate Risk Register to be current and meaningful.

5.2 The revised Policy and Strategy are attached (Appendix A & B) and Audit Committee are recommended to approve them.

6 CONSULTATION

The new Policy and revised Risk Management and Business Continuity Strategy have been approved by the Chief Internal Auditor.

7 ANTICIPATED OUTCOMES

7.1 Audit approval of the Risk Management and Business Continuity Policy and Strategy

8 REASONS FOR RECCOMENDATIONS

Risk Management and Business Continuity are key components of the Councils governance framework. By establishing a central focal point for all Risk Management activities including, reporting, training and information will improve the overall performance delivery of the Councils vision and corporate strategy.

9 ALTERNATIVE OPTIONS CONSIDERED

No alternative options have been considered as all local authorities have a statutory duty to have Business Continuity Plans in place and are expected to develop and implement risk management arrangements.

10   IMPLICATIONS

Environmental Impact

10.1   The identification of risks and proper management of those risks in respect of environmental issues will ensure that legislation and Councils polices and ambitions in respect of the environment are met.

EQUAL OPPORTUNIES

10.2   The identification of risks and proper management of them helps to ensure that legislation and the Council policies and ambitions in respect to equality are met.

Financial Implications

10.3   The management of risks in respect to claims and litigation and reviewing how risks are controlled should result in reduced financial costs to the Council. Good risk management will also enable the Council to identify potential opportunities.

Legal Implications

10.4   The proper management of risks should reduce the likelihood of litigation and claims against the Council and ensure continued compliance with existing and emerging standards and regulations.

Links with Corporate Priorities

10.5   Ongoing review of risk management strategy and processes will ensure that activities are in line with corporate priorities at all times.

11   Background Documents

None

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PETERBOROUGH
CITY COUNCIL

Risk Management and Business Continuity Policy

2009-10

Members and management are committed to embedding the principles of risk management in the culture and behaviours across the council. This policy has been agreed by Cabinet and the Corporate Management Team. The policy will be reviewed annually to ensure that it remains in line with strategic activities and objectives, and will be updated as necessary to reflect any significant business change.

Scope

This policy outlines strategic objectives with regard to risk management and business continuity within Peterborough City Council. How these objectives will be achieved is outlined in the accompanying Strategy. It also sets out the standards and definitions the council will be working to, and outlines broad areas of responsibility.

This policy will be communicated to all staff and stakeholders via the council website and Insite, and will also be available on request.

Context

Peterborough City Council (PCC) is a unitary authority, employing around 6,500 staff and providing a wide range of services to a population of approximately 163,300 people (Registrar General, 2007). The council's Vision is to provide a quality of service which genuinely contributes to making Peterborough the place to be in the Eastern region. In this way, the council affects the everyday lives of all who live and work in the city.

Risk is defined by the Institute of Internal Auditors (IIA) as: "the uncertainty of an event occurring that could have an impact on the achievement of the objectives". The council recognises that there are risks in everything it undertakes and that it has a duty to manage these risks. This duty is to staff and those people working in the council, residents, service users, partners and funding agencies. Risk can have both negative and positive consequences, and it is the council's aim to minimise negative impacts and to exploit potential opportunities through a robust risk management process.

Risk management is defined by the Institute of Risk Management (IRM) as: "the process which aims to help organisations to understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure". The Business Continuity Institute (BCI) defines BCM as: "a holistic management process that identifies potential impacts that threaten an organisation; provides a framework for building resilience and the capability for effective response; safeguards the interests of key stakeholders, reputation, brand and value-creating activities".

The relationship between risk management and business continuity management is a complex and often-debated one. For the purposes of PCC, it is helpful to view BCM in simple terms as a risk management control, i.e. once events which could potentially affect service provision have been identified, BCM is one way of reducing the impact of those events materialising. It is therefore useful to have RM and BCM united and coordinated centrally, to increase overall organisational resilience and efficiency.

Civil Contingencies Act 2004

Under the Civil Contingencies Act 2004 (CCA) it is a statutory duty for local authorities to have in place fit for purpose business continuity plans (BCPs). Risk management (RM) is not currently statutory for the council; however, as with business continuity management (BCM), it is in the interests of the organisation to have sound BCM and RM processes in place, in order to maintain efficient business operations, increase effective decision making and safeguard the interests of stakeholders.

Enterprise Risk Management

Enterprise Risk Management (ERM) is defined by the IIA as: "A rigorous and coordinated approach to assessing and responding to all risks that affect the achievement of an organisation's strategic and financial objectives". It is the council's intention to manage risk within ERM guidelines as good practice; further details are outlined in the strategy.

BS25999

BS 25999 is a new British Standard of business continuity management. It is the council's intention to manage business continuity within the guidelines of BS25999, with the possibility of achieving accreditation in the future.

Risk Management and Business Continuity Objectives

- Enable the achievement of the council's strategic priorities:
  - Creating the UK's environment capital
  - Creating strong and supportive communities
  - Delivering substantial and truly sustainable growth
  - Creating opportunities – tackling inequalities
  - Providing value for money
- Integration of risk management and business continuity into the culture of the council.
- Ensure compliance with laws and regulations.
- Demonstration of effective governance within the council.
- Enable the council to anticipate and respond to changing social, environmental and legislative conditions.
- Provide assurance regarding the management of significant risks.
- Support management in making decisions that pay full regard to risk considerations.
- Mitigation of all effects of a disruptive incident, including threat of litigation, potential financial losses and damage to council reputation.
- Deliver efficient operations, effective processes and efficacious strategies.
- Minimisation of injury, damage, loss and inconvenience to all stakeholders, (including staff, residents, service users, assets etc.), arising from, or connected with, the delivery of council services.
- Increased supply chain resilience.
- Raised awareness of the need for business continuity and risk management by all those connected with the delivery of services (including partners, delivery agents etc).

- A common language and understanding and a joined up and fully coordinated approach with regard to risk management activities throughout the organisation.
- Openness and honesty in all risk communications, and effective reporting procedures throughout the council.
- Introduction of a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice.

Responsibilities

A full reporting structure and further details of roles and responsibilities are outlined in the strategy. Broad areas of responsibility for risk management are:

Elected Members have a responsibility to understand the strategic risks that the council faces, and should oversee the effective management of risk by PCC officers.

The Chief Executive will be accountable to Members for the effective management of risk within the council and will ensure that appropriate procedures, resources and skills are introduced in order to achieve this.

The Corporate Management Team will be responsible for monitoring the strategic risk register and receiving notifications of significant risks from departmental risk registers.

The Resilience Services Manager is responsible for leading the BCM and RM processes, which will be coordinated by the Senior Business Continuity and Risk Management Officer. This includes promoting BCM and giving generic advice to the local commercial and voluntary sector, which is also statutory for the council under the CCA. Supportive development and training to this role has been given and will be ongoing as necessary.

Heads of Service will be expected to commit appropriate resources to risk management within their areas.

Risk Champions will be nominated within key areas and will take on the departmental management of operational risk.

All staff have a responsibility to make themselves aware of risk management in everyday duties and to report risk issue as appropriate.

PETERBOROUGH
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Risk Management and Business Continuity Strategy

2009-10

Version 1.0

Date of Next Review: January 2010

This strategy has been agreed by Cabinet and the Corporate Management Team and will be reviewed on a regular basis to ensure that goals are being met and that activities are still in line with current strategic objectives.

