

AUDIT COMMITTEE

MONDAY 29 MARCH 2010
7.00 PM

Bourges/Viersen Rooms - Town Hall

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

AGENDA

Page No

1. **Apologies for Absence**
2. **Declarations of Interest and Whipping Declarations**

At this point Members must declare whether they have an interest, whether personal or prejudicial, in any of the items on the agenda. Members must also declare if they are subject to their party group whip in relation to any items under consideration.
3. **Minutes of the Meeting held on 8 February 2010** 1 - 8
4. **External Audit: Grant Claim Certification Work** 9 - 16

To receive the annual assessment of grant claims report produced by External Audit.
5. **Risk Management and Business Continuity** 17 - 18

To receive an update on the development of Risk Management and Business Continuity Strategy together with progress in reviewing the risk registers.
6. **Assurance Framework** 19 - 30

To receive an update on the Council's Assurance Framework.
7. **Annual Governance Statement** 31 - 46

To receive details of the proposed process for the Annual Governance Statement 2009 / 2010.

- 8. Internal Audit Plan and Strategy 2010 / 2011** **47 - 68**
- To receive the Internal Audit Plan and Strategy for 2010 / 2011.
- 9. Feedback Report** **69 - 76**
- To receive a standard feedback report on issues and actions requests made at past meetings of the Committee.
- 10. Work Programme 2010 / 2011** **77 - 80**
- To agree the current work programme for Municipal Year 2010 / 2011 and propose any future training needs.



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Committee Members:

Councillors M Dalton (Chairman), North (Vice Chairman), Gilbert, Kreling, Rush, Hussain and Goldspink.

Substitutes: Councillors Collins, Khan and Murphy

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 8 FEBRUARY 2010**

Present: Councillors M Dalton (Chairman), North, Kreling, Gilbert, Collins and Goldspink.

Officers in attendance: Steve Crabtree, Chief Internal Auditor
Steven Pilsworth, Head of Strategic Finance
Chris Hughes, PricewaterhouseCoopers
Paul Phillipson, Executive Director of Operations (Item 8)
Alan Hodges, Senior Property Surveyor (Item 8)
Israr Ahmed, Lawyer
Gemma George, Senior Governance Officer

Also in Attendance: Councillor Seaton, Cabinet Member for Resources

1. Apologies for Absence

Apologies were received from Councillor Rush and Councillor Hussain. Councillor Collins attended as a substitute.

2. Declarations of Interest and Whipping Declarations

There were no declarations of interest or whipping declarations.

3. Minutes of the Meeting held on 2 November 2009

The minutes of the meeting held on 2 November 2009 were approved as an accurate and true record subject to the following amendment:

- Item 5, External Audit 2008 / 2009 – Interim Audit Report to Management, second bullet point;

‘Members questioned when Internal Audit had last audited the Oracle Financials System. Members were informed that there had been no review undertaken in 2009, however, there was a regular project/working group which had been set up which Internal Audit were members of and key controls were in place’.

4. External Audit – Annual Audit and Inspection Letter 2008 / 2009

A report was submitted to the Committee which had been prepared jointly by the External Auditors, PricewaterhouseCoopers and the Audit Commission Relationship Manager.

Each year the External Auditor and the Audit Commission Relationship Manager produced an Audit and Inspection Letter which reviewed the Council’s

arrangements and progress in relation to the Audit of the Accounts and Use of Resources.

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

- Members queried why complete audit trails were not being retained, as highlighted in the 'Use of Resources Key Findings and Conclusions – KLOE 2.2, Data Quality and Use of Information. Members were informed that certain indicators were part of the Use of Resources and the detailed evidence was not always there to support them. Members were further informed that the specific indicators not being supported would be outlined to the Committee in the Feedback report at the next meeting.
- Members positively commented on the score achieved by KLOE 1.1, Financial Planning, as detailed in the 'Use of Resources Key Findings and Conclusions' and congratulations were extended to Children's Services after coming within budget in 2008 / 2009 following a £3m overspend in 2007 / 2008.
- Members queried what the current budget position was. Members were advised that the current budget position was an overspend of £800,000 in the current financial year. Members were further advised that there were a number of actions in place to try and reduce this figure.
- Clarification was sought as to why the budget overspend prediction was so high. The Committee was informed that there were several factors including emerging pressures from Children's Services and lost income from Cross Keys Homes VAT shelter.
- Members queried whether the credit crunch had also had an effect on the overspend. Members were advised that the credit crunch had had a significant impact on Council finances, particularly on income. The number of planning applications that had been submitted had declined and income from parking had decreased. It was noted however that people were being encouraged to use public transport.
- Members commented on the fact that the Audit had cost less than was originally proposed by quite a margin and congratulations were extended to the Finance Team for all of the hard work undertaken to complete the letter.

ACTION AGREED:

The Committee approved the Annual Audit and Inspection Letter 2008 / 2009.

5. External Audit – Audit and Inspection Plan 2009 / 2010

The Committee received a report which had been prepared jointly by the External Auditors, PricewaterhouseCoopers and the Audit Commission.

The Audit and Inspection Plan had been prepared to inform the Council about the responsibilities of the External Auditors and how those responsibilities would be discharged. It included the inspection and other work which would be performed by the Relationship Manager during 2009 / 2010. The Plan had been discussed and agreed jointly by Council representatives, External Audit and the Audit Commission.

The Plan had been developed to consider the impact of the recent key developments and risks, based upon discussion with management and understanding of the City Council and the local government sector. The Plan included a number of follow ups and updates to previous reviews and also new risks which had been identified. These included:

- Growth agenda;
- Children's Services;
- Managed IT Services;
- Account for PFI;
- City Services and the Waste Management solution;
- International Financing Reporting Standards;
- Use of Resources; and
- Data Quality

Members questioned how the proposed audit fee of £271,000 for 2009 / 2010 had been calculated. Members were advised that there was a formula for working out the primary fee which was used across all authorities. Based on the budgeted gross expenditure, this generated a fee point determining the risk level of the authority - Peterborough City Council was categorised as being a medium risk. Members were further advised that the fee could decrease or even increase depending on the risk assessment undertaken on the Council and how long it took to complete this risk assessment. The Committee was informed that further information would be included in the next Audit Committee Feedback Report on how the audit fee was calculated and a how long a risk assessment undertaken on the Council would take to complete.

ACTION AGREED:

The Committee considered the Audit and Inspection Plan for 2009 / 2010.

6. Audit Committee – Members Handbook

The Committee received a report which highlighted the reasons for issuing a revised members handbook.

A need had been identified to provide Audit Committee Members with ongoing training to support their role on the Audit Committee, therefore the Chief Internal Auditor had proposed to produce an Audit Committee Handbook. The document had been set up as the initial point of research for Members on Audit Committee matters and provided suggested questions in order that Members could explore various reports brought before the Audit Committee.

The first edition was produced and circulated to Audit Committee Members, the Leader and Deputy Leader of the Council, senior officers, and the External Auditors in February 2008 and was adopted in June 2008.

The document had subsequently been revisited and updated to reflect a revised risk management approach and Assurance Framework together with International Financial Reporting Standards.

Members commented on the excellent work undertaken on the Handbook and requested that a suggestion be fed back to the Scrutiny Team highlighting that it would be beneficial for each Scrutiny Committee to also have a handbook.

ACTION AGREED:

The Committee approved the adoption of the Audit Handbook (2nd Edition).

7. Internal Audit Charter

The Committee received a report which outlined the recent refreshed Internal Audit Charter.

An audit charter was a written statement of the purpose, authority, role, scope and principal responsibilities of an Internal Audit section. It was required because of the unique way in which such a section functioned. Internal Audit needed authority to act outside its own departmental boundaries, in all parts of the Council, so as to provide those charged with governance independent assurance over the control environment. This requirement cut across other hierarchical reporting lines.

This CIPFA Code of Practice specified the need for an Internal Audit Charter approved by those charged with governance. Of particular importance was the need for Internal Audit to be independent. It should have no operational responsibilities, and the Head of Internal Audit should have direct access and freedom to report in his own name, without fear or favour, to all officers and members and particularly those charged with governance. The status of the Internal Audit section, in terms of its reporting lines and the seniority of the Head of Internal Audit was a fundamental aspect of independence.

It was also important that the scope of Internal Audit was not unduly limited. It should cover the whole control environment comprising risk management, internal control and governance. It should also include all the Council's operations, systems, projects, resources, services and responsibilities in relation to other bodies.

The Internal Audit Charter also described certain audit protocols, to enable management to understand their responsibilities in the audit process and to ensure they were made aware of what they could expect from Internal Audit.

Members were advised that the Charter had been refreshed to reflect best practice and once approved, would be widely distributed across the Council.

Members were invited to comment on the revised Internal Audit Charter and the following issues and observations were highlighted:

- Members questioned whether the Internal Audit team had 'no responsibilities' as suggested in the section entitled 'Independence' in the Internal Audit Charter. The Chief Internal Auditor confirmed that there were no operational responsibilities within the Internal Audit Team. Other audit sections had previously had to administer such items as petty cash or controlled stationery, however this did not apply to the Internal Audit Team. Members were further advised that the Internal Audit Team previously delivered Risk Management, but this was no longer the case. Ongoing corporate support was also provided during the yearly Comprehensive Area Assessment.
- Members sought assurance as to whether the Internal Audit Team had sufficient resources. Members were informed that the resources were

based on the current structure in the team. More resources would be favourable if the risk profile of the council worsened in the future and a business case would be submitted in order to acquire these resources if necessary.

ACTION AGREED:

The Committee approved the terms of reference document for Internal Audit, known as the Internal Audit Charter.

8. Internal Audit – Quarterly Report 2009 / 2010 (To 31 December 2009)

The Committee received a report which highlighted Internal Audit performance and progress with regards to the 2009 / 2010 Audit Plan.

The report was comprised of two sections which included:

- Appendix A – Progress of Audit Plan 2009 / 2010 (To 30 September 2009)
- Appendix B – Audit Reports Issued in Quarter 3: Limited / No Assurance

The Chief Internal Auditor provided the Committee with an overview of the report and highlighted the main areas of concern and the progress made against the Plan. The Committee was advised that the member of staff who had previously been off long term sick had now returned to work.

Members were further advised that at the request of the Committee the Executive Director of Operations and a Senior Property Surveyor were present to answer questions relating to the governance problems experienced with the Jack Hunt pool refurbishments.

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

- Members sought further clarity as to the situation with the member of staff who had been off long term sick. Members were informed that the member of staff had returned to work in quarter 4 and was undergoing a phased return that would be complete at the beginning of April 2010. Members were further informed that the individual also had annual leave to take before the end of the financial year.
- A query was raised regarding the vacant post in Internal Audit, would this post be filled? Members were advised that there was a budget for the post and proposals for recruitment would be included in the Audit Plan.
- Members questioned the reason why the Internal Audit Team had decreased from 9.3 FTE to 7.1 FTE in 2008 / 2009, as stated in 'other performance matters' in the main report. Members were informed that there were currently 7.1 FTE in post, with one post vacant bringing the total to 8.1 FTE. There had also been voluntary redundancies in April 2009 which brought the total to 9.3 FTE.
- Members further questioned whether the Chief Internal Auditor was confident in the current level of resources available in the Internal Audit Team. The Chief Internal Auditor advised the Committee that the Audit

Plan would be covered by 8.1 FTE. Subsequently, if Internal Audit continued with 7.1 FTE all areas may not be covered.

- In Appendix A, Assurance Levels and Recommendations, Members positively commented on the full assurance level that had been achieved by Castor Primary School and questioned how often full assurance was achieved by a school? Members were advised that full assurance was very rare across the whole authority and not just through the schools.
- The Chair of the Audit Committee requested that a letter be written to Castor Primary School congratulating them on their full assurance level achievement. The Chief Internal Auditor confirmed that a letter would be drafted and forwarded to the Chair of the Audit Committee for approval before being sent to Castor Primary School.
- Members requested further explanation into the problems and errors that had been encountered regarding the refurbishment of Jack Hunt swimming pool. The pool had a no assurance level as highlighted in Appendix A, Assurance Levels and Recommendations. Members were advised that there had been numerous problems with the project. When the initial costs had been projected they fell below the £500,000 limit. Subsequently the project had been out for tender and quoted costs had come back higher than expected, taking the projected cost over the £500,000 limit. This then required a Cabinet Member Decision Notice (CMDN) which caused a substantial delay in proceedings. Members were further advised that in the first instance a repair budget should have been allocated for the refurbishment of the swimming pool. Lost opportunity costs had also been incurred due to the swimming pool not being open.
- Members questioned how much extra cost the Council would incur to complete the project. Members were advised that an estimated figure of £70,000 would be incurred to complete the project.
- Further clarity was sought as to the problems incurred with the production of the CMDN. Members were informed that there had been time delays in the production of the CMDN and there had been issues with the line up of the appropriate budgets, however this issue had led to the production of the gateway programme which would ensure that in future all budgets were in place before a CMDN could be produced.
- Following on from the recent issue of a late payroll payment to members of staff at Peterborough City Council, Members questioned whether the software requirements had been met with regards to simplifying the payroll system, as highlighted in 'Report 6' of the Executive Summary. Members were advised that the software was due for installation and discussions had taken place with Serco.
- In 'Report 4' of the Executive Summary which highlighted issues with the Voyager School, Members questioned how a surplus balance in the region of £25,082 would be met by March 2011 when a significant budget deficit of £304,549 had been reported at the closure of the financial year 2008 / 2009. Members were advised that the staffing structure of the school was under review which would result in significant financial savings. There had also been an increased frequency of finance committee meetings in order to maintain effective financial control.

