

AUDIT COMMITTEE

MONDAY 9 FEBRUARY 2009

7.00 PM

Bourges/Viersen Room - Town Hall

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 3 November 2008** **1 - 6**
- 4. External Audit Reports** **7 - 60**

To receive a series of commissioned final reviews undertaken by the External Auditors.
- 5. International Financial Reporting Standards** **61 - 66**

To receive an overview on the International Financial Reporting Standards, the significant changes required to the Councils accounts in order to comply and the potential resource implications.
- 6. Risk Management Update** **67 - 70**

To receive an overview on the strategic risk profile for the Peterborough.
- 7. Annual Governance Statement Update** **71 - 78**

To receive an update on the actions undertaken to ensure significant governance issues identified in the Annual Governance Statement are being addressed.
- 8. Internal Audit Progress Report - To 31 December 2008** **79 - 112**

To receive an update report on the work undertaken by Internal Audit up to 31 December 2008 and proposals for future delivery of the audit plan.
- 9. Feedback and Update Report** **113 - 116**

To receive standard feedback report on issues and action requests made at past meetings of the Committee.

10. Audit Committee Work Programme 2008/2009 Including any Training Needs

117 - 120

To agree the current work programme and propose any future training needs.



There is an induction hearing loop system available in all meeting rooms. Some of the systems are infra-red operated, if you wish to use this system then please contact Gemma George on 01733 452268 as soon as possible.

Committee Members:

Councillors: P Hiller (Chairman), N North (Vice-Chairman), L Gilbert, D Harrington, Z Hussain, P Kreling and D Seaton

Substitutes: Councillors: S Dalton, N Khan and C W Swift

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



**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT THE TOWN HALL, PETERBOROUGH ON 3 NOVEMBER 2008**

Present: Councillors Hiller (Chairman), Gilbert, Kreling, Seaton, Harrington, Hussain and S Dalton.

Officers in attendance: Steve Crabtree, Chief Internal Auditor
John Blair, Head of Strategic Finance and Performance Improvement
Israr Ahmed, Contracts Legal Executive
Gemma George, Governance Support Officer

1. Apologies for Absence

Apologies were received from Councillor North.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of the Meeting held on 23 September 2008

The minutes of the meeting held 23 September 2008 were approved as an accurate and true record.

4. Internal Audit Progress Report: To 30 September 2008

The Committee received a report which highlighted the Internal Audit performance and progress in relation to the 2008/2009 Audit Plan. The report outlined the work undertaken by Internal Audit up to 30 September 2008, progress against the Audit Plan and any other issues of interest.

The Chief Internal Auditor highlighted the key points of the report to the Committee, including:

- Progress against the Audit Plan;
- Responses to Audit Reports;
- Status of recommendations; and
- Other performance matters

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

- Members sought clarification as to why certain audit assignments had taken longer to complete than the time originally allotted for them. Members were informed that timescales for audit assignments could fluctuate, either because of a change in scope or extent of an audit, or because of requests for special investigations which would take

precedence. Audits would then continue after any special investigations had been completed.

- Members queried whether the number of audits that showed revised timescales was normal and whether these figures reflected changes in scope to the audits or an increase in special investigations. Members were advised that special investigations certainly had an impact on the increase in timescales. However, the overall increase could be attributed to the higher level of coverage required for each audit.
- Members further queried whether any of the increased timescales could be attributed to records or lack of support received from the area being audited. Members were further advised that better processes were always welcomed as this was occasionally a factor.
- Members questioned how value for money was ensured. Members were informed that focus was pinpointed on the right areas highlighted by external auditors.
- A query was raised regarding the nature of any changes to be implemented to the plan in order to maintain and increase progress. Members were advised that new processes would be taken on board, and full use would be made of risk assessments. A full review of the audit plan would not need to be undertaken until the following year, when it would be re-assessed and amended if it was required.
- Members questioned whether reminders sent out in order to progress the finalisation of reports, were ever met with resistance. Members were advised that occasionally it was necessary to chase information. Also, as services which were audited generally included more than one area, a large amount of information collation was sometimes required which therefore led to a lag in response time.
- Members commented on the overall improvement in sickness levels and questioned whether, going forward, the learning academy approach would be implemented for future training. Members were advised that the development of third tier officers, the provision of training and extensive surveys across the council would all be implemented. Going forward, the development of future inspirational managers would be a key project.
- Members sought clarification on the reasons behind no rating for private fostering appearing in the audit. Members were informed that the scheduled time of the audit did not prove to be appropriate as there were changes being undertaken within the section. Members were further informed that there would be a rescheduled audit for the following year.
- Members queried the systems in place for replacing internal audit staff due to illness. Members were advised that while every audit post was filled, experienced agency staff were utilised when a gap was identified. Furthermore, a trainee auditor was also in place.