Scope

This strategy supports the risk management and business continuity objectives of the Policy and sets out suggested ways of achieving them, enabling everyone involved in risk management activities within the council to participate within an agreed framework. The strategy outlines methodology, roles, responsibilities etc, but does not replace the need for responsible officers to make informed decisions and manage risks on an ongoing basis. It will enable Members and management to monitor the process of embedding risk management into the council's culture, assess progress and review as necessary.

To be effective, it is essential that risk management is based on an holistic view of risk and takes a dynamic approach. Therefore, this strategy will recommend the use of Enterprise Risk Management (ERM) as best practice, detailed below. Corporate business continuity arrangements do not aim to plan for every imaginable contingency, but are flexible procedures to assist management decision making, and should be followed with a common sense approach. Further details are within the corporate business continuity plan (also under review for 2009-10).

Objectives

- To enable the achievement of the council's risk management and business continuity objectives, as outlined in the Policy.
- To review and challenge current risk management and business continuity management practices.
- To centralise reporting structures through an agreed architecture.
- To simplify and streamline RM processes, ensuring they are accessible and relative.
- Coordinate RM and BCM activities throughout the council and maintain a high profile.
- To facilitate the identification of significant risks, emerging risks and patterns or trends of risks.
- Establish clear accountabilities, roles and responsibilities (outlined in Appendix A).
- To establish a methodology for identifying, assessing, managing and reporting risks.
- Suggest a suitable method of self-assessment and possible timescales for improvement.
- Set out ways of embedding robust RM practices in the council.
- To formalise the strategic risk appetite.
- To identify and engage with key stakeholders

A timetable of events is outlined in Appendix D.

Risk Management and Business Continuity Strategy   2009-10 V1.0

Definitions

Risk

The uncertainty of an event occurring that could have an impact on the achievement of an organisation's objectives. (Institute of Internal Auditors)

Risk Appetite

The total amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time. (BS 25999)

Risk Management (RM)

The process which aims to help organisations to understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure. (Institute of Risk Management)

Enterprise Risk Management (ERM)

A rigorous and coordinated approach to assessing and responding to all risks that affect the achievement of an organisation's strategic and financial objectives. (Institute of Internal Auditors)

Business Continuity Management (BCM)

An holistic management process that identifies potential threats to an organisation and the impacts to business operations that those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities. (BS 25999)

Business Impact Analysis (BIA)

The process of analysing business (service) functions and the effect that a business disruption might have on them.

Stakeholder

Any person, group or organisation that affects, or can be affected by, an organisation's actions. (Institute of Risk Management)

- 3 –

Context

There are various risk management activities within the council, including project risk management, performance monitoring, finance risk management etc. However, there is not currently a uniform approach to the processes attached to risk management, i.e. identification, analysis, evaluation, treatment and reporting. Risk management within the council has historically been driven forward by the Chief Internal Auditor, with the lead being the Head of Strategic Finance, to avoid operational conflicts of interest. There was an unsuccessful attempt in 2007 to appoint a dedicated Risk Manager, following which risk management has continued to be the nominal responsibility of Strategic Finance, without a dedicated resource to administrate it and maintain its profile.

Following the Civil Contingencies Act 2004, the council undertook a major programme of Business Continuity Management (BCM), with an officer within the (then) Emergency Planning Team being given responsibility for implementing BC plans. Service areas now have business continuity plans in place to increase their resilience to operational disruption

The Emergency Planning Team has evolved into Resilience Services, incorporating Emergency Planning, Business Continuity, CCTV and Internal Health and Safety. The coordination of all risk management activities within the council is now the responsibility of the Resilience Services Manager, who has a dedicated resource in the Senior Business Continuity and Risk Management Officer. The process of centralising risk reporting through this department will achieve more consistency of approach, more open communications and opportunities to identify gaps and opportunities, and provide a focal point for information, training and reporting etc. By combining the RM and BCM disciplines, it is the aim to embed both within the organisational culture, with a focus on monitoring the continually changing risk horizon and applying necessary ongoing measures to address potentially damaging events. This process will take time, and will require long term ongoing commitment.

Risk Aware Culture

Alarm, The Public Sector Risk Management Association, has recently published the Alarm National Performance Model for Risk Management in the Public Services, which measures the extent to which risk management is having a positive effect on the organisation. The benefits of a risk aware culture are:

- Compliance with laws, regulations and standards
- Assurance on the management of significant risks
- Management decision making that encompasses risk considerations
- Efficiency and effectiveness in operations and projects

Key indicators of a risk-aware culture are:

- Involvement of all stakeholders in all stages of risk management process
- Emphasis on training in RM procedures and learning from events
- Strong leadership in relation to strategy, projects and operations

- Absence of an automatic blame culture but appropriate accountability
- Communication and openness on all RM issues and lessons learnt

This model attempts to show an estimation of where Peterborough City Council is now in terms of the capabilities of the model (shown in red).
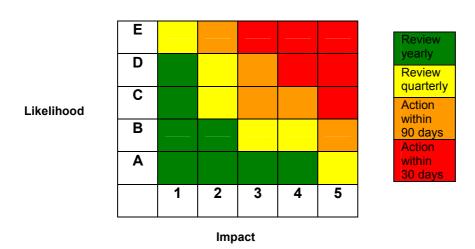
Targets:

- To be a Level 2 on all capabilities by the end of 2009.
- To be a Level 3 on all capabilities by the end of 2010.