ACTION AGREED:

The Committee received the report and noted that:

- (1) The Chief Internal Auditor was of the opinion that based on the works conducted during the 9 months to 31 December 2009, internal control systems and governance arrangements remained generally sound; and
- (2) The progress made against the plan and the overall performance of the section.

9. Feedback and Update Report

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

Members had requested information on the arrangements that were in place for assets between Peterborough City Council and the Peterborough Urban Regeneration Company (Opportunity Peterborough). Members were advised that a response to the query raised at the last meeting regarding the Urban Regeneration Company had subsequently been provided and this response was included in the 'Record of Action Taken'.

Members had further requested whether or not management had ensured that the plan to perform a full Oracle Financials Disaster recovery test by October 2009 had been continued through to completion. The Head of Corporate Services had forwarded an email to the Committee in response to this query.

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

ACTION AGREED:

The Committee noted the Feedback and Update Report.

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

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

Members were advised that if they required any specific training needs they were to email the Chair of the Committee.

ACTION AGREED:

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

The meeting closed at 7.55 p.m.

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AUDIT COMMITTEE	AGENDA ITEM No. 4
29 MARCH 2010	PUBLIC REPORT

Cabinet Member responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member responsible:	Councillor M Dalton, Chair of Audit Committee	
Contact Officer(s):	John Harrison, Director of Strategic Resources Steven Pilsworth, Head of Strategic Finance Steve Crabtree, Chief Internal Auditor	☎ 452 398 ☎ 384 564 ☎ 384 557

EXTERNAL AUDIT: GRANT CLAIM CERTIFICATION WORK

RECOMMENDATIONS	
FROM : PricewaterhouseCoopers	Deadline date : N/A
1. The Committee is asked to receive, consider, and endorse the final report produced by External Audit in relation to the certification of grant claims and to consider the Committee's role in monitoring work on the certification of grant claims.	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee by the Council's s151 officer, being part of his statutory duties.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The External Auditor, currently PricewaterhouseCoopers (PwC), is now required to report to Members the outcome of work to certify claims and returns made by the Council. This is in accordance with the Committees' Terms of Reference 2.8.1.5 ("*To consider the external auditors letter, relevant reports, and the report to those charged with governance*").

3. TIMESCALE

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

- 4.1 During the year, PwC have undertaken various certifications of claims and returns on behalf of the authority. The attached report (**Appendix A**) is the Annual Report on this work. It summaries the findings and makes recommendations for improvements to the Council's systems and procedures in this area.
- 4.2 Excluding works on the European Regional Development Fund, 7 claims were certified in the year, of which, 4 were qualified although none were amended.

5. CONSULTATION

The report has been discussed, and action agreed by senior management before being finalised.

6 ANTICIPATED OUTCOMES

Acknowledgement of the works undertaken by External Audit and to endorse the Action Plan they have produced in consultation with senior management to improve future processes.

7 REASONS FOR RECOMMENDATIONS

The report provides details for improvements in the processes and an effective action plan to ensure future improvement. Audit Committee to note the contents of the report and to comment on issues identified.

8 ALTERNATIVE OPTIONS CONSIDERED

None.

9 IMPLICATIONS

Implications have been identified separately in the agreed Action Plan.

10 BACKGROUND DOCUMENTS

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

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 Peterborough City Council
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March 2010

Ladies and Gentlemen

Annual Certification Report

We are pleased to present our first Annual Certification Report summarising the results of our 2008/09 certification work. We look forward to presenting it to members on 29 March 2010.

The purpose of this report is to provide a high level overview of the results of certification work we have undertaken at Peterborough City Council between January 2009 and February 2010 that is accessible for members and other interested stakeholders.

We consider the results of certification work when performing other Code of Audit Practice work at the Authority, including for our conclusions on the financial statements, use of resources, data quality, and financial management.

Scope of work

Grant-paying bodies pay billions of pounds in grants and subsidies each year to local authorities and often require certification, by an appropriately qualified auditor, of the claims and returns submitted to them.

Certification work is not an audit but a different kind of assurance engagement. This involves applying prescribed tests, which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

The Audit Commission is required by law to make certification arrangements for grant paying bodies when requested to do so and sets thresholds for claim and return certification, as well as the prescribed tests which we as local government appointed auditors must undertake. PricewaterhouseCoopers certifies claims and returns as they arise throughout the year to meet the audited claim/return submission deadlines set by grant paying bodies, in accordance with our role as appointed auditors to the Council.

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

In April 2008 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The

purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Results of Certification work

During the period June 2009 to February 2010 we certified 7 claims and returns, not including European Regional Development Fund (ERDF) grants, which we discuss below. Of these, 4 were qualified although none were amended. We note that the qualifications on these claims were generally minor in nature or did not result in the amount of grant payable to the Council decreasing. Indeed, our qualification of the Housing and Council Tax Benefits grant claim identified that the amount of grant payable to the Council was £16,209 higher following our certification work.

The Council continues to monitor grant income centrally in Strategic Finance. A quality review arrangement also exists that provides a check on grant claims before they are submitted to us for audit. These arrangements ensure that the grant claim certification process at the Council is efficient; there were no significant issues in the 7 claims and returns noted above.

The comments in the rest of this report concerning ERDF grants should be set in the context of a process, described above, that from an audit perspective is generally robust.

We experienced some significant issues in the certification of ERDF grant claims. These are historic projects relating to the period 2000-2008. The certification work undertaken on the majority of these grants was limited to agreeing the income and expenditure figures in the claims to underlying records, but this proved onerous due to poor audit trails.

We certified twenty ERDF grants in the period January 2009 to March 2010 in relation to the 2007/08 and 2008/09 financial years (8 were qualified).

All deadlines for submission of audited claims/returns were met with the exception of the majority of the ERDF grants, where deadlines for the submission of claims to us to audit were consistently not met by the Council.

Fees for certification work are summarised in Appendix A.

The risks of not addressing the issues we noted in our grant claim certification work and our recommendations for improvement are set out in the table below.

	Claim/Return	Issue	Risk to the Authority	Recommendation
1	European Regional Development Fund ("ERDF") Grants	Poor audit trails to support the entries in the claim forms to underlying records. Late submission of	The Council took steps to resolve these historic issues and an ERDF steering group was in place since last year to ensure that the grant claims were made available for audit in time to meet Central Government's final deadline of March 3 rd 2010.	While we note that the issues relating to the ERDF grant claims were historic, we emphasise that projects in receipt of grant monies on the scale of ERDF should be subject to strict internal controls and robust governance arrangements.

		grant claims to the auditor.	Central Government has undertaken more detailed audit work on the ERDF grant claims and there is a risk of significant claw back of grant monies from the Council.	
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We have agreed an action plan with management to address this issue (see Appendix B).

Yours faithfully

Pricewaterhouse Coopers LLP

DRAFT

Appendix A: Certification Fees

The certification fees for each claim are set out below. An asterisk indicates that the claim was qualified:

Claim/Return	2008/09 Fee (£)	2007/08 Fee (£)
Housing and Council Tax Benefits	19,000 *	17,500
Sure Start	5,000	5,000
Disabled Facilities	2,500	2,500
East of England Development Agency – Peterborough Regional Partnership	3,250 *	-
East of England Development Agency	3,750 *	3,750
Teacher’s Pension Return	5,000 *	4,500 *
National Non Domestic Rates return	6,000	8,000 *
ERDF Grants (20 grant claims split across both years)	30,500 *	31,250 *
“Connexions” Partnerships	-	4,500
Total	75,000	77,000

These fees are based on current authority performance and arrangements for certification. It may be possible to reduce fees should the authority improve its performance by:

- improving accuracy of claims submitted for audit; and
- improving working papers and quality of evidence available to support the claim.

These issues were especially pronounced in ERDF grants submitted to us for audit. Furthermore the Council has incurred additional costs on these audits by, for example, requiring that auditors come to the Council to audit claims that are not actually ready for audit.

As the ERDF programme has now finished, the opportunity for the Council to reduce fees further, in this regard, is marginal.

We are happy to discuss how we may assist further with your improvement.

Appendix B: Management Action Plan

	Claim/Return	Issue	Recommendation	Management Response	Responsibility/Implementation date
1	ERDF	<p>Poor audit trails to support the entries in the claim forms to underlying records.</p> <p>Late submission of grant claims to the auditor.</p>	<p>While we note that the issues relating to the ERDF grant claims were historic, we emphasise that projects in receipt of grant monies on the scale of ERDF should be subject to strict internal controls and robust governance arrangements.</p>	<p>Management recognise the weaknesses that were inherent in the ERDF grant claims due to their historic nature. While the current grant monitoring system is robust, a new proposal for a 'end-to-end' grant process has been developed. It is the Council's aim to build upon the current process in the 2010/11 financial year. This process will increase the accountability of the lead officer responsible for the grant in the service directorate, with the corporate team providing quality assurance.</p> <p>This new way of working has been developed with the issues highlighted by the ERDF grant claims in mind. They will ensure that controls are in place from the start of the grant project.</p>	<p>Steven Pilsworth and Lead Grant Officers in the services</p> <p>From: April 2010</p>

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AUDIT COMMITTEE	AGENDA ITEM No. 5
29 MARCH 2010	PUBLIC REPORT

Cabinet Member responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member responsible:	Councillor M Dalton, Chair of Audit Committee	
Contact Officer(s):	Stuart Hamilton, Resilience Services Manager	☎ 207207

RISK MANAGEMENT AND BUSINESS CONTINUITY

RECOMMENDATIONS	
FROM : Stuart Hamilton, Resilience Services Manager	Deadline date : N/A
1. The Committee is asked to receive, consider, and endorse the revised risk management strategy.	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Audit Committee as a routine planned report on risk management in accordance with the agreed committee work programme.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to provide an update to the Committee on the council's risk management strategy.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. RISK MANAGEMENT REVIEW

- 4.1 The Audit Committee received and agreed the new Risk Management and Business Continuity Policy on 7 September 2009 and accepted their role within it, of: "monitoring and supporting the council's risk management arrangements".
- 4.2 The Strategic Risk Register is in the process of being reviewed, in conjunction with Directors and Strategic Improvement. A full update on current strategic risks should be available in June.

- 4.3 The strategy has been reviewed and updated to reflect progress and practical changes. The latest version is in the Audit Committee Handbook (issued in Audit Committee papers 8 February 2010). Key changes are as follows:
- Revised self-assessment scores and new target scores.
 - Change in risk matrix review periods from 1, 3 and 12 months to 3, 6 and 12 months. It is felt that a 1 month review date is impracticable: in the event of a significant risk, a 1 month (or less) review date can be imposed if necessary.
- 4.4 Operational risk assessment process has assisted the review and update of the business continuity plans. It is also providing a useful profile of areas of high risk, which can be escalated to the strategic registers where necessary.
- 4.5 Key Ongoing issues for 2010 are:
- Completion of operational risk profile;
 - Revision of Service and Corporate Business Continuity plans;
 - Review of Strategic (corporate) risk register;
 - Coordination of Strategic and Departmental risk registers;
 - Regular risk “conversations” within and between services at all levels;
 - Updates on Insite, web and E-Learning;
 - Strategic issues e.g. introducing and embedding RM / BCM into procurement processes; induction briefings; business plans etc

5. ANTICIPATED OUTCOMES

Audit Committee note and comment on the revised strategy

6. REASONS FOR RECOMMENDATIONS

Risk management is a key component of the council’s corporate governance framework which will take time to review and embed effectively.

7. ALTERNATIVE OPTIONS CONSIDERED

None

8. IMPLICATIONS

The identification of risks and the proper management of those risks will ensure that:

- the council’s environmental policies and ambitions can be met;
- the council is able to mitigate against potential financial losses, litigation claims and reputational damage; and
- the council is able to effectively deliver the strategic priorities.

BACKGROUND DOCUMENTS

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

Peterborough City Council Risk Management and Business Continuity Policy and Strategy.

AUDIT COMMITTEE	AGENDA ITEM No. 6
29 MARCH 2010	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

ASSURANCE FRAMEWORK

RECOMMENDATIONS	
FROM : John Harrison, Executive Director: Strategic Resources	Deadline date : N/A
1. The Committee is asked to receive, scrutinise and approve the revised Assurance Framework	

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

- 2.1 The report is to inform members of the Assurance Framework (AF) which is an initiative designed to further consolidate the Council's Risk Management framework. The AF is laid out in sections according to the objectives / priorities specified in the Sustainable Community Strategy. It is also intrinsically linked with the Annual Governance Statement (AGS).

3. TIMESCALE

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

- 4.1 The Council's AF provides a simple but comprehensive method to implement effective and focused management on obtaining assurance relating to the achievement of key council priorities, its Partners, and Stakeholders, and the inherent risks to achieving this.

- 4.2 The Framework provides a structure and reporting process which will assist the Audit Committee carry out its duties of:

- a) Considering the effectiveness of the Council risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
- b) Seeking assurances that action is being taken on risk related issues identified by Auditors and Inspectors;
- c) Seeking assurance that action has been taken to implement the recommendations arising from the findings of significant audit work; and

- d) Ensuring that the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it. This helps facilitate effective performance management by simplified reporting and enables prioritisation of actions to maximise opportunities and ensure effective management of risks.

4.3 The Framework was submitted and approved at Audit Committee on 30 March 2009 and an update provided in the November committee cycle.