ACTION AGREED:

The Committee received the report and noted;

- (1) That the Chief Internal Auditor was of the opinion that based on works conducted during the 6 months to 30 September 2008, internal control systems and governance arrangements remained generally sound; and
- (2) The progress made against the plan and the overall performance of the section.

5. Use of Resources 2008/2009 Update

The Head of Strategic Finance and Performance Improvement submitted a report which updated the Committee on the preparation of the action plan for dealing with changes to the Use of Resources Assessment for 2008/2009.

The Audit Commission were responsible for designing and implementing the Use of Resources Assessment model. For 2008/2009 the assessment had been changed from the one in use, and formed part of the Comprehensive Area Agreement (CAA).

The new framework was based upon arriving at an overall assessment for Value for Money in the use of resources. This was supported by three themes:

- Managing finances;
- Governing the business; and
- Managing resources

Each of the themes would be given a score based upon key lines of enquiry (KLOE). The key lines of enquiry were generic across all organisations subjected to the CAA framework in order that there was a consistency in the measurement of performance.

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

- Members questioned who was coordinating and working on the project. Members were advised that a working group had been put in place which reported directly to the Head of Strategic Finance and Performance Improvement.
- Members sought clarification on the meaning of the term “the golden thread”. Members were informed that the term meant the linking of actions and outcomes across the Council, therefore providing a clear line of sight.

ACTION AGREED:

The Committee agreed the approach to preparation of the 2008/09 UoR Assessment.

6. Risk Management Update

The Director of Strategic Resources submitted a routine planned report detailing risk management and further highlighted to the Committee the revised Risk Management Strategy document.

The Board was informed that the initial Risk Management Strategy had received Cabinet approval in November 2004 which confirmed formally the Council’s continued commitment to the management of risk. Since that time, the Strategy had been updated regularly and the Audit Committee were the responsible group for Risk Management.

There had been a number of initiatives in order to embed risk management within the Council. These had included training sessions for members and

officers and the purchase of new software to facilitate the process. Also performance clinics, which had focussed on areas of poor performance and high risk, had been run with the Corporate Management Team.

The Risk Management Strategy document had been updated to reflect changes in best practise and to ensure compliance with CPA expectations. The changes which had been implemented were:

- Changing from a 6x4 to a 5x5 risk matrix
- That departmental risk registers were more closely linked to business plans
- That escalation criteria for departmental risks, considered by CMT, were more formalised
- That the prioritisation criteria were clarified
- That the strategy clarified action planning requirements for risk registers

Members were informed that work was being closely undertaken with Zurich to ensure consistency and to achieve the “golden thread”.

Members were further informed that the Strategic Risk Register was being worked on, and that this would be included as a future agenda item.

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

- Concern was expressed regarding the investments in the Icelandic Banks and whether risk assessment had been implemented. Members were assured that codes of practice had been adhered to with regards to treasury management. All monies had been spread widely, with no speculative investments.

ACTION AGREED:

The Committee approved the revised Risk Management Strategy.

7. Feedback and Update Report

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

Members were advised that papers highlighting over depreciation of assets and examples of trade debts over a year old had been added to the schedule.

ACTION AGREED:

The Committee noted the Update and Feedback Report.

8. Audit Committee Work Programme 2008/2009 Including any Training Needs

The Chief Internal Auditor submitted the latest version of the Work Programme 2008/2009 for consideration and approval.

Following a query regarding training, members were advised that a session would be arranged to take place before the next meeting of the Audit Committee.

The training session would incorporate debt management and write offs.

Members queried the possibility of the revision of audits to incorporate the impact of the credit crunch. Members were advised that audit plans were being reviewed and a number of reports on the credit crunch had consequently been produced, for example the Medium Term Financial Strategy. Members were further advised that information regarding the credit crunch would be fed back to them at the end of the year.

ACTION AGREED:

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

The meeting closed at 7.40 p.m.