The self assessment will be revisited by the end of 2010 and new targets set.
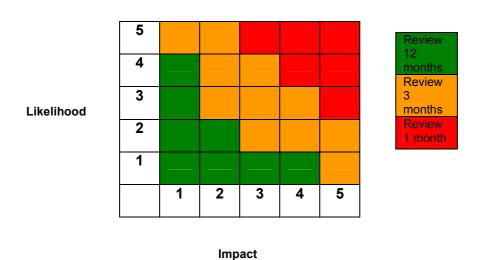
	Leadership & Management	Strategy & Policy	People	Partnership, Shared Risk & resources Processes	Processes	Risk Handling & Assurance	Outcomes & Delivery
Level 5: RM is DRIVING the organisation	Senior management uses consideration of risk to drive excellence through the business, with strong support and reward for well-managed risk-taking	Risk management capability in policy and strategy making helps to drive organisational excellence	All staff are empowered to be responsible for risk management. The organisation has a good record of innovation and well managed risk taking	Clear evidence of improved partnership delivery through RM and that key risks to the community are being effectively managed	Management of risk and uncertainty is well integrated with all key business processes and shown to be a key driver in business success	Clear evidence that risks are being effectively managed throughout the organisation. Considered risk-taking part of the organisational culture	RM arrangements clearly acting as a driver for change and linked to plans and planning cycles
Level 4: RM is EMBEDDED & INTEGRATED within the organisation	RM is championed by the CEO. The Board and senior management challenge the risks to the organisation and understand their risk appetite	Risk handling is an inherent feature of policy and strategy making processes. RM system is benchmarked and best practices identified and shared across the organisation	People are encouraged and supported to take managed risks through innovation. Regular training and clear communication of risks is in place	Sound governance arrangements are established. Partners support one another's RM capability and capacity	A framework of RM processes in place and used to support service delivery. Robust BCM system in place	Evidence that RM is being effective and useful for the organisation and producing clear benefits. Evidence of innovative risk taking	Very clear evidence of very significantly improved delivery of all relevant outcomes and showing positive and sustained improvement
Level 3: RM is WORKING for the organisation	Senior managers take the lead to apply RM thoroughly across the organisation. They own and manage a register of key strategic risks and set the risk appetite	RM principles are reflected in the organisation's strategies and policies. Risk framework is reviewed, developed, refined and communicated	A core group of people have the skills and knowledge to manage risk effectively and implement the RM framework. Staff are aware of key risks and responsibilities	Risk with partners and suppliers is well managed across organisational boundaries. Appropriate resources in place to manage risk.	RM processes used to support key business processes. Early warning indicators and lessons learned are reported. Critical services supported through continuity plans	Clear evidence that RM is being effective in all key areas. Capability assessed within a formal assurance framework and against best practice standards	Clear evidence that RM is supporting delivery of key outcomes in all relevant areas
Level 2: RM is HAPPENING within the organisation	Board/councillors and senior managers take the lead to ensure that approaches for addressing risk are being developed and implemented	RM strategy and policies drawn up, communicated and being acted upon. Roles and responsibilities established, key stakeholders engaged	Suitable guidance is available and a training programme has been implemented to develop risk capacity	Approaches for addressing risk with partners are being developed and implemented. Appropriate tools are developed and resources for risk identified	RM processes are being implemented and reported on in key areas. Service continuity arrangements are being developed in key service areas.	Some evidence that RM is being effective. Performance monitoring and assurance reporting being developed	Limited evidence that RM is being effective in, at least, the most relevant areas
Level 1: RM is ENGAGING with the organisation	Senior management are aware of the need to manage uncertainty and risk and have made resources available to improve	The need for a risk strategy and risk-related policies has been identified and accepted. The RM system may be undocumented with few formal processes present	Key people are aware of the need to understand risk principles and increase capacity and competency in RM techniques through appropriate training	Key people are aware of areas of potential risk in partnerships and the need to allocate resources to manage risk	Some stand-alone risk processes have been identified and are being developed. The need for service continuity arrangements has been identified	No clear evidence that RM is being effective	No clear evidence of improved outcomes

Risk Management and Business Continuity Strategy   2009-10 V1.0

Risk Appetite

The risk appetite is the corporate statement of the level and nature of risk that is acceptable to the organisation. Below is the current PCC risk matrix, which should act as the benchmark for the acceleration of significant risks. This matrix replaced the 6x4 model previously in use.

Impact

Below is a suggested simplified matrix, with reviewed likelihood and impact descriptors:

Impact

Likelihood Descriptors:

1	Negligible	Little likelihood of risk occurring except in exceptional circumstances
2	Low	Unlikely to occur in the next 10 years
3	Moderate	Reasonable chance of occurring during the next 5 years
4	Significant	Likely to occur during the next 12 months
5	Very High	More likely to occur than not at least once in the next 12 months

Risk Management and Business Continuity Strategy   2009-10 V1.0

Impact Descriptors:

	1	**2**	**3**	**4**	**5**
Descriptor	**Negligible**	**Low**	**Moderate**	**Significant**	**Very High**
Service/Business Interruption	No noticeable service interruption	Minor disruption, manageable by altered operational routine	Some significant operational areas compromised	All or most significant operational areas compromised	Sustained or permanent loss of core service or facility
Financial	Up to £10,000 loss or <£10k of budget over £25m	£10k - £25k or >0.1 % of budget over £25m	£25k - £100k or >0.25% of budget over £25m	£100k - £500k or >0.5% of budget over £25m	>£500k or >0.2% of budget over £25m
Compliance	Minor non-compliance with standards	Non-compliance with standards, addressed by low-level management action	Non-compliance with core standards	Major non-compliance with core standards	Serious breach of compliance and potential prosecution
Objectives/Projects	Insignificant cost increase/schedule slippage	Minor schedule slippage/reduction in quality/scope	Schedule slippage/reduction in scope or quality	Failure to meet secondary objectives	Failure to meet primary objectives
Reputation/publicity	Awareness limited to individuals within organisation	Local media – short term.	Local media – long term. Significant effect on staff morale	Extensive local and short term national coverage	Long term national coverage, MP concern and scrutiny
Environmental	No noticeable impact on environment	Minor impact on environment, no long term effects	Short term impact on environment, medium term effects	Significant impact on environment with possible long term effects	Long term impact on environment

Classification System (risk definitions)

Risks are typically assessed within classifications, and there are various models in existence, such as PESTLE (Political, Economic, Social, Technological, Legal,

Environmental), all of which can be modified and adapted to suit a particular organisation.

It is proposed to streamline the current classification system in use within PCC (Appendix C) and to adopt the following:

Strategic: events that need to be taken into account in judgements about projects, medium to long-term goals and objectives for PCC. These will in general be high-level risks e.g.
- Project risks
- Governance etc

Operational: events which could affect service provision, e.g.
- Physical damage (fire, flood etc)
- Staff shortage
- ICT loss
- Contractors etc

Compliance: events which could affect compliance with standards, laws and regulations.

Financial: events which could have a financial impact.

Reputation: events which could affect public perception about the organisation, staff morale, stakeholder interest etc.

Environmental: events which could have an environmental impact.

Strategic risks should be managed throughout all Directorates, as they are likely to affect/be affected by everyone. For example, failure to mitigate the effects of climate change is a high-level risk, but one which every Directorate should have some input into managing. An aim of this review is to identify all strategic risks which should be managed departmentally and ensure they are placed onto relevant risk registers.

Enterprise Risk Management

Enterprise Risk Management (ERM) is defined by the Institute of Internal Auditors (IIA) as: "A rigorous and coordinated approach to assessing and responding to all

risks that affect the achievement of an organisation's strategic and financial objectives". In terms of Peterborough City Council, this encompasses the four strategic priorities, all underpinned by delivering value for money. It is therefore the aim to adopt ERM as a comprehensive and dynamic risk management approach within the council.

The Institute of Risk Management (IRM) suggests the following ERM framework:

- Strategic Objectives
- Risk Assessment
  - Analysis
  - Identification
  - Description
  - Estimation
- Risk Evaluation
- Risk Reporting (threats and opportunities)
- Decision
- Risk Treatment (response)
- Residual Risk Reporting
- Monitoring

Strategic Objectives

Risks should be measured against their impact on the ability of the council to achieve its objectives. If a potential event or incident will not ultimately impact upon this, then it does not necessarily need to be viewed as a risk. In terms of departmental risk management, a good starting point is the service/business plan, and identifying events which could impact on these.

Risk Assessment

Risks are assessed and measured in terms of the **likelihood** of an event occurring, and the **impact** the event would have if it occurred. There are various methods of risk assessment, a combination of which should ideally be used, to ensure maximum input and comprehensiveness. These include questionnaires, checklists, workshops, inspections and audits, dependency analyses etc. In this way, information can be used from historic events, near misses etc. and up to date views on new or potential risks can be identified.

Directors and their managers are responsible for identifying risks within their service areas, and, as part of this process, accepting ownership of those risks.