5. CURRENT POSITION

5.1 The key priorities and key risks where assurance is required has been identified from the Strategic Risk Register, the Annual Governance Statement, together with the Assurance Framework. The sources of assurance have been obtained from internal and external sources. Internal sources included Directors and Heads of Service self assessments, committee and scrutiny panel reports together with Internal Audit work. External sources of assurance have been obtained from External Audit activity and Inspection reports.

5.2 The Framework references the documented evidence that identifies the key risks areas, the current position of these and the actions being implemented, and the mechanisms for reporting on progress. 62 areas of assurance have been sought from across the Council, which covers all service areas and activities (full details reported 2 November 2009). Subject to the availability of information, an assessment has been made against these activity areas, these being **FULL** Assurance, **MODERATE** Assurance or **MORE WORK REQUIRED**. Current levels show that of the 62 areas, the profile is:

Assurance Level	October 2009	March 2010
Full	12	13
Moderate	48	48
Further Work Required	2	1
	62	62

5.3 Summary information on each activity is recorded on **Appendix A**. There have been a number of changes / improvements to the control / assurance environment, particularly around governance arrangements and the credit crunch.

5.4 The Framework is not a static document, and will be updated throughout the year as the needs and assurances across Peterborough change. A further update will be submitted to Audit Committee in November 2010, in accordance with the Work Programme.

6. CONSULTATION

The Framework has been compiled after discussions with Risk Management, together with analysis of committee reports, internal and external audit reviews and other council publications. It has been circulated to senior management for comment and observation.

7. ANTICIPATED OUTCOMES

Inform Audit Committee of the processes in place to mitigate risks for the delivery of the council's objectives.

8. REASONS FOR RECOMMENDATIONS

In accordance with best practice, Audit Committee is expected to be informed in the preparation of, and monitoring against the Annual Governance Statement.

9. ALTERNATIVE OPTIONS CONSIDERED

None

10. IMPLICATIONS

None

BACKGROUND DOCUMENTS

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

Accounts and Audit Regulations
Comprehensive Area Assessment
Audit Committee papers

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ASSURANCE FRAMEWORK: SUMMARY (SIX MONTH REFRESH)

Assurance Activity	Assurance Framework Assessment					
	At October 2009				At March 2010	
	AF No.	Full Assurance	Moderate Assurance	Further Work Required	Current Status	Commentary
COUNCIL WIDE						
Staff capacity and skills	01		X		Same	Additional mechanisms identified within period. External appraisal was not part of CAA in 2009. Next assessment underway - data has been provided to PwC and workshops currently being undertaken. Revised performance reviews being rolled out during March 2010.
Staff retention in key areas	02		X		Same	Considerable works undertaken to improve in period. Impact of recession may have lessened degree of turnover.
Financial considerations with 3 rd party funded schemes	03	X			Same	Ongoing assurance mechanisms in place.
Local Area Agreements	05		X		Same	Development of protocols for data collection and accuracy
Partnership working with PCT	06	X			Same	Governance arrangements clearly defined and reviewed periodically
Delivery Master Plan	07		X		Same	Impact of credit crunch on ongoing major capital works to be regularly evaluated. Revised structures established in Chief Executive directorate to take forward.
Flu pandemic or other major illness	08	X			Same	Coordinated response in place. Effectively managed during 2009. Number of lessons learnt which have been built into future needs.
Business continuity and community resilience	09		X		Same	Ongoing testing to ensure compliant. Joint risk management and business continuity strategy now in place. Need to continue to develop links with risk management. Further detailed testing established and monitored.

ASSURANCE FRAMEWORK: SUMMARY (SIX MONTH REFRESH)

Assurance Activity	Assurance Framework Assessment					
	At October 2009				At March 2010	
	AF No.	Full Assurance	Moderate Assurance	Further Work Required	Current Status	Commentary
COUNCIL WIDE (continued)						
Investing to save bids	10		X		Same	Impact of potential changes to government funding could have material effect on future plans Current schemes fully financed.
Governance arrangements	11		X		↑	Toolkit established for partnerships. Strategic Governance Board created and separate task/finish groups in place - for example - Information Governance Group to review all IT policies.
Credit crunch	12			X	↑	Impact incorporated into MTFS review. Ongoing budget monitoring reports. Potential benefit levels increased and call on "needy" services.
Special purpose vehicles / shared services	13		X		Same	ICT contract established. Ongoing development of Manor Drive brand and contact with other organisations.
DEPUTY CHIEF EXECUTIVE						
Diversity agenda	14		X		Same	Ongoing monitoring against policy
Disability agenda	15		X		Same	Regular update / refresh of Asset Management Plans and reporting. Review of access to council owned buildings.
Harmonisation process	16	X			Same	Agreement reached with all unions. Robust challenge in place. Fully implemented.
CHIEF EXECUTIVE						
Community cohesion and engagement	17		X		Same	Working arrangements / protocols being embedded.

ASSURANCE FRAMEWORK: SUMMARY (SIX MONTH REFRESH)

Assurance Activity	Assurance Framework Assessment					
	At October 2009				At March 2010	
	AF No.	Full Assurance	Moderate Assurance	Further Work Required	Current Status	Commentary
CHILDRENS SERVICES						
Schools Phase 2 and Building Schools for the Future	18		X		Same	Strategies for Change documents established and expressions of interest in future works Technology arrangements under review.
Improvement in educational standards - Key Stage 1, 2	19		X		Same	Improved results August 2009.
Improvement in educational standards - Key Stage 3, 4	20		X		Same	Improved results August 2009.
Children staying safe / child protection	21		X		Same	National high profile cases have increase vigilance and reviews of service provision
Teenage conception rates	22		X		Same	Targets met within LPSA. Ongoing monitoring to look for further improvements.
Integrated services for children with disability	23		X		Same	Tracking arrangements in place
Children's Trust	24		X		Same	Formal arrangements established
Workforce development	25	X			Same	Development plans agreed and introduced
Integrated front line service delivery	27		X		Same	Zero based budget across directorate and business process reengineering introduced.
Equality and diversity	28		X		Same	Monitoring in place and regularly reported
Children Services national indicators (Adult Learning)	29		X		Same	Targets monitored and progress made
CITY SERVICES						
Arms Length Management Organisation	31		X		Same	Expressions of interest being received. Option appraisals to be scrutinised.

ASSURANCE FRAMEWORK: SUMMARY (SIX MONTH REFRESH)

Assurance Activity	Assurance Framework Assessment					
	At October 2009				At March 2010	
	AF No.	Full Assurance	Moderate Assurance	Further Work Required	Current Status	Commentary
OPERATIONS						
Highways infrastructure conditions	32		X		Same	Ongoing revision of Local Transport Plans and reviews of roads
Environmental capital aspirations	33		X		Same	Carbon emission developments and home insulation studies in place
Climate change	34		X		Same	Good practice in place however need to engage with partners to ensure reductions
PCT						
Social demographic change	35		X		Same	Service demands / needs regularly monitored. Impact on budgets.
STRATEGIC RESOURCES						
Financial management strategy	36		X		Same	Potential Central Government imposed reduction in grants needs to be fully reflected in future MTFS Prudent assumptions made in latest MTFS.
Procurement	37		X		Same	Business transformation programme ongoing and further efficiencies and economies of scale to be explored DECATS project established.
Comprehensive Area Assessment	38		X		Same	2009 review complete - assessment score 3. Action plan developed to address issues 2010 assessment in train.
Estate utilisation	39			X	Same	Impact on capital programme to be re-evaluated should recession continue longer than forecast. Economic downturn restricted any surplus asset disposals.
Waste management and recycling	40		X		Same	Ambitious targets to be regularly monitored. Other service mechanisms to be explored Shortlisted for national award.

ASSURANCE FRAMEWORK: SUMMARY (SIX MONTH REFRESH)

Assurance Activity	Assurance Framework Assessment					
	At October 2009				At March 2010	
	AF No.	Full Assurance	Moderate Assurance	Further Work Required	Current Status	Commentary
STRATEGIC RESOURCES (continued)						
Democratic processes	41	X			Same	Ongoing development Regular review of constitution and scrutiny arrangements.
Corporate manslaughter	42	X			Same	Regular refresh through CMT
Investments	43	X			Same	Policy reviewed in light of Icelandic Bank situation. Robust arrangements currently in place. Best practice introduced and Treasury Management Strategy will be taken through Audit Committee annually.
RISKS MITIGATED/ DELETED AT FEBRUARY 2009						
04	Growth (combined with AF.07)					
26	Children Services change programme (combined)					
30	Maintaining services (deleted)					

ASSURANCE FRAMEWORK: SUMMARY (SIX MONTH REFRESH)

Assurance Activity	Assurance Framework Assessment					
	At October 2009				At March 2010	
	AF No.	Full Assurance	Moderate Assurance	Further Work Required	Current Status	Commentary
OTHER ASSURANCES REQUIRED						
Vision and outcomes	44	X			Same	Refreshed through review of Sustainable Community Strategy and considered as part of Annual Governance Statement
Working protocols	45	X			Same	Assessed as part of Annual Governance Statement / Corporate Governance reviews
Value promotion	46		X		Same	Assessed as part of Annual Governance Statement / Corporate Governance reviews
Transparent decisions	47		X		Same	Assessed as part of Annual Governance Statement / Corporate Governance reviews Separate survey commissioned of Chair / Vice Chairs of all Committees as part of the AGS review.
Member capacity and capability	48		X		Same	Assessed as part of Annual Governance Statement / Corporate Governance reviews Separate survey commissioned of Chair / Vice Chairs of all Committees as part of the AGS review.
Local engagement	49		X		Same	Assessed as part of Annual Governance Statement / Corporate Governance reviews Separate survey commissioned of Chair / Vice Chairs of all Committees as part of the AGS review.
Statutory obligations	50		X		Same	Assessed as part of Annual Governance Statement / Corporate Governance reviews
Corporate objectives	51	X			Same	Assessed as part of Annual Governance Statement / Corporate Governance reviews
Corporate Governance	52		X		Same	Assessed as part of Annual Governance Statement / Corporate Governance reviews Separate survey commissioned of Executive Directors as part of the AGS review.

ASSURANCE FRAMEWORK: SUMMARY (SIX MONTH REFRESH)

Assurance Activity	Assurance Framework Assessment					
	At October 2009				At March 2010	
	AF No.	Full Assurance	Moderate Assurance	Further Work Required	Current Status	Commentary
OTHER ASSURANCES REQUIRED (continued)						
Performance management	53		X		Same	Assessed as part of Annual Governance Statement / Corporate Governance reviews
Risk to objectives	54		X		Same	Assessed as part of Annual Governance Statement / Corporate Governance reviews
Controls to manage risk	55		X		Same	Assessed as part of Annual Governance Statement / Corporate Governance reviews
Control effectiveness	56		X		Same	Assessed as part of Annual Governance Statement / Corporate Governance reviews
Governance effectiveness	57		X		Same	Assessed as part of Annual Governance Statement / Corporate Governance reviews
Management of PFI	58		X		Same	Regular liaison between Strategic Finance and PricewaterhouseCoopers to ensure correct treatment in accounts
Safeguarding electronic data	59		X		Same	Improved arrangements following on from becoming Government Connect compliant Information Governance review in place, as covering Freedom of Information and Retention arrangements.
Data quality	60		X		Same	Regular data quality reviews to be commissioned to ensure compliance / improvement
Implementation of Audit recommendations	61		X		Same	Disclosure of any non-compliance at Audit Committee meetings. Potential to call to account.
New ways of working	62		X		Same	Ongoing roll out of Manor Drive initiative
Customer satisfaction	63	X			Same	Ongoing surveys and polls (internal and external customers)

ASSURANCE FRAMEWORK: SUMMARY (SIX MONTH REFRESH)

Assurance Activity	Assurance Framework Assessment					
	At October 2009			At March 2010		
	AF No.	Full Assurance	Moderate Assurance	Further Work Required	Current Status	Commentary
OTHER ASSURANCES REQUIRED (CONTINUED)						
Housing strategy	64		X		Same	Partnership working with Cross Keys Homes
Safe recruitment	65		X		Same	Refresh of policies in relation to CRB checks

AUDIT COMMITTEE	AGENDA ITEM No. 7
29 MARCH 2010	PUBLIC REPORT

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

ANNUAL GOVERNANCE STATEMENT

RECOMMENDATIONS	
FROM : John Harrison, Executive Director Strategic Resources	Deadline date : N/A
1. The Committee is asked to note the proposed process for the Annual Governance Statement 2009/2010 encompassing Executive Director's Assurance Statements and Members' Assurance Questionnaires.	

1. ORIGIN OF REPORT

The report is presented to the Audit Committee in accordance with its work programme.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The Committee needs to review the corporate governance arrangements of the Council and annually review its Governance Statement.
- 2.2 This report set out the background to the Annual Governance Statement and the process to be followed to compile this years. An update was previously provided to the Committee on 2 November 2009 on progress against the previous Action Plan.

3. TIMESCALE

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

- 4.1 Authorities are required to put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and arrangements for the management of risk. The arrangements should enable the organisation to respond appropriately to significant business, operational, financial compliance and other risks, so that it can achieve its objectives.
- 4.2 Governance is about how organisations ensure that they do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Governance comprises the systems, processes, culture, and values by which organisations are directed and controlled and through which they account to, engage with and lead their communities. Governance concerns everybody and covers the whole authority.