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AUDIT COMMITTEE	AGENDA ITEM No. 4
9 FEBRUARY 2009	PUBLIC REPORT

Committee Member responsible:	Councillor Hiller, Chair of Audit Committee	
Contact Officer(s):	John Harrison, Director of Strategic Resources John Blair, Head of Strategic Finance Steve Crabtree, Chief Internal Auditor	☎ 452 398 ☎ 384 564 ☎ 384 557

EXTERNAL AUDIT REPORTS

RECOMMENDATIONS	
FROM : PricewaterhouseCoopers	Deadline date : N/A
<p>1. The Committee is asked to consider, and endorse the final reports produced by External Audit in relation to:</p> <ul style="list-style-type: none"> • Final Audit of Statement of Accounts 2007 / 2008: Report to Management • Use of Resources • Review of Data Quality Arrangements 	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee in line with its Work Programme for 2008 / 2009. The report is submitted by the Council's s151 officer, being part of his statutory duties.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to introduce various commissioned reports from PricewaterhouseCoopers (PwC), the Council's external auditors, 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*"). It is to inform Audit Committee of agreed recommendations following the completion of the reviews.

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. EXTERNAL REPORTS

4.1 During 2008 / 2009, PwC have undertaken various reviews on behalf of the authority. The following report has been received and agreed with senior management.

Appendix A	Report to Management	Issued: January 2009
Appendix B	Use of Resources	Issued: January 2009
Appendix C	Data Quality Arrangements	Issued: December 2008

4.2 Report to Management (Appendix A)

- 4.2.1 The report includes management comments on the auditors observations. The document has been discussed and agreed jointly by the Director of Strategic Resources and the Head of Strategic Finance. All recommendations have been agreed and appropriate timescales and responsible officers have been identified to deliver the necessary changes.
- 4.2.2 The report highlights that the Council has maintained its high standards of Financial Reporting set during the 2006 / 2007 audit. Again, working paper quality and prompt query responses enabled the work to be completed to timescale and with an unqualified opinion.
- 4.2.3 The report highlighted 10 issues to be addressed, 6 of which are medium priority and 4 are low priority.

Summary of Recommendations: Report To Management

	High	Medium	Low	Total
2005 / 2006	5	6	2	13
2006 / 2007	-	2	4	6
2007 / 2008	-	6	4	10

The medium term priorities identified are:

- Further assurance could be obtained over the value of the VAT shelter to be paid each year to provide greater assurance to the Council;
 - A review should be undertaken of property lease arrangements in place to determine whether these are the most suitable terms for the Council, and if not, whether it is possible that the Council can exit the lease;
 - The Council should review of the fixed asset register once depreciation charges have been calculated to ensure that assets with negative values are not included;
 - Introduce a mechanism that makes it a requirement of the contract signing process for the Legal Department to be automatically sent a copy of the contract;
 - The Council should make use of the repeat invoice facility whenever possible and ensure that all debts are written-off in line with standing orders; and
 - Internal Audit recommendations should be implemented on a timely basis.
- 4.2.4 Two issues relating to the Report to Management in 2006 / 2007 have been partially resolved. Steps have been incorporated into the closure process to ensure these are also actioned. Management comments for the 2007 / 2008 issues are detailed in the report.

4.3 Use of Resources (Appendix B)

- 4.3.1 The Use of Resources (UoR) judgement forms part of the Comprehensive Performance Assessment (CPA) of the Council. It is carried out annually by PwC and covers the following areas:
- Financial Reporting;
 - Financial Management;
 - Financial Standing;
 - Internal Control; and
 - Value for Money.

4.3.2 The main basis of the judgement is dependent upon the Council's self-assessment against the Key Lines of Enquiry (KLOE). This self assessment is then audited by PwC and checked for consistency against regional and national benchmarks. The judgement for each area is scored between 1 and 4.

4	Well above minimum requirements - performing strongly
3	Consistently above minimum requirements - performing well
2	At only minimum requirements - adequate performance
1	Below minimum requirements - inadequate performance

4.3.3 The UoR assessment gets harder each year with an expectation of continuous improvement, so a score of 3 in one year may only be sufficient for a 2 in the following year. Furthermore, additional KLOE's can be added each year, with these changes making day to day operations more flexible and responsive to future requirements. In line with the move from CPA to Comprehensive Area Assessment (CAA), changes are incorporated that will replace the current UoR in 2009. These are split into 4 revised themes.