Risk Evaluation

Using the output from the assessment process, a profiling exercise should be undertaken to determine the relative priority of the identified potential risk impacts. A tolerance level is then established i.e. a level of risk which can be accepted. This should be in line with the strategic risk appetite (see above). The risks should then be managed according to priority.
Risk Reporting

Risk registers are currently maintained departmentally, but are not consistent in terms of appearance, risks identified, control measures etc, and do not contain

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enough supporting information on risk assessments, inherent and residual scores etc. There are various risk management software options available, but it may be desirable to establish sound and regular reporting through the Resilience Team using methods currently available, beginning the embedding process and keeping central control of the proceedings, before reviewing the practice and assessing the best methodology. In other words, to choose a system that fits the council's risk management processes, rather than adapt processes to fit a system which may not be suitable.

A reporting structure is attached at Appendix B.

As a minimum, the following reports will be provided:

Recipient	Frequency	Format
Corporate Management Team	Half-yearly	Detailed commentary on the council's strategic risks and overall risk profile
Audit Committee	Half-yearly	Overview and commentary on the council's strategic risk profile
Strategic Governance Board	Half-yearly	Commentary on the overall risk profile and on the operation of the risk management strategy and the risk management process
Audit Committee	Annually	Report to support Committee's review of the operational performance of the risk management strategy and risk management process

Decision

Once risks are assessed, evaluated and profiled, a decision has to be made on the appropriate response. This will be a joint effort by managers, champions, and risk officer. Risks identified as significant will be escalated to CMT for appraisal. Risk owners will be assigned who will then be responsible for managing the controls and reporting on progress.

Risk Response

Risks should be viewed in terms of both negative and positive impacts (downside and upside), which will assist in the response decisions.

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When the risk assessment and profiling process has identified material potential risk exposures, the best course of action should be determined from one or more of the following response options:

- Tolerate the risk: If the risk falls within the accepted appetite then no further action is required.
- Treat the risk: reduce the level of risk through mitigating controls.
- Transfer the risk: share the responsibility by insurance, outsourcing etc.
- Terminate the activity associated with the risk.

Residual Reporting

In order to estimate the effectiveness of risk management, it is important to re-assess risks once control measures have been put in place. This is the residual level of the risk and is part of the dynamic approach. Embedding this process will require regular and continual input from services and the risk officer.

Monitoring

Progress in managing risk must be monitored (through the ongoing tracking of key risk indicators) to ensure that:

- Risk events and losses are identified and reported promptly enabling action to be taken to minimise the overall cost impact.
- Emerging risks, trends, patterns and other changes in the risk profile are identified as quickly as possible.

The risk owner is responsible for ensuring their risks are monitored on a regular basis. CMT reviews the council's strategic risks half-yearly. Operational risks will be reviewed at least quarterly within Directorates.

Monitoring of risk management processes should take a dynamic approach and be regarded as ongoing, with modifications being made as necessary.

Training, Information and Communication

The council's aim is to embed a more open and accessible risk management culture, which embraces the reporting of risk issues throughout the organisation, including near misses, events and arising risks. Communication is a vital part of this. By centralising the process within the Resilience Team, risk communications will become more consistent and opportunities and gaps in awareness identified. Regular communications with officers involved in all levels of RM activities will also help to identify key stakeholders.
The following are some measures which the strategy aims to put in place over the next year:

- Establishment of risk champions from service areas by end of 2009. This will require commitment from senior management and heads of service.
- Identify key areas of risk management and best way of coordinating reporting activities by end of 2009.

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- Training in ERM principles and terminology, coordinated by the Resilience Team, to include cabinet, councillors and Audit Committee. This will be an ongoing process.
- Regular ongoing workshops to examine and challenge current risk registers, identify stakeholders and share knowledge and experience of risk management, starting by end of 2009.
- Updates via Insite and other relevant media. Raise risk management profile by making more information more accessible and prominent. Starting by end 2009 and ongoing.
- Engagement with Members, management and all staff. Ongoing process.
- Establish risk management within recruitment and induction procedures by end of 2010.

Business Continuity Management

The BCM programme is well under way and service areas now have plans in place. End-users have been encouraged to use the Shadow Planner system to administer their plans; while this has proved a useful method of rolling out BCM to all services and teaching the basic principles of BCM, champions are showing a preference for having their local plans on Word or Excel documents, which are more easily accessed and shared within their departments. It is therefore proposed at this stage, to continue administrating plans corporately using Shadow Planner, as there are two more years of licence, and to compile a new generic Word template for all services to adapt to their own service. These will then be entered on Shadow Planner by the Resilience Team to continue mapping inter-dependencies etc and to enable easier auditing.

The next stage of BCM is to ensure the process is continued and embedded. The current review of risk management will assist this, as BCM can be identified both as a strategic risk applicable through all Directorates, and as a control measure to mitigate potential service disruption. A major part of BCM is risk assessment, and business continuity can be viewed simplistically as a risk control (treatment of risk). The joined up approach will help to embed both the RM and BCM processes.

The corporate approach to BCM is to increase overall resilience to any kind of disruption. Therefore, business continuity plans are generic, simple and flexible, to enable informed and effective management decision-making. The plans establish lines of accountability and outline recovery requirements, but do not aim to be prescriptive. Key elements of the BCM strategy are to:

- Provide a generic Word template for all services to adapt by end 2009.
- Maintain plans on Shadow Planner, including BIA, administrated by the Resilience Team.
- Review BCM champions following the recent restructure, identifying key gaps by end of 2009.
- Establish a timeframe of service areas to work intensively on reviewing RM and BCM.
- Identify lack of BCM as a strategic risk throughout all Directorates by end of 2009.
- Embed BCM as a risk management control throughout Directorates by end of 2010.

- Identify ongoing training needs and provide workshops, training and information as required.
- Establish BCM/RM in recruitment and induction processes by end of 2010.
- Establish BCM/RM in business and service plans by end of 2010.
- Address supply chain issues via Strategic Procurement by end of 2010.

Further details on BCM are within the Corporate Business Continuity Plan (also under review for 2009-2010)

Resources

There is provision in the Resilience Services budget for an assistant risk management/business continuity officer. However, it is proposed at this time to start the process with current resources and assess workloads and workstreams before recruiting, so that the new role can be clearly defined. There is admin support currently available who can assist in the interim.

Ideally, services should become empowered to manage their own risks and business continuity effectively, with the Senior Business Continuity and Risk Management Officer's being a coordinating and facilitating role. Training and support to this role has been provided and is ongoing.

Conclusion

Risk management is an ongoing process requiring commitment from all levels, from Members and senior management to all staff. The council should not be looking at a quick-fix solution, whose novelty will soon wear off, but a long term, continuous programme which offers practical and flexible ways of embedding the process. As the council evolves, risk management activities will evolve with it, therefore the strategy and processes within it need to be regularly reviewed and updated. We should be prepared to identify and implement necessary changes and to encourage open communications throughout the council.

APPENDIX A
Roles and Responsibilities

The council recognises that it is the responsibility of all members and employees to have due regard for risk in performing their duties. The key roles for risk management are:

Elected Members:

Role: Working through full Council, Cabinet and Committees, Members are responsible for overseeing the effective management of risk by the council's officers.