- 4.3 Each authority is required to publish an Annual Governance Statement, describing its governance arrangements and encompassing such items as the policies, procedures, tasks, behaviours and other aspects of the organisation that together facilitate its operation.
- 4.4 A Statement of Corporate Governance assists in providing the Council with the assurance that proper arrangements are in place to ensure that the Council's business is conducted in accordance with the law, proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.
- 4.5 The requirement arises from reports on corporate governance including the Cadbury, Nolan and Turnbull reports and is required by regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, which require that a review of arrangements be conducted, and that they be submitted to a committee of Members once a year.
- 4.6 The Code of Corporate Governance was adopted by our Council through this Committee on 31 March 2008. The Code is based on the framework produced by CIPFA / SOLACE, which were taken from the Good Governance Standard developed by the independent Commission on Good Governance in Public Services with support from the Office for Public Management (OPM), CIPFA and the Joseph Rowntree Trust.
- 4.7 The Code has 6 core principles:
- Focusing on the purpose of the authority and outcomes for the community and creating and implementing a vision for the local area;
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risks;
 - Developing the capacity and capability of Members and officers to be effective; and
 - Engaging with local people and other stakeholders to ensure robust public accountability
- 4.8 The Code requires Councils to:
- Review their existing governance arrangements;
 - Develop and maintain an up to date local code including arrangements for ensuring its ongoing application and effectiveness; and
 - Prepare a governance statement in order to report publicly on the extent to which they comply with their own Code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and any planned changes for the forthcoming year.
- 4.9 The Annual Governance Statement is a key corporate document describing the Council's control framework, the process for evaluating business risk and the procedures and processes applied to manage those risks. It is the culmination of the Authority's continuous review of its systems, policies and procedures and the process of compiling it is more important than the document itself.
- 4.10 Of course, no system of review can give full assurance that all risks have been minimised and all controls have been operating effectively throughout the year, only reasonable assurance can be given.

5. PROCESS TO BE FOLLOWED FOR THE REVIEW OF 2009/2010

- 5.1 Coordination is driven through the Strategic Governance Board - as reported to members on 2 November 2009. The Board is made up of various key officers within the authority, chaired by the Solicitor to the Council, along with the Cabinet Member for Resources and Chairs of Audit Committee and Standards Board.
- 5.2 Last year we required all Directors and Heads of Service to complete an Assurance Statement, and this year we are amending this to Executive Directors, who will complete one on behalf of all of their services. The expectation is that they will undertake this together with their managers as a team exercise. This is simpler and enables the development of mutual support and the spread of best practice. The Statement they will need to complete has been updated to reflect current circumstances and the guidance for managers is attached at **Appendix A**.
- 5.3 We are also to ask Members to complete a questionnaire which seeks their views on key governance arrangements. The questionnaire is included at **Appendix B** and is focussed on a number of key governance areas. In order to test out the approach, and to keep the process manageable (given that we have 57 Members) in the first instance the focus will be on Chairs / Vice Chairs of all Committees to complete the document. Cabinet has been excluded from this initial survey as Executive Members have on balance an opportunity to influence arrangements more than other Members.
- 5.4 The Assurance Statements from Directors and the completed questionnaires from Members will then be summarised and the actions for improvements for next year will be compiled as part of the Annual Governance Statement.
- 5.5 In order to draft the Annual Statement, a variety of evidence will be used as documented in the Audit Committee Handbook.
- 5.6 In compiling the Statement for 2009/2010 we will also take on board the feedback we received from PricewaterhouseCoopers who as our external auditors reviewed out last Statement. We have also contacted Councils who have identified good practice so that we can learn from others to improve our own.

6. CONSULTATION

The questionnaires have been circulated to Solicitor to the Council for comment and approval.

7. ANTICIPATED OUTCOMES

Inform Audit Committee of the processes in place to mitigate risks for the delivery of the council's objectives.

8 REASONS FOR RECOMMENDATIONS

In accordance with best practice.

9. ALTERNATIVE OPTIONS CONSIDERED

None.

10. IMPLICATIONS

Financial:

There is a cost to ensuring good governance, but these are included in the costs of leadership and management. The streamlining of the Managers' assurance statements should assist in keeping the cost of the process down, as will the selection of Members to complete the Members' questionnaire.

Strategic Objectives:

Good governance is a key part of ensuring the delivery of the Strategic Plan.

Legal:

By not reviewing the governance arrangements would result in non-compliance with the Accounts & Audit regulations and the failure to include an Annual Governance Statement for inclusion in the Statement of Accounts. Regular reviews of the action plan have been established to ensure full compliance with Code of Practice and timescales appropriately monitored to deliver.

BACKGROUND DOCUMENTS

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

Reports to Audit Committee

Annual Governance Statement 2008/2009.

TO HELP YOU

APPENDIX A

This note is to help to ensure a clear understanding of the purpose of a Director's Assurance Statement and what's required. This Statement will be used to draw up actions to improve our governance arrangements across the Council. In the last 4 years we've required each manager to draw up their Assurance Statement. This year we are streamlining the process by having one for all of the services within each Directorate. You should draw the Statement up with your team. This will enable the development of mutual support and share learning and good practice.

A REMINDER.....WHY THIS IS IMPORTANT.....

Governance is about how local government bodies ensure that they do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Governance comprises the systems, processes, culture, and values by which local government bodies are directed and controlled and through which they account to, engage with and lead their communities. Governance concerns everybody and covers the whole authority.

Each authority is required to publish an Annual Governance Statement, describing its governance arrangements and encompassing such items as the policies, procedures, tasks, behaviours and other aspects of the organisation that together facilitate its operation. The Annual Governance Statement is a key corporate document describing the Council's control framework, the process for evaluating business risk and the procedures and processes applied to manage those risks. It is the culmination of the Authority's continuous review of its systems, policies and procedures and the process of compiling it is more important than the document itself.

One of the sources of assurance for the Statement should come from Directors and managers responsible for the operation, management and monitoring of the controls within their sphere of responsibility. Each Executive Director should consider the areas of risk and control and state the level of assurance which can be provided for the operation of the relevant internal controls in 2009/2010 financial year. These Statements will be incorporated with other assurance sources (e.g. Internal / External audit opinions) into the corporate Annual Governance Statement. The purpose of this Statement is therefore your chance as Executive Director to review with your managers the systems, processes and behaviours that are operating within your services in the last year. It's a chance to take stock and identify where you need to tighten up.

There may be areas which you consider controls are not to the level to which you aspire, and therefore you will be signing the statement subject to these. The areas for development will be included as part of your planning for the coming year. Your Assurance Statement will be brought together with others to give an overall view of the adequacy of the control environment within the organisation. The final Annual Governance Statement is reviewed by external auditors as part of the Statement of Accounts, but will only reflect those areas where there is a material weakness or lack of control. The process of compiling the Governance Statement is more important than the Statement itself. Doing the Statement is not only good management practice and a requirement of evidencing good corporate governance, but it also demonstrates our compliance.

WHAT DOES SIGNING THE DOCUMENT MEAN?

Your Assurance Statement relates to fundamental management processes. Subject to those areas you have decided need to be improved, you would be stating that appropriate controls were in place. You're only expected to give reasonable assurance for your area of activity, not to totally guarantee that everything is perfect.

EXECUTIVE DIRECTORS / HEADS OF SERVICE ASSURANCE STATEMENT FOR 2009 / 2010

Statement made by:

Responsible for Service Areas/Functions:

AREA OF ASSURANCE		Compliant?		If YES-How is this demonstrated / evidenced to support this? If NO-describe the issue
		Yes	No	
1	<p>Controls are in place to ensure that the services can demonstrate compliance with legal requirements, including taking any necessary steps during the year to identify, evaluate, communicate, implement and monitor any legislative changes, specific to your service</p> <p>The services recognise the need to operate within the legal constraints and don't act unlawfully and make decisions based on principles of good administrative law - rationality, legality and fairness</p>			
2	<p>Controls are in place to ensure there is compliance with the Council's constitution, including schemes of delegation, Financial Regulations and Contract Regulations and effective action is taken where you find areas of non compliance</p>			
3	<p>There are processes in place to plan the delivery of and implement the plans for the priorities of the Strategic Plan, from Director to services</p>			
4	<p>There are processes in place to ensure that the Council's policies and procedures are operated within the services including health and safety, codes of conduct etc.</p>			
5	<p>There are processes in place to ensure that risks are identified and managed effectively</p>			
6	<p>There is effective service / business planning with resource planning, including adequate stakeholder involvement and customer feedback sought and acted upon as appropriate</p>			

EXECUTIVE DIRECTORS / HEADS OF SERVICE ASSURANCE STATEMENT FOR 2009 / 2010

AREA OF ASSURANCE		Compliant?		If YES-How is this demonstrated / evidenced to support this? If NO-describe the issue
		Yes	No	
7	There are effective performance management processes with accurate and adequate performance information generated, reported to relevant parties on a timely basis, with appropriate action taken to address performance issues			
8	There are well defined reporting arrangements to Members and senior management, including a clear reporting structure with adequate, accurate and timely information provided, to enable effective decision taking, including seeking appropriate professional advice on legal and financial matters			
9	<p>Management and staffing structures are clearly defined, responsibilities including job descriptions are clearly established and there is a workforce of adequate competence and number to deliver the service.</p> <p>New staff have been properly inducted, and have been introduced to the ambitions, focus and priorities of the Council, and understand their role as part of the team.</p> <p>Performance Development Reviews are conducted effectively and on time and the results provided to Human Resources to develop the corporate training needs analysis.</p> <p>Employees receive face to face briefings and team meetings are planned, well organised and effectively managed</p>			
10	Standards of conduct within the services are in accordance with written codes and controls are in place to deter, prevent, detect, and therefore reduce the risk, of fraud and corruption.			
11	There are effective financial planning and budgetary control procedures in place.			

EXECUTIVE DIRECTORS / HEADS OF SERVICE ASSURANCE STATEMENT FOR 2009 / 2010

AREA OF ASSURANCE		Compliant?		If YES-How is this demonstrated / evidenced to support this? If NO-describe the issue
		Yes	No	
12	All expenditure transactions by the services are properly authorised and properly and accurately recorded on a timely basis.			
13	The services can demonstrate that value for money in the use of resources has been pursued			
14	All income is properly collected, recorded, banked and monitored, with fees and charges etc. reviewed for appropriateness on a regular basis with levels properly approved			
15	Assets are adequately recorded and safeguarded to protect against loss or unauthorised use Inventories are properly maintained and stock is adequately recorded.			
16	Partnership arrangements are strategically justified, well founded, clearly defined and adequately monitored for effectiveness			
17	ICT systems used by the service are secure and satisfactory for their purpose and adequate business continuity arrangements are in place Information is appropriately secured			
18	Recommendations from relevant external Inspectorate or Internal Audit Reports are reviewed and acted upon			

EXECUTIVE DIRECTORS / HEADS OF SERVICE ASSURANCE STATEMENT FOR 2009 / 2010

AREA OF ASSURANCE		Compliant?		If YES-How is this demonstrated / evidenced to support this? If NO-describe the issue
		Yes	No	
19	Decisions are taken with due regard to insurance, health and safety, community safety, sustainability, human rights and other risk implications			
20	There are business / service continuity plans, which are subject to regular testing and review			

Action Planning

Those areas which I consider are not adequately controlled and the reasons for this view and risks involved are:-

Area Assurance	Area(s) for development	Proposed Action	Implementation by whom & date

Executive Director Statement:

I consider that to the best of my knowledge there were adequate controls in place in the functions/services for which I am responsible for the relevant risks / controls for the financial year 2009/2010.

This Assurance Statement has been drawn up with the managers for the service areas for which I am responsible and the statements made are to the best of my knowledge accurate.

I will support the managers in addressing any shortfall in assurance and will seek to improve the overall levels of control through balancing the strategic / operational priorities against the perceived risk.

SIGNED: Date.....

Next steps:

Please return this form to **Steve Crabtree, Chief Internal Auditor by 16th April 2010**, or sooner if you have it ready.

Tell Us!