4.3.4 Appendix B is the PwC report for the UoR for 2008 which covers the period to March 2008. The overall assessment is a 3 - performing well. While this is the same score as was achieved in 2007, the Council has improved on a number of themed scores compared with the previous years.

	2008	2007	2006	2005
FINANCIAL REPORTING • How good are the councils financial accounting and reporting arrangements?	4	4	2	1
FINANCIAL MANAGEMENT • How well does the council plan and manage its finances?	3	3	2	1
FINANCIAL STANDING • How well does the council safeguard its financial standing?	3	3	2	2
INTERNAL CONTROL • How well does the council's internal control environment enable it to manage significant business risks?	3	2	2	2
VALUE FOR MONEY	2	2	2	2
OVERALL JUDGEMENT	3	3	2	2

4.3.5 Particular achievements in the year are:

- Working papers provided by Strategic Finance have been reported to the Audit Commission as an example of notable practice;
- New financial instruments requirement introduced in the Statement of Recommended Practice were met;
- Continued improvement in financial and asset management arrangements in 2008;
- Sound financial standing;
- All internal control KLOE scores have improved to a level 3, highlighted by improvements in managing risk, sound assurance on internal control systems; and actions in fraud and probity; and
- Business transformation delivering increased savings and efficiencies.

4.4 Review of Data Quality Arrangements (Appendix C)

4.4.1 PwC annually undertake a review of the council's data quality arrangements. The review focuses on all aspects of data quality at a corporate level and is also linked to the requirement for PwC to conclude on the council's use of resources.

4.4.2 The review is a three stage approach.

- **Stage 1:** Management arrangements.
- **Stage 2:** Completeness check.
- **Stage 3:** Data quality spot checks.

4.3.3 In summary, the results show an improvement overall across the Council which is demonstrated by the overall score reported as a "3" (*Consistently above minimum standards - performing well*). This is an increase from the previous years score of 2. Recommendations are currently being reviewed and implemented by the relevant services.

5. CONSULTATION

The various appendices have been discussed, and actions agreed by senior management at various times before being finalised.

6 ANTICIPATED OUTCOMES

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

7 REASONS FOR RECOMMENDATIONS

The Management Report provides details for improvements in the final accounts 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 within the various commissioned works.

In order for the Council to move towards its goal of excellence it is essential that the progress made to date in the area of UoR is built upon. This progress is against a measure that is getting more difficult.

8 ALTERNATIVE OPTIONS CONSIDERED

None.

9 IMPLICATIONS

Implications have been identified separately in each agreed Action Plan.

10 BACKGROUND DOCUMENTS

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

Peterborough City Council Statement of Accounts 2007/08

Report to Management



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John Harrison
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Bridge Street
Peterborough
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January 2009

Dear John

Peterborough City Council: Report to Management 2007/08

Please find enclosed our Report to Management, summarising those issues arising from the Statement of Accounts audit in 2007/08.

Yours faithfully

PricewaterhouseCoopers LLP

Enclosures

Copies to:

Gillian Beasley, Chief Executive
John Blair, Head of Strategic Finance
Mandy Bretherton, Corporate Accounting Manager
Steve Crabtree, Head of Internal Audit

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Appendix B: Follow up of prior year issues	13

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.

Executive Summary

The purpose of this report

This report has been prepared for the officers of Peterborough City Council in relation to the final audit of the Statement of Accounts for 2007/08.

This is the final report in a series issued as part of the audit process for 2007/08. This report sets out our findings from both the interim and final stages of the audit. The purpose of this report is as follows:

- To provide officers with the findings from our interim audit and final audits, that took place in February and July to September 2008. A number of these issues were raised in our *2007/08 Report to those charged with governance*. This report expands further on those issues and gives management the opportunity to formally respond to the points raised in that report. Our findings are shown in Appendix 1 of this report.
- Secondly, this report follows-up our issues that were identified as part of the 2006/07 audit, as described in our report *Final Audit of Statement of Accounts 2006/07*. Our findings are shown in Appendix 2 of this report.

During the year, we have issued a number of other reports. These comprised the *Review of Internal Audit effectiveness* (August 2007), *Business Process Mapping* (June 2008) and *Debt Management: follow-up report* (August 2008). We have not repeated any of the recommendations or findings from these other reviews in this report.