Responsibilities:

- Seek implementation of a strategic RM process.
- Agree on the member and officer structures for planning and monitoring RM across the authority.
- Develop and maintain the level of awareness and knowledge of RM appropriate to their role.
- View the process as a significant management exercise and acknowledge the right level of training and implementation is committed.
- Take an appropriate top-down approach, focusing on issues of corporate significance.
- Aim for continual improvement.

Chief Executive:

Role: The Chief Executive has accountability to Members for effective management of risk within the council and will ensure that appropriate procedures, resources and skills are in place in order to achieve this.

Responsibilities:

- Ensure that risks are managed effectively through the development of an all-encompassing corporate strategy.
- Require Directors to have awareness of the risks facing the services they manage and have effective measures to monitor and control this exposure.
- Promote and oversee implementation of the corporate risk strategy.
- Monitor and review the effectiveness of the strategy.
- Help with the identification of and assessment of operational and project risks.
- Understand the implications of the most significant risks on the council and stakeholders.
- Consider the implications of poor decisions regarding risk.
- Consider the financial implications of the risks that have been identified and are retained by the council, and ensure that adequate monetary provision is made in case contingencies arise.

Corporate Management Team:

Role: To ensure that risk is managed effectively by contributing to the development of an all-encompassing corporate strategy. To implement the risk management policy agreed by Members, directing officers towards a high-level risk management approach to establishing a robust system of internal control.

Responsibilities:

- Gain an understanding of RM and its benefits.
- Ensure that RM is included in discussions by management teams.
- Determine the RM framework, policy, strategy and processes.
- Determine the council's risk appetite, prioritise strategic and cross cutting risks and determine action on them.
- To review the strategic risk register.

Strategic Governance Board

The Terms of Reference are to be confirmed.
Role: To share experience of risk, risk management and strategy implementation across the council.

Responsibilities:

- Identify areas of overlapping/cross-departmental risks
- Drive new initiatives.
- Feed into strategy review.
- Drive process of risk profiling/assessment.
- Report to Audit Committee

Resilience Services Manager:

Role: To support the council and its services by facilitating the development, implementation, operation and review of the risk management strategy.

Responsibilities:

- Develop the risk management strategy and promote, support and oversee its implementation.
- Oversee the design, development and delivery of programmes to communicate risk management awareness to members and staff.
- Oversee the design, development and delivery of risk management training to members and managers with specific responsibility for the management of risk.
- Manage the risk management and BCM budget.
- Identify and communicate risk management issues to all departments.
- Oversee the development and implementation of a process to monitor overall risk levels and report to Chief Auditor/Chief Executive/Cabinet.
- Assist departments in undertaking risk management activity via training, facilitation of risk identification and assessment and/or direct support.

- 16 –

- Supervise and support the resources allocated to facilitate these responsibilities.
- Ensure all areas of risk management, operational and strategic, are monitored and cross-cutting issues are raised with the appropriate groups.

Chief Internal Auditor:

Role: To challenge established risk management processes, including risk identification and evaluation, and to provide assurance to officers and members on the effectiveness of the controls put in place to mitigate risk. This role should be separated from the activity of establishing and operating risk management processes and control structures, which remain the responsibility of officers allocated to risk management.

Responsibilities:

- To report on the effectiveness of risk management processes.
- To evaluate and test the controls put in place to mitigate risk.
- To monitor and review the effectiveness of the strategy.

Heads of Service/Service Managers:

Role: To manage operational risk effectively in each area.

Responsibilities:

- Implement details of the risk strategy.
- Maintain a risk register for their service area.
- Identify, analyse and profile departmental risks.
- Monitor progress of risks and actions in place to mitigate them.
- Allocate appropriate resources to risk management and business continuity.
- Ensure that risk management issues are cascaded throughout their service areas.

Risk Champions:

Role: To facilitate effective departmental risk management.

Responsibilities:

- To attend training and workshops to understand the processes of risk management.
- To manage and report on departmental risk as required.

All Staff:

Role: To be aware of risk management issues in their area of work.

Responsibilities:

- Identify and report potential risk issues.
- Be aware of changed circumstances and risks.
- Understand, accept and implement risk management issues.

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Appendix B
Reporting Structure

```
┌─────────────────┐
│  Full Council   │
└─────────────────┘

                              ┌─────────────────────┐
                              │   Audit Committee    │
                              └─────────────────────┘

┌─────────────────┐         ┌─────────────────────┐
│   Corporate     │         │     Strategic       │
│  Management     │ ──────► │   Governance        │
│     Team        │         │      Board          │
└─────────────────┘         └─────────────────────┘

         ┌──────────────────────────────────┐
         │        Resilience Manager        │
         │                                  │
         │   • Senior Business              │
         │     Continuity and Risk          │
         │     Management Officer           │
         └──────────────────────────────────┘

┌──────────────────────┐    ┌──────────────────────────┐
│ Heads of Service/     │   │ Specialist Risk Management │
│ Service Managers      │   │ Groups e.g.                │
│                       │   │                            │
│ • Departmental Risk   │   │ • Project Risk             │
│   Registers           │   │ • Climate Change           │
│ • Risk Champions      │   │                            │
└──────────────────────┘    └──────────────────────────┘
```

Key:
Reports on RM activities
Monitors and instructs

APPENDIX C
Risk Definitions Previously in Use

Strategic Risk	Hazards and risks that need to be taken into account in judgements about the medium to long term goals and objectives for PCC
Political	Those associated with failure to deliver either central government policy, or meet the administration's manifesto commitments.
Economic	Those affecting the ability of PCC to meet its financial commitments. These include budgetary control pressures, the failure to purchase adequate insurance cover, external macro level economic changes, or the consequences of proposed investment decisions.
Social	Those relating to the effects of changes in demographic, residential or social-economic trends on PCC's ability to deliver its objectives
Technological	Those associated with the capacity of the organisation to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures affecting PCC's ability to deliver its objectives.
Legislative/Regulatory	Those associated with current or potential changes in national or European Law
Environmental	Those relating to the environmental consequences of progressing PCC's strategic objectives
Competitive	Those affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value
Customer/Citizen	Those associated with failure to meet the current and changing needs and expectations of customers and citizens

Operational Risk	Hazards and risks that managers and staff encounter in the daily course of their work
Professional/Managerial	Those associated with the particular nature of each profession (e.g. social work service concerns over children at risk etc)
Legal	Those related to possible breaches of regulation
Financial	Those associated with financial planning and control to minimise the occurrence of unforeseen budgetary pressures, lack of capital resources in the current year and in the future
Physical	Those related to fire, security, accident protection and health and safety
Contractual/Partnership	Those associated with the failure of contractors to deliver services or products to the agreed cost and specification
Reputational	Those relating to PCC's reputation and the public perception of PCC's efficiency and effectiveness
Technological	Those relating to reliance on operational equipment (e.g. IT systems or equipment and machinery)
Environmental	Those relating to pollution, noise or energy of ongoing service operation

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APPENDIX D
Approximate Timetable

August 2009
- Submit Policy and Strategy for sign off by the Audit Committee
- Strategic risk appetite sign off
- Invite risk champions to workshop

September 2009
- Present Policy and Strategy to Audit Committee for approval
- Revise current risk registers, adopting a uniform approach
- Explore software options (ongoing)
- Identify risk activities within council and engage participants