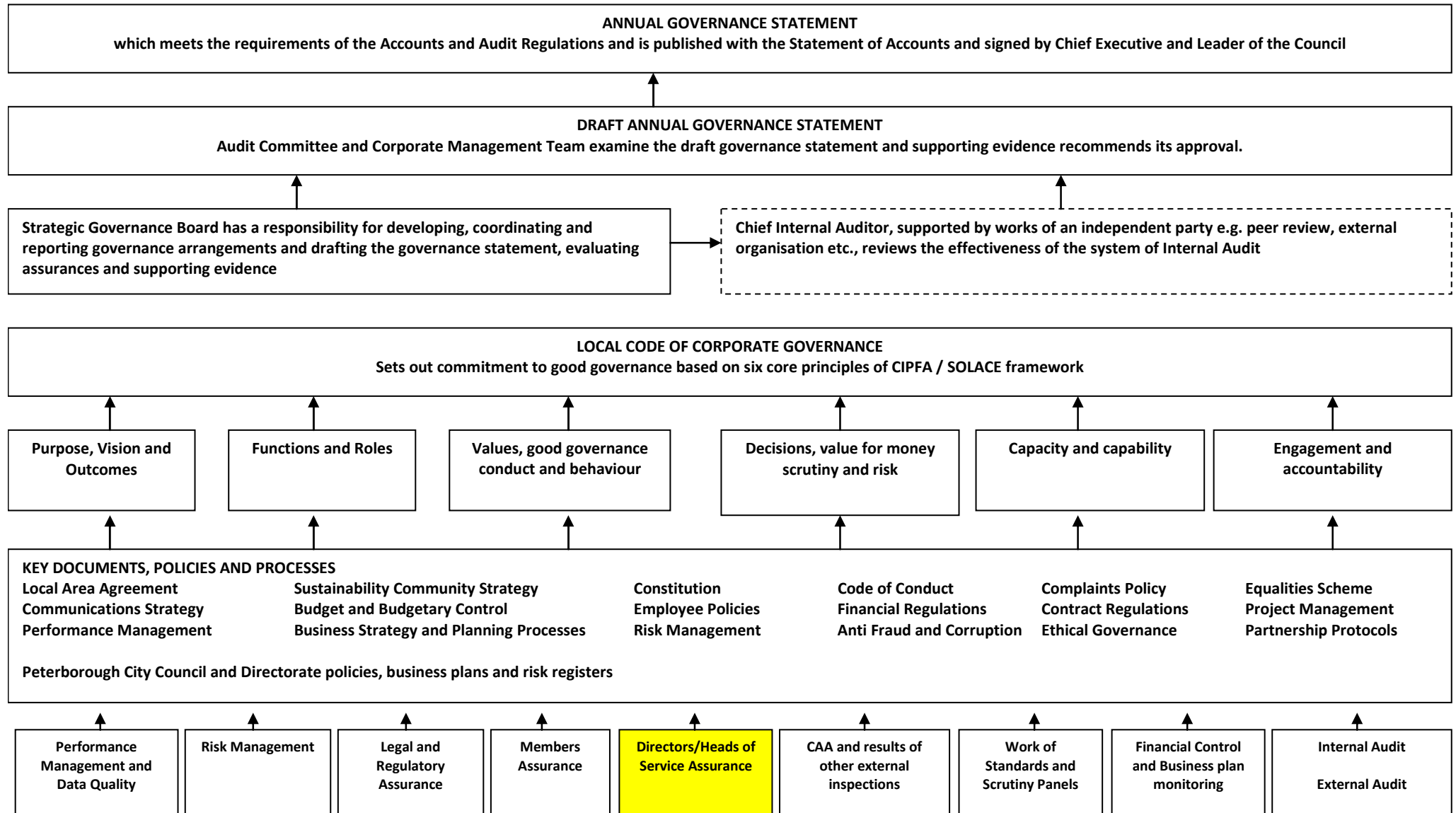
If you have any comments on the process, questions and the guidance then please do include them here, so that we can improve the process for next time.

My comments or suggestions for improvement are:-

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EXECUTIVE DIRECTORS / HEADS OF SERVICE ASSURANCE STATEMENT FOR 2009 / 2010

PETERBOROUGH CITY COUNCIL FRAMEWORK FOR THE ANNUAL GOVERNANCE STATEMENT



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GOVERNANCE ARRANGEMENTS

APPENDIX B

We need your help to assess the strength of our governance arrangements. Councils are required to put in place proper arrangements for the governance of its affairs. **Governance is about how local government bodies ensure that they do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.**

Governance comprises the systems, processes, culture, and values by which local government bodies are directed and controlled and through which they account to, engage with and lead their communities. Governance concerns everybody and covers the whole authority. Each authority is required to publish an Annual Governance Statement, describing its governance arrangements, encompassing such items as the policies, procedures, tasks, behaviours and other aspects of the organisation that together facilitate its operation. The Statement is a key corporate document. It's the culmination of the Authority's continuous review of its systems, policies and procedures. The process of compiling it is more important than the document itself.

HOW CAN YOU HELP?

As a Member led Council we need our elected Members to steer the improvement of our governance arrangements. We need to do this based on evidence. Key to our governance arrangements is effective decision making by Members, which should come from having a good understanding of the priorities and programme the Council has agreed and sound advice and information provided to them. But are the processes and procedures we have in place as good as they need to be? We want to test them by asking some elected Members to complete a questionnaire. We're asking Cabinet Members, Chairmen and Vice Chairmen of Committees and Leaders of Groups.

Because this is the first one, we want to keep it manageable and try out the questions. The completed questionnaires will be summarised and used as part of the evidence for the Annual Governance Statement. They'll be used alongside the Statements of Assurance we ask managers to provide. They have to sign to say they have reviewed all of the controls and are satisfied they are adequate to the task. They also have to identify areas for improvement and these are built into the planning for the forthcoming year.

We also draw on the opinions of external and internal audit and external inspectors, and quality marks we've been awarded as they're validations of policies and procedures in practice. The Statement is personally signed by the Leader of Council and the Chief Executive, and submitted to the Audit Committee before becoming part of the Statement of Accounts which is approved by full Council. Audit Committee oversee the process for reviewing our governance arrangements, so there is more information in the papers for their March 2010 meeting.

NEXT STEPS

We've kept the questionnaire short and focused on a few areas first time around. **Once you've filled it in you need to return it to Steve Crabtree, Chief Internal Auditor by 16th April 2010, although you can send it as soon as you've completed it.** We would welcome your views on the questions and areas of governance that you think we should focus on next time.

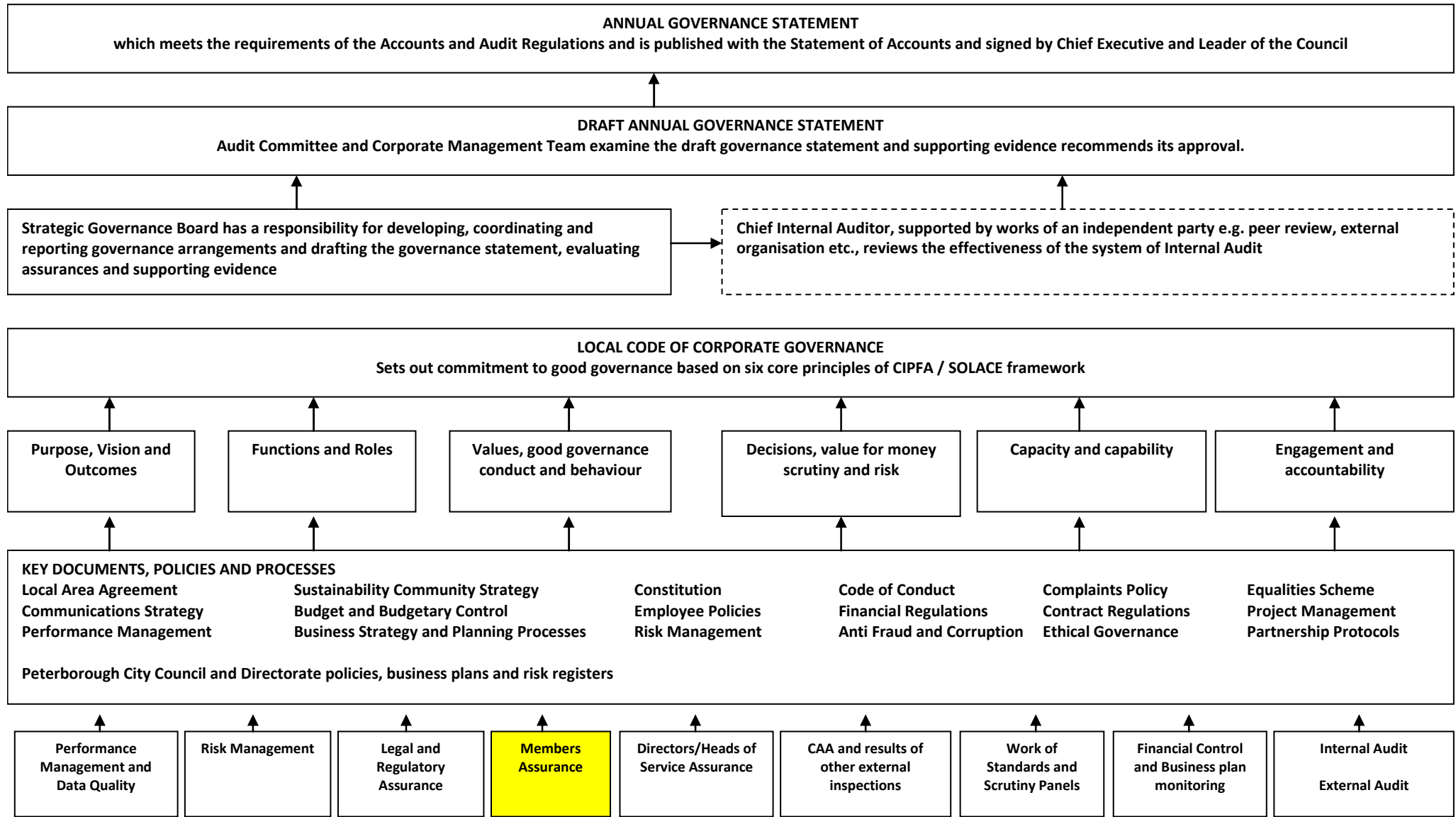
MEMBERS ASSURANCE QUESTIONNAIRE FOR 2009 / 2010

	Question	Documents/actions etc that support this	Not at all	A little	Sometimes	Frequently	Always
1	Are you clear about the overall aims and objectives of the authority?	Ambition, focus and priorities in our Strategic Plan					
2	Are you clear about your role as a Councillor?	Constitution – is it clear					
		As ward Councillor					
		In your particular role (Chair or Vice Chairman of a Committee) – are you supported adequately?					
		When you're carrying out the business of the Council on external bodies / partner organisation – are you briefed well enough, are there the right feed back opportunities?					
3	Does the Council support you as a Member in developing your abilities to be an effective Councillor?	Through the Members development programme?					
		Through advice and support from officers?					
		Through opportunities for training and development?					
4	As a Council do you think we listen to our community and partners?	In dealing with competing demands and priorities from different sections of the community?					
		Are results of consultation appropriately used to inform decisions?					
		Does the Council work well with partners to solve mutual problems?					
		Does the Council use and share evidence to shape what is done?					

MEMBERS ASSURANCE QUESTIONNAIRE FOR 2009 / 2010

5	If you feel that in certain areas that things need to be improved, what would this look like to you	
6	Any other comments?	

PETERBOROUGH CITY COUNCIL FRAMEWORK FOR THE ANNUAL GOVERNANCE STATEMENT



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AUDIT COMMITTEE	AGENDA ITEM No. 8
29 MARCH 2010	PUBLIC REPORT

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

INTERNAL AUDIT PLAN AND STRATEGY 2010 / 2011

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director: Resources	Deadline date : N/A
1. The Committee is asked to consider, endorse and comment where appropriate on the proposed Annual Internal Audit Strategy and Operational Plan for 2010 / 2011.	

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

The Terms of Reference for the Audit Committee (agreed at Full Council May 2006) set out the key roles of the Committee including the following "*consider and endorse the proposed Annual Internal Audit Plan*".

3. TIMESCALE

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

- 4.1 The Local Government Act 1972 details the need for an Internal Audit function in its requirement that authorities "make arrangements for the proper administration of their financial affairs". In England, the Accounts and Audit Regulations 2003 specifically require that an authority must "*maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control*".
- 4.2 Internal Audit is an integral part of probity and corporate governance. It operates as an **independent assurance function** designed to give an objective opinion to the Council on the control environment, comprising risk management, internal control and governance. It adds value to the Council by improving its operations and contributing to the proper, economic, efficient and effective use of resources.
- 4.3 The Audit Strategy (attached at **Appendix A**) documents the way in which Internal Audit intend to deliver the service and how we ensure that our work complies with the standards contained in the CIPFA Code of Practice for Internal Audit in Local Government in the UK

2006. In particular, it states how the work of Internal Audit will provide the assurances required for the production of the statutory Annual Governance Statement. We will achieve this by adopting a risk-based approach to our work; both at the level of annual planning and of individual audits, to ensure that the Council's key priorities, objectives and risks are targeted.

- 4.4 The Annual Operational Plan (attached at **Appendix B**) describes the individual audit reviews to be undertaken during the year. To determine the scope of the plan for 2010 / 2011 we have undertaken a systematic risk assessment of all auditable areas. This is informed by our review of the Strategic Risk Register (updated February 2009), Divisional Risk Registers, the Assurance Framework (updated March 2010), Director and Heads of Service consultation, council and government initiatives and the Medium Term Financial Strategy. We have also determined the work required to fulfill statutory s.151 responsibilities.
- 4.5 The plan shows the minimum amount of work that the Internal Audit service (IAS) has assessed should be undertaken after considering available resources. We have an establishment of 8.1 full time equivalent (fte) posts (a reduction of 0.2 from last year), 7.1 of which are currently filled. For further details of resources, please refer to **Appendix A**.
- 4.6 The plan for 2010 / 2011 is not a static document. The Chief Internal Auditor reserves the right to amend plans (in consultation with the s151 officer) in line with emerging risks and changing priorities as they occur throughout the year. Any major changes in the plan will be reported to those charged with governance and through to the Audit Committee on a periodic basis.
- 4.7 A summary is included below:

INTERNAL AUDIT: ANNUAL PLAN 2010 / 2011	
	Audit Days
Systems Activity	95
Annual Governance and Assurance Framework	175
Other Governance	180
Strategic and Operational Risks	231
Contract Audit / Partnerships / Project Management	85
External Work (inc. FMSiS, Grant Certification, Leisure Trust)	177
Corporate Support –	
• CIA Consultancy, Control Advice and Contingency	280
• Other Audit Support Activities	140
TOTAL PLANNED AUDIT DAYS	1363

5. CONSULTATION

The Internal Audit Plan has been compiled after consultation with Directors and Heads of Service. It has also been submitted to the External Auditors for their comments.

6 ANTICIPATED OUTCOMES

Approval of the Audit Strategy and Annual Plan 2010 / 2011 by Audit Committee.