Summary of key findings

We are pleased to note that the Council maintained the high standards of Financial Reporting set during the 2006/07 audit. The quality of working papers and officers' prompt responses to queries have contributed to ensuring an efficient audit process, enabling us to issue an unqualified audit opinion on the Statement of Accounts on 24 September 2008.

We are pleased to note that no high priority issues have arisen from our audit. However, we have identified some medium priority issues that have resulted in the following recommendations:

- Further assurance could be obtained over the value of the VAT shelter to be paid each year to provide greater assurance to the Council;
- A review should be undertaken of property lease arrangements in place to determine whether these are the most suitable terms for the Council, and if not, whether it is possible that the Council can exit the lease;
- The Council should undertake a review of the fixed asset register once depreciation charges have been calculated to ensure that assets with negative values are not included;
- A mechanism should be introduced that makes it a requirement of the contract signing process for the Legal Department to be automatically sent a copy of the contract;
- The Council should make use of the repeat invoice facility whenever possible and ensure that all debts are written-off in line with the Standing Orders; and
- Internal Audit recommendations should be implemented on a timely basis

These recommendations are expanded further in Appendix A of this report.

Explanation of priorities

The importance of issues identified during our work has been classified as follows:

High – major issue for the attention of senior management

Immediate action is required to address a serious weakness in control or accounting.

Medium – important issues to be addressed by management in their areas of responsibility

Action should be taken within an appropriate timeframe to address a significant weakness in control or accounting.

Low – problems of a more minor nature which provide scope for improvement

Action is desirable to strengthen or supplement existing controls or accounting arrangements. Management should take action as resources permit.

This report

This report is not intended to be a fully comprehensive review of the system of internal financial control at the Council. We have instead focused our testing on key risk areas and carried out our audit in accordance with International Standards on Auditing.

We have prepared this report solely for use by yourselves and within your organization and, therefore, we believe that it would not be appropriate for it to be made available to third parties. If such a third party were to obtain a copy without our prior written consent, we would not accept any responsibility for any reliance they might place upon it.

Acknowledgement

We are grateful for the help and support provided by relevant officers during our audit.

Appendix A: Matters arising from the 2007/08 Statement of Accounts audit

OBSERVATION AND RISK	RECOMMENDATION AND PRIORITY	MANAGEMENT RESPONSE AND TIMETABLE FOR IMPLEMENTATION
<p>1 VAT shelter</p> <p><i>Observation</i></p> <p>The Council is in an agreement with Cross Keys Homes (CKH) that results in the Council receiving a payment each year based on VAT savings on future capital works (known as the 'VAT shelter'). These savings are made by CKH and it pays 50% of any savings made to the Council.</p> <p>The Council is informed of the level of payment it is due to receive by CKH, and includes this in the accounts. For 2007/08, the amount recognised in the accounts was £2.885m. However, the Council does not seek further assurance over the figures notified by CKH.</p> <p><i>Risk</i></p> <p>There is a risk that the figures notified to the Council by CKH are not in line with the terms of the agreement or that the figure to be paid is inaccurate.</p>	<p>We recommend that the Council obtains more assurance over the value of the VAT shelter to be paid by CKH each year.</p> <p>This could be achieved by an annual meeting with CKH to discuss the processes CKH have carried out to calculate the payment due.</p> <p>Medium priority</p>	<p>The Council will liaise with CKH in order to gain more assurance over the value of the VAT Shelter. Corporate Accounting Manager, April 2009.</p>