October 2009
- Hold workshop for risk champions
  - Identify "risk" events
  - Risk assess – likelihood x impact = score
  - Identify control measures
- Task champions to complete and return registers
- Identify key stakeholder groups

November - December 2009
- Compile report based on completed risk registers
- Review strategic risk register with Corporate Management Team
- Identify significant risks for escalation
- Identify which risks need BCM as control and review arrangements
- Action plan for Directors/Heads of Service on risks and controls
- Attend DMTs as necessary to review registers and discuss actions
- Revisit self-assessment
- Review strategy to ensure still fit for purpose
- Identify objectives and time frame for 2010

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AUDIT COMMITTEE	AGENDA ITEM No.5
7 SEPTEMBER 2009	PUBLIC REPORT

Cabinet Member(s) responsible:		Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:		Councillor Dalton, Chair of Audit Committee	
Contact Officer(s):	John Harrison, Director of Strategic Resources		☎ 452 398
	Steve Crabtree, Chief Internal Auditor		☎ 384 557

INTERNAL AUDIT - QUARTERLY REPORT 2009 / 2010 (TO 30 JUNE 2009)

R E C O M M E N D A T I O N S	
FROM : John Harrison, Director of Strategic Resources	**Deadline date : N/A**
Audit Committee are asked that :	

1. The Internal Audit Update Report to 30 June 2009 be received and the Committee note in particular:

   (a) That the Chief Internal Auditor is of the opinion that based on the works conducted during the 3 months to 30 June 2009, internal control systems and governance arrangements remain generally sound;
   (b) Progress made against the plan and the overall performance of the section; and
   (c) The future review and where appropriate revision of the 2009/2010 Audit Plan.

1. ORIGIN OF REPORT

This report is submitted to Audit Committee as a routine planned report within the work programme of the Committee. It sets out Internal Audit performance and progress with regards to the 2009 / 2010 Audit Plan (Audit Committee approval: 30 March 2009).

2. PURPOSE AND REASON FOR REPORT

The purpose of this report is to inform the Audit Committee on Internal Audit activities and performance progress against the Annual Audit 2009 / 2010 as at 30 June 2009.

3. TIMESCALE

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

4. OVERVIEW

This report outlines the work undertaken by Internal Audit up to 30 June 2009, progress against our plan and other issues of interest.

5.   **ASSURANCE OPINION**

5.1   One of four levels of assurance is allocated to each audit review. These assurance levels are: **FULL**; **SIGNIFICANT**; **LIMITED**; and **NO ASSURANCE**. Where concerns have been identified resulting in limited or no assurance, the Executive Summaries for these reviews will be included in an appendix to this report, once the audit review has been agreed and finalised. **FIVE** reports fall into this category for the quarter, details of which are included in **Appendix B**.

5.2   Based on the work carried out and finalised during the 2009 / 2010 (to 30 June 2009), the Chief Internal Auditor is of the opinion that the Council's internal control systems for those areas audited are generally sound. 100% of high / critical recommendations made to date have been accepted by management and programmed for implementation (against a target of 97%).

6.   AUDIT PLAN 2009 / 2010

6.1   Progress against Plan

6.1.1   **Appendix A** shows all audits underway or completed in the first 3 months, with the exception of the Financial Management Standard in Schools (FMSiS) for 2009 / 2010 where reviews are at preliminary stages. The Appendix also includes reviews brought forward from the previous year that have been finalised during 2009 / 2010. In addition to the reviews detailed other activities of control advice have been provided by Internal Audit which may not have resulted in the production of a report. Audits that were not planned at the time of the Annual Audit Plan being approved are also included within the Appendix and are identified with an asterix (*).

6.1.2   Progress against the 2009 / 2010 plan is 29.7% (compared with 29% to the 3 month period June 2008). Whilst the progress against the plan is commensurate with the previous year regarding the number of reviews undertaken, a number of unplanned jobs have been conducted which will reduce the amount of available contingency time for the remainder of the year.

6.1.3   The number of direct days achieved during the quarter is slightly higher than planned. This is despite one member of staff being on long term sick for the period. The introduction of annualised hours and a reduction in indirect activities have enabled this even though a significant number of days have been lost due to sickness. However, the indirect activities which include training are likely to be undertaken during the remainder of year and will therefore impact on the ability to deliver future planned direct days.

6.1.4   To date, 13 audit projects for 2008 / 2009 have been finalised together with a further 2 for 2009 / 2010. 6 other pieces of work have been completed where either no audit report was necessary, or a committee report was produced. There are also 23 reviews that are in various stages of review along the 23 schools subject to Financial Management Standards in Schools reassessment.

6.2   Responses to Audit Reports

Internal Audit continues to produce reminders in accordance with their Audit Charter (currently under review) to finalise reports in a timely manner. Audit Committee will be advised during the year where significant delays occur.

6.3   Status of Recommendations

Our current policy, as defined in our Audit Charter approved at Audit Committee on 6 November 2006, is to follow up the implementation of recommendations 6 months after the reports have been finalised. To date 83% of high/critical recommendations have been followed up against an annual target of 80%. Where services receive an annual review, e.g. very high risk areas or key financial systems such as benefits and national non-domestic rates, recommendations are reassessed during this review.

6.4   Other Performance Matters

6.4.1   Our productive time (chargeable days) target is 80% where performance up to June 2009 is 71%. Whilst this is lower than target - due to the effect of long term sickness - the impact has been partially mitigated by the reduction of indirect time during the period.

6.4.2   Feedback for each audit is collected via Post Audit Questionnaires (PAQ). Our average score to date is 4.4 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.

6.4.3   An average of 10 days sickness per person was lost during the 3 months to 30 June 2009, compared to a target of 1.5 days. This is a major increase on last year where sickness was 1.18 days per person as at 30 June 2008. This is due to long term sickness and the impact on average figures as the team has reduced to 7.1 FTE from 9.3 FTE in 2008 / 2009. Absence levels excluding long term sickness are 0.6 days per person Occupational Health have advised that the long term sickness will continue into Quarters 2 and 3 and this will have a major impact on the delivery of the Audit Plan for the remainder of the year. Where appropriate, sickness is being actively managed in accordance with the Council's Attendance Policy and through Occupational Health if appropriate.

6.4.4   An average of 0.63 days training has been provided to each auditor so far this year (annual target of not less than 5 days per auditor). This includes 'on the job' training, internal corporate training, training for professional qualifications and audit technical update seminars. Corporate initiatives introduced during 2008 / 2009 in relation to the Learning Academy (Cohort 2010), will continue during 2009 along with other training activities.

6.4.5   The length of time from completion of field work to issue of a draft report is currently on line with target days.

7.   REVISION OF THE 2009 / 2010 AUDIT PLAN

7.1   As detailed within section 6 of this report it is known that the delivery of the audit plan is at risk due to resourcing issues relating to sickness. This is also impacted by a vacant Trainee Auditor post within the team where it is uncertain when the recruitment process will commence.

7.2   In view of the above and the continuing requests by management for unplanned work the audit plan will be reviewed and amended if appropriate to ensure that business needs can be achieved. Where funding is permitted the possibility of additional resources will also be explored. Any revisions to the Audit Plan will be presented to the Audit Committee for approval.