7 REASONS FOR RECOMMENDATIONS

The Council is subject to the Accounts and Audit Regulations 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. The attached reports demonstrate how the audit service will be provided and how it will contribute to the Statement.

8 ALTERNATIVE OPTIONS CONSIDERED

The Internal Audit plan could be constructed on a cyclical basis, thus covering all areas of the Council over a period of time. This does not concord with current professional guidance and would not seek to target the limited resource available to areas of high risk. The alternative of not providing an Internal Audit service is not an option – see section 9 below.

9 IMPLICATIONS

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.

10 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 Regulations 2003

Local Government Act 1972

Audit Committee papers

Comprehensive Area Assessment

Risk Registers

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PETERBOROUGH CITY COUNCIL

INTERNAL AUDIT STRATEGY 2010 / 2011

1 Introduction

1.1 This document sets out the Internal Audit strategy, as required by The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (the Code). It is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council by:

- providing the Chief Executive, Section 151 Officer and Audit Committee with an overall opinion each year on the Council's control environment to support the Annual Governance Statement requirements;
- preparing audit plans that give suitable priority to the Council's objectives and key risks and concentrate resources on areas that have been identified as being the most vulnerable;
- providing suggested actions to line management at the conclusion of each piece of audit work that will assist in continuous service improvement and reduce the risks identified;
- identifying the audit resources required to deliver an audit service that meets required professional standards;
- providing regular reports to the Audit Committee; and
- complying with professional standards.

1.2 The strategy will be reviewed on an annual basis to ensure its continued relevance, both in terms of supporting the council's aims and in achieving a professional, modern audit service.

2 Regulatory Framework

2.1 There are legislative requirements that relate to the provision of an internal audit within local authorities, namely:

- The Local Government Act 1972 (s151) requires that "*every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs*". In Peterborough City Council the responsible financial officer is the Director of Strategic Resources and one of the ways he exercises his responsibility for financial administration is through the work of internal audit.
- The Accounts and Audit Regulations 2003 (s6, amended 2006), issued by the First Secretary of State under powers granted to him under Section 27 of the Audit Commission Act 1998, specify certain requirements for local authorities. In order to comply with these regulations the Council needs to maintain an adequate and effective system of internal control, in accordance with proper internal audit practices, these being set out in the CIPFA Code of Practice for Internal Audit in Local Government.

3 Professional Standards and Ethics

3.1 Chartered Institute of Public Finance and Accountancy (CIPFA)

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the primary public sector accountancy body in the United Kingdom. In 2006, CIPFA published a revised Code of Practice for Internal Audit in Local Government (CIPFA Code).

The Chief Internal Auditor shall ensure that the standards contained within the Code are applied to the work of the Internal Audit service. Any standards that cannot be complied with in full shall be discussed with the s151 Officer and agreement reached as to the alternatives to be accepted. Substantial differences shall be reported to the Audit Committee.

External Audit conduct a full review on the effectiveness of internal audit every three years which is reported to Audit Committee. A periodic self-assessment will be conducted by Internal Audit during the intervening period to ensure continuing compliance with the Code.

The Audit Charter describes how Internal Audit complies with the Code provisions. It sets out Internal Audit's terms of reference, its scope of work, the standards and protocols by which it operates, and how it derives its authority and independence. The Audit Charter was updated in January 2010 and approved by Audit Committee in February 2010. This continues to be relevant to the operations of the team and will be reviewed each year to ensure it is still appropriate.

3.2 Institute of Internal Auditors - UK (IIA - UK)

The Institute of Internal Auditors is an international association dedicated to the continuing professional development of the individual internal auditor and the internal auditing profession. The Institute of Internal Auditors has produced Standards for the Professional Practice of Internal Auditing. These standards are a means by which the conduct of any individual auditor and the operations of any internal auditing organisation may be evaluated and measured.

3.3 Ethics

The CIPFA Code of Practice and the IIA International Code of Ethics for Internal Audit set out minimum ethical standards for the performance and conduct of internal auditors. All internal audit staff are required to understand and comply with these standards of ethics, in addition to those required by professional institutes of which they are members.

The principles that must be observed are:

- Integrity;
- Objectivity;
- Competence; and
- Confidentiality.

Peterborough Internal Audit Services adopted its own code of ethics (based on the standard) and this was approved by Audit Committee in March 2007.

4 Provision of the Internal Audit Service

- 4.1 In considering the options for the provision of internal audit the Council currently delivers its service from an in-house team of staff. The team's establishment is 8.1 with an audit profile of the Chief Internal Auditor, Group Auditors (1.3fte), Principal Auditor (1), Senior Auditors (2.8) and Trainee Auditors (2). The recruitment process for the Trainee Auditor was due to commence during 2009 / 2010 but was delayed. This was initially due to establishing whether the post could be recruited to internally by employees detailed on the 'at risk' register and more latterly due to budget pressures. It remains unclear whether the team will be able to appoint to this post during 2010 / 2011. However, the Chief Internal Auditor will endeavour to recruit an additional team member when it is confirmed that funding is available.
- 4.2 Internal Audit also undertake the 'External Assessor' function for the Financial Management Standard in Schools (FMSiS) accreditation, which is a mandatory requirement for all schools to achieve in accordance with the Department for Childrens Schools and Families (DCSF) and supports the s.151 officers' financial responsibilities of the Local Authority. As part of the '*Manor Drive Initiative*' Internal Audit has submitted a tender document to be included on the DCSF Approved FMSiS External Assessor's list. This may result in the generation of external work from other local authorities in addition to the Peterborough Schools currently undertaken.
- 4.3 The Council complies with the above requirements (statutory framework, professional standards and role) through the operation and work of Internal Audit Services.

5 Role of Internal Audit

- 5.1 The roles and responsibilities of Internal Audit are set out in the services Audit Charter which was approved by Audit Committee in February 2010. This document is reviewed each year to ensure that it is in accordance with the CIPFA Code of Practice.

6 Internal Audit Manual

- 6.1 In order to deliver its role effectively, the IAS continues to review its Audit Manual. The manual sets out the processes for planning, implementing, checking and reviewing the way in which audit services are delivered and sets out the methods by which IAS will ensure continuous improvement of the manual.
- 6.2 The objectives of the manual are to:
- State clearly the Charter, Mission and Role of Internal Audit Services;
 - Describe the organisational, managerial and planning arrangements in place;
 - Explain clearly the standard procedures to be followed and documentation to be completed, to include the Internal Audit Automated system PAWS;
 - Consolidate all relevant information concerning the work of the service in order that a consistent approach can be achieved within a flexible framework;
 - Prescribe how Internal Audit will manage its resources;
 - Prescribe the means by which Internal Audit will look for continuous improvement; and
 - Provide a basis for the training and development of staff.
- 6.3 The Audit Manual has been produced after consideration of the guidelines recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors - UK (IIA-UK).

7 Planning and Resources

- 7.1 It is important that the service keeps under review the resources required in order for it to fulfil its role in the medium to longer term. As such, an "Audit Universe" is maintained which predicts the likely areas for audit activity over the medium to longer term and compares this with the existing resources available.
- 7.2 In developing the Strategy and the Risk Profile it is important that audit resources are directed in line with the priorities of the Council taking into account an assessment of risk. In order to achieve this, a systematic risk assessment and planning methodology is used, as follows:
- A list of auditable areas, known as the Audit Universe is maintained on an ongoing basis. This is based on the audit activity undertaken during the year and the overall opinion of the control environment within the audited area.
 - In addition to the above, during January / February of each year a further review of the auditable areas is conducted based upon:
 - Consultation with Chief Officers and other senior managers, to identify key issues facing the council to ensure that key risks are prioritised;
 - A review of the Corporate Plan;
 - Review and consideration of new council initiatives, government initiatives and legislation;
 - Review and consideration of strategic risks as identified in the Corporate Risk Profile;
 - Review and consideration of the assurance framework; and
 - Financial and Budgetary information.
 - The Audit Universe is then updated to reflect changes in the Council and methods of service delivery. To determine the priorities for the annual Audit Plan the following are reviewed:
 - The need to be able to provide an annual audit opinion of the Council's key financial and non financial systems;
 - Risk assessments which are maintained on an ongoing basis for all areas on the audit universe;
 - The assurance framework;
 - Specific client requests; and
 - The existing operational plan
- 7.3 The above methodology results in a plan that is supportive of Directors in delivering the strategic priorities and corporate improvement priorities of the Council and provides an overall view of the internal control environment, a key part of good Corporate Governance.
- 7.4 The proposed 2010 / 2011 Annual Plan has been compiled using the criteria detailed above along with a consideration of available resources. The plan shows the minimum amount of work that IAS has assessed should be undertaken to provide assurance to the organisation.
- 7.5 Internal Audit continues to explore how additional funding / resources can be obtained to support the plan. As stated in 4.2, one aspect of the IAS coverage includes the 'External Assessor' role in ensuring schools within the LEA meet the Financial Management in Schools FMSiS accreditation. During 2010 / 11 the review cycle will continue with the reaccreditation of schools with some reliance being placed on the work undertaken by the Children's Services Finance

Team. As in previous years it is hoped that a contribution from the DSG Grant will be received to support the additional workload for IAS in undertaking this role which is currently more cost effective for the organisation than appointing other external assessors.

7.6 Internal Audit has also been charged with 'selling Audit Services to other areas of the Public Sector in the region' as part of the Manor Drive initiative and the Shared Transactional Services Delivery Plan for 2010 / 11. If IAS is successfully included on the DCSF Approved FMSiS External Assessor's list, additional work and income may be generated for this type of audit activity. Consideration regarding the potential impact on resources has been given for any requests of this type and days have been incorporated in the Audit Plan for such an eventuality.

IAS is also due to undertake audit services on behalf the Peterborough Culture and Leisure Trust (PCLT) that is due to be operational from 1 April 2010. A Service Level Agreement has been produced covering a two year period, indicating that 30 audit days will be delivered in each financial year. The PCLT will be charged for the audit activities undertaken based on a benchmarked day rate.

In addition to the above, the authority is rolling out the DECATS programme within the organisation to include Internal Audit. The programme commenced in January and is due to conclude in April 2010. Internal Audit has provided the required data and the outcome of the review may include recommendations for joint working with other organisations. The review findings and the potential impact on resources will become clearer during 2010/11 and Internal Audit will respond to the recommendations of the review and requirements accordingly. Audit Committee will be advised of any impact on the delivery of the audit plan through routine progress reporting throughout the year.

8 Marketing of Internal Audit

8.1 To further develop the profile and saleability of audit services in line with current initiatives, IAS will develop an overarching Marketing Strategy during 2010 / 11. Areas for consideration will include:

- The organisation to be reissued with the recently revised Audit Charter and associated documents and / or advised where the revised Audit Charter is located on Insite;
- Develop the Internal Audit website to include services that may be provided under the Manor Drive initiative as well as items such as testimonials and successes;
- Inclusion and advertising services on the DSCF website subject to being included on the accredited providers listing for FMSiS external assessments; and
- Survey public service organisations to establish IAS requirements and further develop the potential for providing internal audit services to external bodies.

9 Performance Indicators

9.1 A range of performance indicators are maintained internally to monitor IAS performance. These cover areas such as Cost and Efficiency, Quality, Customer Satisfaction and Continuous Improvement. Performance against these areas will be reported to the Audit Committee on a quarterly basis.

9.2 Traditionally, IAS has undertaken CIPFA benchmarking, which compares IAS with other local authorities. During 2010 / 11 IAS intend to widen the scope for benchmarking by exploring comparisons with both private and public sector organisations. This will hopefully highlight any improvements that can be made to service delivery that have not been previously considered and will assist adopted marketing strategies.

- 9.3 IAS will continue to liaise with PricewaterhouseCoopers, the authority's external auditor by sharing best practice to enhance performance and efficiency throughout the year.

10 Training Strategy

- 10.1 Alongside the authority's introduction of the Performance and Development Review process to be implemented in April 2010, IAS will review the current training strategy and produce a training needs assessment for future service requirements.

11 Reporting

- 11.1 Quarterly reporting will be prepared in order to give assurance (or otherwise) to Members that they can rely on the work of IAS and the internal control framework in place which will contribute to the Annual Governance Statement.

PETERBOROUGH CITY COUNCIL

INTERNAL AUDIT OPERATIONAL PLAN 2010 / 2011

1 Introduction

- 1.1 This document sets out the division of responsibilities between managers and Internal Audit Services, and presents the Internal Audit Operational Plan for 2010 / 2011.

2 Division of Responsibilities

- 2.1 It is management's responsibility to manage the systems of the Council in a manner in which:
- Ensures the plans and intentions of the organisation are delivered, (including those outlined in plans, policies and procedures) and are in compliance with the laws / regulations under which the organisation operates);
 - Ensures the reliability of data and information used either internally or reported externally;
 - Safeguards the organisations resources; and
 - Promotes efficient and effective operations.
- 2.2 Controlling is an integral part of managing operations and as such internal auditors independently review how efficient management discharges this aspect of its responsibilities by evaluating the effectiveness of systems and controls and providing objective analyses and constructive recommendations. Management retain full ownership and responsibility for the implementation of any such recommendations.

3 Development of the Internal Audit Operational Plan

- 3.1 In developing the Annual Plan, it is important that audit resources are directed in line with the priorities of the Council, taking into account an assessment of risk. In order to achieve this, a systematic assessment and planning methodology is used, as set out in the Audit Strategy.
- 3.2 The methodology results in a plan that is supportive of Directors in delivering the strategic priorities and corporate improvement priorities of the Council and provides a view of the overall internal control environment, a key part of Corporate Governance.
- 3.3 It can be seen from the table below that the plan has been developed to cover the main audit areas by categories rather than Directorates. This is to better demonstrate the coverage and the impact of the audit activities across the organization. The individual audit reviews and service areas are analysed in greater detail in section 6 of this document.

3.4 The table below summarises the planned allocation of productive days for 2010 / 2011.

INTERNAL AUDIT: ANNUAL PLAN 2010 / 2011	
	Audit Days
Systems Activity	95
Annual Governance and Assurance Framework	175
Other Governance	180
Strategic and Operational Risks	231
Contract Audit / Project Management	85
External Work (inc. FMSiS, Grant Certification)	177
Corporate Support –	
• CIA Consultancy, Control Advice and Contingency	280
• Other Audit Support Activities	140
TOTAL PLANNED AUDIT DAYS	1363

4 Key Points

- 4.1 The plan is developed with the Corporate Objectives of the Council in mind. All of the reviews undertaken are underpinned by the driving principle to be **“delivering value for money”**, but they also have an impact on the organisation’s four strategic priorities.
- 4.2 The plan highlights how our work links to the risks identified by management in the Strategic Risk Register and to the assurance gaps identified in the Assurance Framework. Auditable activity is prioritised in these areas, but the plan also includes specific management requests for audit work. The methodology for determining the areas to be included in the plan is explained in section 7 of the Audit Strategy.
- 4.3 The number of planned audit days is based on a full complement of staff, which is 8.1 full time equivalents (FTE). Our current resourcing level is 7.1 FTE. Our resourcing plans are described in section 4 of the Audit Strategy. Any shortfall in resources will be managed by removing lower priority work from the plan and / or reducing the scope of some reviews. Changes made to the plan will be reported as stated in section 4.5 below.
- 4.4 Those areas not included in the plan this year will be considered for review on a cyclical basis in future years. However, it is anticipated that audits of low priority areas will not occur unless a risk assessment results in an increased priority level. It would take 4 years to cover all auditable areas, and just over 3 years to cover all but low priority areas. Professional guidance suggests that the production of strategic plans covering this period of time is not best practice. This is because it results in insufficient audit time being directed at key risk areas for the Council, which may change from year to year.

4.5 The plan for 2010 / 2011 is not a static document. The Chief Internal Auditor reserves the right to amend plans in line with emerging risks and changing priorities as they occur throughout the year, following consultation with the s151 officer. Any major changes in the plan will be discussed with those charged with governance and reported to the Audit Committee.

4.6 The following key points are of note:

4.6.1 External Works

The plan shows that we carry out work for external bodies, which generates income or savings. For 2010 / 2011 this work consists of the audit of grant claims on behalf of PwC, if required, thus generating savings in the external audit fee, and the provision of an external assessment of the achievement of Financial Management Standards in Schools (FMSiS), which will generate income for the Internal Audit budget. We are also planning to market our services externally, in line with the Manor Drive project, in order that we may generate income for the authority. This is a long term project, but in 2010 /2011, our intention is to capitalize on our FMSiS expertise and to offer our services as an External Assessor to neighbouring authorities.

4.6.2 Main Financial Systems

Audits of all the main financial systems of the Council are undertaken on an annual basis as part of the managed audit approach with external audit. We will adopt a key-control approach for these audits, but will review each of them in more depth over a three year period. In 2010 / 2011 the team will carry out a full review of Accounts Payable, Debt Recovery, Budgetary Control and Fixed Asset Accounting. We will co-ordinate our work with that of the external auditor (PwC) to ensure that reliance can be placed on the work provided by Internal Audit in accordance with PwC's three year rolling programme.

4.6.3 Annual Governance

Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. Internal Audit will continue to undertake reviews to support this process covering areas such as governance arrangements for managed and shared services (for example, the ICT Managed Service, the Leisure Trust and the PPCT), the risk management process, performance management and business continuity.

Other audit activity in this area is the work undertaken by Internal Audit in direct support of the production of the Annual Governance Statement. This includes the production of an Annual Audit Opinion and the compilation of an Assurance Framework.

4.6.4 Contracts and Projects

These areas have been identified as a continuing risk in light of their increasing number, their importance in relation to the Council's overall aims and objectives and their, at times, complex linkages and funding arrangements. Internal Audit will review specific projects, including the PFI (Secondary School) project. We will also carry out some themed audits, picking up on particular aspects of the project management process, such as the Gateway Review process and Post Implementation Reviews.

Contract activity will be based on the works channeled through the central procurement team and will look at the various stages of contract work (i.e. tendering arrangements, awarding of contracts, contract monitoring etc.). We will focus this year on corporate contracting arrangements.

4.5.5 Strategic Risks and the Assurance Framework

The Strategic risk profile was last updated by Corporate Management Team in January 2009. The Assurance Framework was updated in October 2009. Our plan has been developed to test the adequacy and effectiveness of the control environment put in place to mitigate the council's principal risks, as identified in the Strategic Risk Register, and also to provide the assurance required on key controls, as identified in the Assurance Framework. The attached plan highlights the link between these two important documents and the work of Internal Audit.

4.5.6 Anti-Fraud and Corruption Arrangements

The roles and responsibilities for fraud investigations continue to operate in line with the Memorandum of Understanding between Internal Audit and the Compliance and Ethics Team. Internal Audit evaluates the control weaknesses that have allowed a fraud to take place or remain undetected, and provides recommendations to improve fraud prevention and detection. Internal Audit's role may also include involvement in major fraud investigations.

4.5.7 Environmental Auditing

An increasing number of Local Authorities have either introduced Environmental Auditing to their organisations via their Internal Audit Teams or are exploring the possibility of undertaking such a role. During 2010 / 2011 Internal Audit intend to undertake an in-depth follow-up of our 2009 / 2010 audit of the Council's response to the climate change agenda, and also to examine the proposed new Environmental Management Standard.

4.5.8 Corporate Support

Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. Contingency time is included within corporate support for such events along with the provision for consultancy work that may be undertaken by the Chief Internal Auditor or other members of staff. Other activities are also included, such as Audit Committee support and External Audit liaison.

5 Reporting Protocols

5.1 At the conclusion of each individual audit a Draft Report and proposed Action Plan will be forwarded to the appropriate manager within the client department. Once agreement has been reached a Final Report and Action Plan will be forwarded to the relevant Chief Officer. In accordance with our reporting arrangements, all audit reports are brought to the attention of the Leader of the Council, Chief Executive, Executive Director Resources, Cabinet Member for Resources and Chair of Audit Committee.

5.2 A quarterly progress report will be presented to the Audit Committee indicating the level of achievement against agreed targets and any major findings arising from the audit work undertaken. All audit reports with 'NO' or 'LIMITED' assurance will be shared with the Audit Committee in the form of an executive summary as part of this process.

5.3 An annual report will be prepared for Audit Committee in order to give assurance or otherwise to Members that they can rely on the internal control framework of the Council.

6 Detailed Plan

- 6.1 Documented below is the audit activity proposed, with its link to the strategic risk registers and latest assurance framework, where appropriate. It should be noted that some time is analysed as 'All' rather than by Directorate, as this work will impact on all directorates.

AUDIT ACTIVITY	ALL	Strategic Resources	Assistant Chief Exec	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area
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SYSTEMS ACTIVITY FINANCIAL SYSTEMS: MANAGED AUDIT	To review the design and operation of key systems to assess whether they are fit for purpose and allow the s151 officer to make his statement included in the Annual Accounts, on the reliability of the supporting financial systems. The fundamental systems - those which are critical to the operation of the council - are reviewed annually; others will be reviewed periodically dependent on risk.									
Main Accounting / Financial Accounting		✓					8.01	Poor financial management	AF36	Financial management and strategy
Accounts Payable		✓					8.01	Poor financial management	AF36	Financial management and strategy
Sundry Billing		✓					8.01	Poor financial management	AF36	Financial management and strategy
Debt Recovery		✓					8.01	Poor financial management	AF36	Financial management and strategy
Housing and Council Tax Benefits		✓					8.01	Poor financial management	AF36	Financial management and strategy
Council Tax		✓					8.01	Poor financial management	AF36	Financial management and strategy
Business Rates		✓					8.01	Poor financial management	AF36	Financial management and strategy
Cash / Banking		✓					8.01	Poor financial management	AF36	Financial management and strategy
Budgetary Control (Capital)		✓					1.12	Impact of the credit crunch	AF12	Credit crunch
							8.01	Poor financial management	AF36	Financial management and strategy
Treasury Management		✓					1.12	Impact of the credit crunch	AF12	Credit crunch
							8.01	Poor financial management	AF36	Financial management and strategy
							8.08	Investments	AF43	Appropriate investment strategy
Payroll		✓					1.02	Staff retention in key areas	AF36	Financial management and strategy
Fixed Asset Accounting		✓					8.01	Poor financial management	AF36	Financial management and strategy

AUDIT ACTIVITY	ALL	Strategic Resources	Assistant Chief Exec	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area
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ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK	Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement.									
Arrangements for production of AGS	✓						8.03	Comprehensive Area Assessment	AF38 AF44 - AF49 AF52	CAA transition Good governance principles Effective corporate governance arrangements are embedded
Assurance Framework	✓						8.03	Comprehensive Area Assessment	AF52	Effective corporate governance arrangements are embedded
Annual Audit Opinion	✓						8.03	Comprehensive Area Assessment	AF52	Effective corporate governance arrangements are embedded
Anti Fraud Culture	✓						-	-	AF44 - AF49 AF55	Good governance principles Management of principal risks
Internal Audit Effectiveness	✓	✓					-	-	AF52 AF61	Effective corporate governance arrangements are embedded Audit recommendations implemented
Follow-Up Reviews	✓						-	-	AF61	Audit recommendations implemented
CAA / UoR Support	✓	✓					8.03	Comprehensive Area Assessment	AF52	Effective corporate governance arrangements are embedded

AUDIT ACTIVITY	ALL	Strategic Resources	Assistant Chief Exec	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area
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OTHER GOVERNANCE ARRANGEMENTS	Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. Areas that constitute key aspects of corporate governance are reviewed in line with risk levels.										
Performance Management	✓				✓		- 8.05 -	- Waste Management and Recycling -	AF53 AF40 AF60	Effective performance management arrangements Waste Management & Recycling Data Quality	
Risk Management	✓					✓	-	-	AF54	Risk management processes robust and embedded	
Information Governance	✓	✓		✓			-	-	AF59 AF60	Safeguarding electronic data Data quality	
Business Continuity	✓					✓	1.08 1.09	Major illness impact Business continuity	AF08 AF09	Health and safety Business continuity and resilience	
Partnerships	✓	✓	✓	✓		✓	1.11 1.06	Governance arrangements for partnerships PCT changes	AF11 AF06	Governance arrangements for partnerships PCT partnership working	

AUDIT ACTIVITY	ALL	Strategic Resources	Assistant Chief Exec	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area
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STRATEGIC AND OPERATIONAL RISKS	Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.									
Regeneration / Sustainability			✓			✓	1.07	Implications of the growth agenda	AF07	Deliver Master Plan
							-	-	AF64	Housing Strategy
							3.01	Limited community cohesion	AF17	Community cohesion and engagement
Health & Safety						✓	1.08	Major illness impact	AF08	Health and safety
							8.07	Corporate manslaughter	AF42	Health and safety coordination
Arms Length Management Organisation (ALMO) for City Services					✓		5.02	Creation of ALMO	AF31	ALMO
Environmental Management						✓	6.02	Environmental capital aspirations	AF33	Environmental management
							6.03	Failure to mitigate and adapt to the impacts of Climate Change	AF34	Climate change
							8.05	Waste management and recycling	AF40	Recycling rates
Safeguarding Children				✓			4.04	Children staying safe	AF21	Children staying safe
Property Asset Management		✓					8.01	Poor financial management	AF36	Financial management and strategy
							8.04	Asset disposal programme is not achieved	AF39	Estate utilization
Highways						✓	6.01	Highways infrastructure conditions	AF32	Accommodating growth & managing congestion

AUDIT ACTIVITY	ALL	Strategic Resources	Assistant Chief Exec	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area
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STRATEGIC AND OPERATIONAL RISKS (continued)	Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.									
Procurement	✓	✓					8.02	Procurement Strategy does not deliver	AF37	Achievement of efficiencies and savings and improving VFM
Agile Working Scheme		✓					-	-	AF62	New ways of working
							1.13	Special Purpose Vehicles	AF13	SPVs / Shared Services
Travel & Subsistence	✓	✓					8.01	Poor financial management	AF36	Financial management and strategy
Attendance Management	✓						1.01	Lack of staff capacity / skills to meet the corporate change programme across the Council.	AF01	Staff capacity and skills
Concessionary Fares						✓	1.12	Impact of the credit crunch	AF12	Credit crunch
							8.01	Poor financial management	AF36	Financial management and strategy
Asylum and Immigration Act		✓					8.03	CAA	AF65	Safe recruitment
Children in Care				✓			4.11	Failure to deliver duties in relation to equality and diversity	AF28	Equality and Diversity
Financial Controls within Children's Services				✓			8.01	Poor financial management	AF36	Financial management and strategy