8.   CONSULTATION

This report and the accompanying appendices have been issued to the Section 151 Officer for consideration.

9. ANTICIPATED OUTCOMES

That the Audit Committee is informed of Internal Audit's progress against the Annual Audit Plan and its business plan performance. In addition, that the Audit Committee is made aware of any key control issues highlighted by our work since the last progress report.

10. REASONS FOR RECOMMENDATIONS

The Council is subject to the Accounts and Audit (amendment) Regulations 2006 and, as such, must make provision for Internal Audit in accordance with the CIPFA Code of Practice. It must also produce an Annual Governance Statement to be published with the Council's financial accounts. This report and associated papers demonstrate how the audit service is progressing against the audit plan how it will contribute to the Statement.

11. ALTERNATIVE OPTIONS CONSIDERED

The alternative of not providing an Internal Audit service is not an option.

12. IMPLICATIONS

12.1 Corporate Strategy (relevance to):

Internal Audit, through its central monitoring role, has an essential part to play in the application of sound financial management and corporate governance principles throughout the organisation. In addition it endeavours to promote quality systems and to ensure that there is an effective, efficient and economical use of all resources available to the Council.

Internal Audit reviews the risk management process that is integral in the setting of priorities within the Council and ultimately the Corporate Strategy. A corporate risk management process is now in place and work continues to be undertaken to embed further a risk management culture throughout the Council. Corporate risk registers were first introduced in October 2003 and these are continuing to evolve. These registers should reflect the risks associated with the key priorities identified in the Corporate Strategy. The Internal Audit plan for 2009 / 2010 has been produced with reference to the Corporate Risk Register to ensure, where possible and appropriate, Internal Audit review those areas considered to be of most risk. The annual audit plan will continue to be reviewed to ensure it is in line with the risk registers, and as a consequence that the audit programme is closely linked to the Corporate Strategy.

There would be a legal implication if an Internal Audit service was not provided for, and if mechanisms were not in place to carry out a review of internal control, governance and risk management as a basis for the Annual Governance Statement.

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

CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006
Accounts and Audit (amendment) (England) Regulations 2006
Internal Audit Business Plan 2009 / 2010
Internal Audit Annual Plan 2009 / 2010

APPENDICES:

Appendix A	Progress of Audit Plan 2009 / 2010 (To 30 June 2009)
Appendix B	Audit Reports Issued in Quarter 1: Limited / No Assurance

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 JUNE 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										
Economic Participation Programme Review										At review stage
Economic Participation Programme 2007 / 2008 Follow Up					n/a	n/a	n/a	n/a	n/a	Final memo issued.
SI (Cex1006-08) *					n/a	n/a	n/a	n/a	n/a	Final memo issued
Private Sector Housing Grants *										Work in progress

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 JUNE 2009

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS 2009 / 2010										
FMSiS Arrangements (to be identified individually throughout year as work progresses) 23 Schools comprising • 9 Secondary Schools, • 12 Primary Schools; and • 2 Special Schools										In planning / fieldwork stages
CHILDRENS SERVICES: OTHER ACTIVITIES										
Bushfield School Closure										Fieldwork in progress
The Voyager										Fieldwork in progress
CHILDRENS SERVICES: FOLLOW UPS										
Gladstone FMSiS 2008 / 2009										In progress
Matley FMSiS 2008 / 2009										In progress
Orton Longueville – Cashless System										In progress
Education Psychology										In progress
St John Fisher										In progress

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 JUNE 2009

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS **Rolled Forward from 2008 / 2009**										
Bishop Creighton			✖		-	2	6	6	14	Draft
Discovery			✖		-	2	7	2	11	Draft
John Clare			✖		-	1	6	4	11	Draft
Longthorpe Primary		✖			-	1	2	2	5	Final
Middleton			✖		-	3	3	2	8	Final
Nene Valley		✖			-	-	3	2	5	Final
Newark Hill		✖			-	1	3	2	6	Final
Northborough			✖		-	3	1	1	5	Draft
Norwood		✖			-	3	2	1	6	Final
Parnwell Primary		✖			-	-	2	2	4	Final
Peakirk-cum-Glinton			✖		-	1	8	2	11	Final
Sacred Heart RC Primary			✖		-	5	5	0	10	Final
Stanground St Johns			✖		-	2	4	-	6	Final

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 JUNE 2009

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS **Rolled Forward from 2008 / 2009**										
St Thomas More		✘			-	-	1	4	5	Final
The Phoenix			✘		-	3	5	2	10	Final
Wittering			✘		-	2	5	2	9	Draft

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 JUNE 2009

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CITY SERVICES **Rolled forward 2008 / 2009**										
Budgetary Control			×		-	4	6	2	12	Draft

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
OPERATIONS										
Central Library Follow Up					n/a	n/a	n/a	n/a	n/a	In progress
OPERATIONS **Rolled Forward 2008 / 2009**										
Jack Hunt Pool Refurbishment *				×	1	12	9	2	24	Final
Museum Follow up					n/a	n/a	n/a	n/a	n/a	Final

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 JUNE 2009

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
STRATEGIC RESOURCES										
LSVT VAT Shelter Usage *										In progress
Invoice Fraud -Insurance Claim Recovery *					n/a	n/a	n/a	n/a	n/a	In progress
Teachers Pensions Arrangements 2008 / 2009										In progress
National Fraud Initiative					n/a	n/a	n/a	n/a	n/a	Final – Results provided to Audit Commission via online portal
CIPFA Benchmarking 2009					n/a	n/a	n/a	n/a	n/a	Data provided and draft report awaited

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 JUNE 2009

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
STRATEGIC RESOURCES (Continued) Rolled Forward 2008 / 2009										
Payroll					-	-	-	-	-	At review stage
Purchasing Cards				✘	1	3	9	4	17	Draft
Debtors			✘		-	3	6	1	10	Draft
ICT										
ECAF and Contact Point (Government Initiative - Children's Services IT systems) *										In progress
ICT Managed Service – CIA consultancy					n/a	n/a	n/a	n/a	n/a	n/a

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 JUNE 2009

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CORPORATE ACTIVITY / CROSS CUTTING REVIEWS										
Recruitment / CRB										In progress
Grants:										
GAF 2008 / 2009										In progress
Final Account Statements 2008 / 2009:										
Annual Governance Statement 2008 / 2009					n/a	n/a	n/a	n/a	n/a	Final - committee report June 2009 and inclusion in the Statement of Accounts
CAA / Use of Resources					n/a	n/a	n/a	n/a	n/a	CIA strategic co-ordination of data collection together with liaison with External Auditors
Audit Opinion 2008 / 2009					n/a	n/a	n/a	n/a	n/a	Final - committee report June 2009
TOTAL RECOMMENDATIONS MADE					**2**	**51**	**93**	**43**	**189**	

AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE

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LIMITED ASSURANCE		Date To Audit Committee
Chi2125-07	Middleton Primary	07 September 2009
Chi2136-01	Peakirk cum Glinton	07 September 2009
Chi2139-01	Sacred Heart RC	07 September 2009
Chi2145-01	Stanground St Johns	07 September 2009
Chi2182-01	The Phoenix	07 September 2009

FMSiS: Standard Executive Summary

The Financial Management Standard in Schools (FMSiS) process has been embedded into the Internal Audit programme and following external assessment the school has met the requirements of the Standard. The school submitted evidence required in order to support stated procedures and processes in meeting the Standard.