AUDIT ACTIVITY	ALL	Strategic Resources	Assistant Chief Exec	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area
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CONTRACTS AND PROJECTS	Dependent on risk, we review a sample of projects contracts each year to test whether the council's governance arrangements are being followed and that contracts provide value for money.									
Project Management	✓						-	-	-	-
Projects	✓						-	-	AF58 AF49	Management of PFI Engaging with local people to ensure robust public accountability
Contracts	✓						8.01	Poor financial management	AF36	Financial management and strategy
EXTERNAL WORK	Work resulting income or a reduction in fees paid to other organisations.									
FMSiS: Re-assessments				✓			-	-	-	-
Grant Claim Certification (on behalf of PwC)	✓						-	-	-	-
Leisure Trust						✓	1.13	Special Purpose Vehicles	AF13	SPVs / Shared Services

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AUDIT COMMITTEE	AGENDA ITEM No. 9
29 MARCH 2010	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

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 feedback items - items shaded have been actioned and agreed at subsequent Audit Committee meetings. Following their 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	<p>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 :</p> <ol style="list-style-type: none"> (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 	<p>Steve Crabtree</p> <p>Cllr M Dalton</p>	<p>The original Audit Charter, approved by Audit Committee on 9 November 2006, has been circulated to Members for information on 16 June 2009.</p> <p>The Audit Committee Handbook has now been reviewed and a number of sections have been updated.</p> <p>The Committee Handbook and revised Audit Charter is enclosed within the committee papers for the 8 February 2010 for formal approval.</p>	Audit Committee 8 February 2010
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 REQUESTS FROM THIS MEETING			

AUDIT COMMITTEE: RECORD OF ACTION TAKEN (CONTINUATION)

DATE ISSUE RAISED	SUBJECT / ITEM	AUDIT COMMITTEE COMMENTS	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
7 Sept 2009	Agenda Item: 5 Internal Audit Quarterly Report 2009/2010 (to 30 June 2009)	Members sought clarification on the sickness management processes, including an overview of the involvement of Occupational Health in long term sickness cases.	Steve Crabtree	<p>Staff sickness was originally part of the remit of the Business Efficiency Scrutiny Panel and a full report was presented at its meeting on 9 April 2009. Following the Panels' demise, this now falls under the remit of the Sustainable Growth Scrutiny Committee. Members can access the full report on the Council website. Although summarised below are the key points from the report:</p> <p>What are the council doing to address the issues?</p> <p><u>Sickness Management</u> Return-to-work interviews are rated as the most effective approach to managing short-term absence, followed by trigger mechanisms for reviewing attendance and the use of disciplinary procedures. The top three most highly rated approaches to managing long-term absence are occupational health support, the provision of rehabilitation programmes and flexible working. These processes are all used within Peterborough City Council and are being rigorously applied.</p> <p>Since the adoption of the Business Partner model in the last HR restructure considerable effort has gone into developing a closer working relationship with line managers, coaching them to take more ownership of OH issues, and supporting them in the management of agreed action plans working towards satisfactory case conclusion. Some areas report sickness figures started to increase initially when this approach was introduced, but closer working is now resulting in greater ownership and more effective management of sickness.</p>	2 November 2009

AUDIT COMMITTEE: RECORD OF ACTION TAKEN (CONTINUATION)

DATE ISSUE RAISED	SUBJECT / ITEM	AUDIT COMMITTEE COMMENTS	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
7 Sept 2009	Agenda Item: 5 Internal Audit Quarterly Report 2009/2010 (to 30 June 2009)	Continued from above	Steve Crabtree	<p>HR Business Partners are reporting to Departmental Management Teams on sickness progress raising the profile of health management issues. Business Partners discuss with managers every long term absence to ensure the appropriate action \ referrals are in hand. They have identified managers with high levels of sickness in their team and provided coaching sessions on sickness management. There are regular monthly reviews between Business Partners and Occupational Health on progress.</p> <p>A more robust referral process has been introduced.</p> <p><u>Health Referral</u> During the year the council has been using the services of AXA to obtain more specialist advice in long term sickness cases replacing its previous use of a general practitioner. The aim has been to improve timely, professional advice on long term sickness cases. This is currently being evaluated by the OH Nurse Manager. One concern is ensuring the best possible turn around time on advice.</p> <p><u>Consideration of future Occupational Health provision</u> There has been significant investment of officers' time over the last 12 months in investigating attendance management and preparing a range of responses in order to maximise business efficiency and reduce sickness absence. The work has involved a comprehensive review of the existing Occupational Health provision as well as setting out proposals for formally incorporating wellbeing as part of the strategy to attract and retain the best candidates to deliver our services.</p> <p>The provision of occupational health and wellbeing services and strategies are increasingly recognised as important factors in achieving business effectiveness and supporting an environment where employees feel valued and respected.</p>	

AUDIT COMMITTEE: RECORD OF ACTION TAKEN (CONTINUATION)

DATE ISSUE RAISED	SUBJECT / ITEM	AUDIT COMMITTEE COMMENTS	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
28 Sept 2009	Agenda Item: 4 Statement of Accounts and Summary Accounts 2008 / 2009	Members requested information on the arrangements in place for assets between Peterborough City Council and the Peterborough Urban Regeneration Company (Opportunity Peterborough) as highlighted in the report on page 35.	Claire Boyd	<p>Statement in Audit Committee papers dated 28 September 2009 that "In the event of the Company being wound up, the Council's liability is limited to £1 and the Council has no rights to any share of its assets." A query was raised by Councillor Dalton as to whether this was correct.</p> <p><u>Response</u></p> <p>The starting position with regard to the distribution of the Company's assets on a winding up, is that pursuant to the Memorandum of Association, the Council, in its capacity as member of the Company, is not entitled to receive any net assets following the winding up of the Company. Any net assets are to be transferred to an institution with the same or similar objects, as determined by the members. It is correct that the Council's liability for debts and liabilities of the Company on a winding up is limited to £1.</p> <p>However, the Council is also a funder of the Company and in the event of the Company being wound up the Council would rank as an unsecured creditor in recovering any funding it had provided to the Company, and may not therefore recover all or any of the funding provided.</p>	8 February 2010
2 November 2009	Agenda Item:5 External Audit 2008 / 2009 - Interim Report to Management	Members requested whether or not management had ensured that the plan to perform a full Oracle Financials Disaster recovery test by October 2009 was continued through to completion" as highlighted in the detailed Information Technology General Controls findings.	Steven Pilsworth	A copy of the Oracle financial system has been made on an alternative server, so that version can be used in the event of the failure of the primary system. Testing has been undertaken on this back-up system by Serco. Testing has been completed to ensure that Council staff can access this system as required.	8 February 2010
2 November 2009	Agenda Item:5 External Audit 2008 / 2009 - Interim Report to Management	Members requested an update on all actions highlighted for completion in 2009 and whether or not these had been undertaken.	Steven Pilsworth	Agreed actions identified within the report have been delivered, or are in the process of being delivered, to the agreed timelines.	8 February 2010

AUDIT COMMITTEE: RECORD OF ACTION TAKEN (CONTINUATION)

DATE ISSUE RAISED	SUBJECT / ITEM	AUDIT COMMITTEE COMMENTS	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
2 November 2009	Agenda Item: 9 Internal Audit - Quarterly Report 2009 / 2010 (To September 2009)	Members requested further details in relation to the recommendations made on Budgetary Control within City Services.	Steve Crabtree	The Executive Summary is included in the Q3 report to Committee on 8 February 2010	8 February 2010
8 February 2010	Agenda Item:4 External Audit – Annual Audit and Inspection Letter 2008 / 2009	To provide additional information in relation to the key indicators not being supported by the audit trails.	Chris Hughes (PwC)	A separate email has been sent to all Members covering this point.	
	Agenda Item: 5 External Audit – Audit and Inspection Plan 2009 / 2010	To provide additional information in relation to how the audit fee is calculated, specifically a breakdown of the number of hours taken to risk assess the Council.	Chris Hughes (PwC)	A separate email has been sent to all Members covering this point.	
	Agenda Item: 6 Audit Committee – Members Handbook	To recommend to the Scrutiny Team that it would be beneficial if all Scrutiny Committees had a handbook.	Gemma George	Scrutiny have been informed and will look into the logistics of developing it.	
	Agenda Item: 8 Internal Audit Quarterly Report 2009 / 2010 (To December 2009)	To write a letter on behalf of the Chair of the Audit Committee congratulating Castor Primary School on their full assurance.	Steve Crabtree	Letter sent to school 10 February 2010 - attached. (Note, the electronic signature has been removed to prevent any fraudulent use).	

Telephone 01733 384 557
Facsimile 0870 238 8024
Please ask for: Steve Crabtree, Chief Internal Auditor
Our Ref: SC / Aud_Ctee / 02.2010
Your Ref:

Internal Audit Services
Strategic Resources Department
Manor Drive House
Manor Drive
Paston Parkway
PE4 7AP

Headteacher
Castor C of E Primary School
Stocks Hill
Castor
Peterborough
PE5 7AY

10 February 2010

Dear Headteacher

Financial Management Standards in Schools: Castor C of E Primary School

As part of the Council's committee arrangements, we have a strong culture within the Audit Committee of monitoring and challenging the works and activities undertaken by Internal Audit throughout the year.

As part of this ongoing review, we receive regular reports on key developments across the organisation, including schools.

In the latest reports discussed at Audit Committee on 9 February 2010, it was brought to our attention that your school had recently passed its Financial Management Standards in Schools Assessment. Furthermore, Internal Audit expressed the view that they could provide FULL ASSURANCE on the processes and procedures in place.

In my role as Chair to the Audit Committee, I would like to express my appreciation to all your efforts and particularly the ongoing work of the Bursar and the Governing Body to deliver this high level and to meeting the Standards.

Yours sincerely

Cllr M Dalton
Chair of Audit Committee



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AUDIT COMMITTEE	AGENDA ITEM No. 10
29 MARCH 2010	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 2010 / 2011

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 2010 / 2011 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: 18 March 2010

Activity Area	Responsible Officer	7 June 2010	28 June 2010	6 Sept 2010	27 Sept 2010	1 Nov 2010	7 Feb 2011	28 March 2011
REGULAR AGENDA ITEMS								
Member Training (Future needs to be determined at each meeting)		✓	✓	✓	✓	✓	✓	✓
Feedback Report		✓	✓	✓	✓	✓	✓	✓
Audit Committee: Work Programme		✓	✓	✓	✓	✓	✓	✓

Activity Area	Responsible Officer	7 June 2010	28 June 2010	6 Sept 2010	27 Sept 2010	1 Nov 2010	7 Feb 2011	28 March 2011
ACCOUNTS								
Statement of Accounts / Summary Accounts 2009 / 2010 (incorporating Annual Governance Statement)	Steven Pilsworth	-	✓	-	-	-	-	-
Audit of Statement of Accounts	PwC Steven Pilsworth	-	-	-	✓	-	-	-
International Financial Reporting Standards	Steven Pilsworth	-	-	✓	-	-	✓	-

Activity Area	Responsible Officer	7 June 2010	28 June 2010	6 Sept 2010	27 Sept 2010	1 Nov 2010	7 Feb 2011	28 March 2011
INTERNAL AUDIT / EXTERNAL AUDIT ACTIVITY								
Internal Audit: Annual Report 2009 / 2010	Steve Crabtree	✓	Meeting set aside to scrutinise the Councils draft accounts	-	Meeting set aside to scrutinise the Councils final accounts following External Audit review	-	-	-
Internal Audit: Progress Report: Quarterly	Steve Crabtree	-		✓		✓	✓	-
Internal Audit: Strategy and Plan 2011 / 2012	Steve Crabtree	-		-		-	✓	-
Internal Audit: Miscellaneous Commissioned Reports (Additional works outside agreed Audit Plan)	Steve Crabtree	-		✓		✓	✓	-
External Audit: Reports (subject to availability)	PwC Steve Crabtree Steven Pilsworth	✓		✓		✓	✓	✓
External Audit: Joint Audit and Inspection Plan	PwC Steve Crabtree Steven Pilsworth	-		-		-	✓	-

Activity Area	Responsible Officer	7 June 2010	28 June 2010	6 Sept 2010	27 Sept 2010	1 Nov 2010	7 Feb 2011	28 March 2011	
REGULATORY FRAMEWORK									
Draft Annual Governance Statement	Steve Crabtree	✓	Meeting set aside to scrutinise the Councils draft accounts	-	Meeting set aside to scrutinise the Councils final accounts following External Audit review	-	-	-	
Annual Governance Statement: Progress	Steve Crabtree	-		-		✓	-	-	
Assurance Framework	Steven Crabtree	-		-		-	-	✓	
Assurance Framework: 6 Month Refresh	Steve Crabtree	-		-		✓	-	-	
Audit Committee: Annual Report	Steve Crabtree	✓		-		-	-	-	
Fraud: Annual Report 2009 / 2010	Diane Baker	✓		-		-	-	-	
Regulation of Investigatory Powers Act	Diane Baker	-		✓		-	✓	-	✓
Risk Management Strategy	Stuart Hamilton	-		✓		-	-	-	-
Strategic Risk Register: Risk Profiles	Stuart Hamilton	✓		-		-	✓	-	-
Treasury Management Strategy	Steven Pilsworth	-		✓		-	-	-	-
Use of Resources	Steven Pilsworth	-		-		-	✓	-	-
Comprehensive Area Assessment	Steven Pilsworth	-		-		-	✓	✓	-
Miscellaneous Financial Reports Review of other reports / policies as appropriate E.g. Changes to Contract Regulations, Financial Regulations, Accounting Policies etc.	Steven Pilsworth Steve Crabtree	✓		✓		✓	✓	✓	✓