Appendix G4 details the areas within the school and evidence assessed that are satisfactory. Appendix G4 also highlights areas that are unsatisfactory and issues for improvement that have not warranted failure of the Standard are detailed within Appendix 2.

The school should continue to meet the requirements of the standard, and undertake the self assessment process regularly in order to demonstrate sound financial management and value for money are achieved.

The 'Guide to Further Best Practice in Financial Management' (G3B) details the non essential elements of the Standard, and the school should now monitor their progress against these criteria.

Recommendations made will be assessed against progress during September 2009, as part of a follow up review process.

Scope and Objectives

Year 2 primary schools are expected to comply with the Standard by March 2009.

The purpose of the audit was to obtain reasonable assurance that adequate controls and procedures are in place to meet the requirements of the DCSF FMSiS, and make observations and recommendations for improvement.

FMSiS comprises five subject elements which are:- Leadership & Governance; People Management; Policy & Strategy; Partnerships & Resources and Processes

Methodology

The school submitted a self assessment for review. An external assessment was conducted by examining the responses to the assessment and evidence submitted. A visit to the school was also undertaken.

Discussions were held with the following personnel:- Headteacher; Finance Manager; Education Finance, Peterborough City Council and Governors Services, Peterborough City Council

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.

Chi2125-01: Conclusion

The school's re-submission of their G4 FMSiS Assessment Tool 2008/09 was completed sufficiently to allow an External Assessment visit early in the Autumn term. Communication with the Internal Audit Team was good and the Finance Manager responded promptly to requests for additional information, including provision of documentation forwarded from the Clerk to the Governors. This has resulted in Middleton Primary School meeting the requirements of the FMSiS by the deadline. The audit opinion is Limited Assurance. This is due to three 'High' graded recommendations and the poor quality of the first submission of the G4 FMSiS Assessment Tool 2008/09.

Chi2136-01: Conclusion

The school did not submit their G4 FMSiS Assessment Tool 2008/09 in a timely manner, in order to commence the External Assessment process. However, the Internal Audit visit to the school was well received and productive. The Headteacher and Office Manager were committed to passing the Standard and requests for additional information were responded to promptly. This has resulted in Peakirk-cum-Glinton Primary School Passing the FMSiS.

Chi2139-01: Conclusion

The Business Manager left at the end of the financial year without submitting outstanding evidence required for the completion of the external assessment. Therefore, the school was categorised as a 'conditional pass' on 31st March 2009. However, the new incumbent made a considerable effort to ensure the items that remained outstanding were submitted in advance of the 20 day deadline and The Sacred Heart RC Primary School has now met the requirements of the FMSiS.

Chi2145-01: Conclusion

The school did not submit their G4 FMSiS Assessment Tool 2008/09 in a timely manner, in order to commence the External Assessment process. This was because there was a change in Headship at the start of the financial year. An Internal Audit visit was made to the school to advise on the completion of the document. However, the new Headteacher and Finance Assistant were committed to passing the Standard and requests for additional information were responded to promptly. This has resulted in Stanground St. Johns Primary School Passing the FMSiS.

Chi2182-01: Conclusion

The school was categorised as a 'conditional pass' on 31st March 2009, however considerable efforts were made to ensure the items that remained outstanding were submitted in advance of the 20 day deadline. A change in finance staff during the year did not affect the school's commitment to achieving the Standard, and The Phoenix School has now met its requirements.

The role of governors is an important one, as they have collective responsibility in the context of how the school is run and should therefore fulfil the role of providing the school with strategic direction, and as such it is important that they understand their responsibilities. The external assessment has resulted in a number of recommendations in the report which relate to the school's governors. This is reflected in the audit opinion of 'Limited Assurance.'

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AUDIT COMMITTEE	AGENDA ITEM No.6
7 SEPTEMBER 2009	PUBLIC REPORT

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

UPDATE AND FEEDBACK REPORT

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

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

3. 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 2009 - APRIL 2010

DATE ISSUE RAISED	SUBJECT / ITEM	AUDIT COMMITTEE COMMENTS	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
1 June 2009	Agenda Item: 5 Internal Audit Annual Report 2008/2009	Follow discussions on follow up arrangements and the levels of implementation, or otherwise, of audit recommendations, it was agreed to provide all Audit Committee Members with a copy of the current Audit Charter. This will be reviewed by the Chief Internal Auditor to : (1) Reflect any changes / improvements now reflected in the performance indicators; (2) Highlight improved protocols to follow up late responses to draft Audit Reports which will include a separate letter of endorsement from the Chief Internal Auditor and Chair of the Audit Committee; and (3) Reiterate the importance of responses by inviting officers to attend future Audit Committees to explain their performance in implementing audit recommendations and the controls in their systems / departments	Steve Crabtree Cllr M Dalton	The original Audit Charter, approved by Audit Committee on 9 November 2006, has been circulated to Members for information on 16 June 2009.	
1 June 2009	Agenda Item: 8 Audit Committee Work Programme	Request for the Head of Strategic Finance to provide an appropriate training session before the next Audit Committee meeting on the scrutiny of the final accounts.	John Blair	Scheduled on agenda for 6.00 p.m.	29 June 2009
29 June 2009		THERE WERE NO NEW ADDITIONS FROM THIS MEETING			

AUDIT COMMITTEE	AGENDA ITEM No.7
7 SEPTEMBER 2009	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor M Dalton, Chair of Audit Committee	
Contact Officer(s):	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: 27 August 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		-	✔ Final Accounts	✔ Risk Mgmt	X	X	X	X
Update and Feedback Report		✔	✔	✔	X	X	X	X
Audit Committee Work Programme		✔	✔	✔	X	X	X	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
INTERNAL AUDIT / EXTERNAL AUDIT ACTIVITY								
Internal Audit - Annual Report 2008 / 2009	Steve Crabtree	✔	-	-	-	-	-	-
Internal Audit - Progress Report: Quarterly	Steve Crabtree	-	-	✔	-	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
External Audit - Joint Audit and Inspection Plan	Steve Crabtree PwC	-	-	-	-	-	-	X
Annual Audit Committee Report	Steve Crabtree	✔	-	-	-	-	-	-

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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 Annual Governance Statement	Steve Crabtree	✔	-	-	-	-	-	-
Fraud and Irregularity Annual Report 2008 / 2009 (Originally scheduled for 1 June 2009)	Diane Baker	-	✔	-	-	-	-	-
Risk Management	Stuart Hamilton	-	-	✔	-	-	X	-
Use of Resources	John Blair	-	-	-	-	X	-	X
Comprehensive Area Assessment	John Blair	-	-	-	-	X	-	X
Assurance Framework	Steve Crabtree	-	-	-	-	X	-	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
ACCOUNTS								
Statement of Accounts / Summary Accounts 2008 / 2009 (incorporating Annual Governance Statement)	John Blair	-	✔	-	-	-	-	-
Audit of Statement of Accounts	John Blair	-	-	-	X	-	-	-
International Financial Reporting Standards (Original plan - 1 June 2009 - and now incorporated into the training session on final accounts)	John Blair	-	✔	-	-	X	-	-

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