OBSERVATION AND RISK	RECOMMENDATION AND PRIORITY	MANAGEMENT RESPONSE AND TIMETABLE FOR IMPLEMENTATION
<p>2</p> <p>Leases – value for money</p> <p><i>Observation</i> Our review of property leases revealed a lease dating back to 1980 on an industrial unit for £156k. This property is owned by the Council which leases it to a third party for a nominal amount, which in turn leases it back to the Council. The Council has an agreement in place that it will pay at least 75% of the market value of rent for the property to the third party.</p> <p><i>Risk</i> There is a risk that the Council may not be achieving value for money by being a party to this arrangement.</p>	<p>We recommend that the Council reviews lease arrangements in place to determine whether these are the most suitable terms for the Council, and if not, whether it is possible that the Council can exit the lease.</p> <p>Medium priority</p>	<p>Leases will be the subject of a detailed review in preparation for International Financial Reporting Standards (IFRS). Value for Money will be incorporated into this review. Corporate Accounting Manager, During 2009/10.</p>
<p>3</p> <p>Assets with a negative net book value</p> <p><i>Observation</i> Our review of the fixed asset register identified £532,000 of assets carried at a negative value. This was due to incorrect charges for depreciation being made against these assets. This resulted in an immaterial misstatement in the accounts.</p>	<p>We recommend that the Council undertakes a review of the fixed asset register once depreciation charges have been calculated to ensure that assets with negative values are not included.</p> <p>Medium priority</p>	<p>Additional checks are being built into the process for 2008/09 closure of accounts. Corporate Accounting Manager, Feb 2009.</p>
<p>3</p> <p>Completeness of contract register</p> <p><i>Observation</i> Legal Services should be advised of any new contracts the Council enters into, and rely on Officers making them aware of any new contracts entered into. However, there</p>	<p>The Council should implement a mechanism that makes it a requirement of the contract signing process for Legal Services to be automatically sent a copy of the contract. For example, a contract</p>	<p>Current contract regulations already require that contracts over £50K should be referred to legal, as reflected in the Council's interactive procurement Guide.</p>

OBSERVATION AND RISK	RECOMMENDATION AND PRIORITY	MANAGEMENT RESPONSE AND TIMETABLE FOR IMPLEMENTATION
<p>is no formal mechanism in place to ensure that all contracts are reported to Legal Services, and completeness checks are not carried out.</p> <p><i>Risk</i></p> <p>There is a risk that all contracts may not be identified and included on the register. This is particularly an issue given the new accounting rules for financial instruments, which require that the Council has a complete list of contracts to assist in identifying any such instruments,</p>	<p>completion checklist could be introduced, with the requirement that documentation is sent to Legal Services.</p> <p>Medium priority</p>	<p>The Council is introducing a new contracts register which will capture all contracts over £10K. Procurement Project Director, January 2009</p>
<p>4</p> <p>Accounts receivable testing</p> <p><i>Observation</i></p> <p>The following issues were identified as part of our accounts receivable controls testing undertaken at the interim audit:</p> <ul style="list-style-type: none"> Oracle has the facility for repeat invoices to be raised. Repeat invoices are those raised for the same amount over a set period of time (for example, 1/12th of an annual contract invoiced each month). However, in some cases we identified that the repeat invoice facility within Oracle was not being effectively utilised. Instead, repeat invoices were being raised manually; and As part of our testing of bad debts, we identified a small number of instances where write-offs 	<p>The Council should make use of the repeat invoice facility whenever possible, to reduce the need to raise manual invoices.</p> <p>The Council should also ensure that all debts are written-off in line with the Standing Orders.</p> <p>Medium priority</p>	<p>Currently invoices by instalments are raised where appropriate. Users will be reminded that this facility exists within Oracle. Financial Contoller, January 2009.</p> <p>The policy for write off debts was changed at Full Council in May 2008. Amounts £5k - £10k can now be written off by Executive Director of Resources. The Financial Regulations will be fully updated on implementation of the Senior Management Review. Financial Contoller, April 2009.</p>

OBSERVATION AND RISK	RECOMMENDATION AND PRIORITY	MANAGEMENT RESPONSE AND TIMETABLE FOR IMPLEMENTATION
<p>have not been authorised in line with the Standing Orders. These state that for individual debts below £5,000, these must be approved by the Director of Strategic Resources and, above £5,000, by the Cabinet member for Finance. However, in some cases we found that the write-offs of debts below £5,000 had been authorised by the Strategic Finance Business Manager or Financial Controller.</p> <p><i>Risk</i></p> <p>There is a risk that by not making use of facilities such as the repeat invoice system, repeat invoices may not be raised accurately or on a timely basis. Moreover, as raising manual invoices is a more labour intensive process, failure to use the repeat facility is not the most efficient use of officers' time and resources.</p> <p>In addition, where write-offs are not made in line with the Council's Standing Orders, there is a risk that debts may be written-off without sufficient scrutiny as to reason or recoverability.</p>		
<p>5</p> <p>Barclaycard purchasing cards</p> <p><i>Observation</i></p> <p>As part of our accounts payable controls testing undertaken at the interim audit, we reviewed the controls surrounding the issuing of Barclaycard purchasing cards. The Accounts Payable Team maintains a spreadsheet of</p>	<p>We recommend that the Council periodically reviews the data held on cardholders, to ensure that this is accurate and the delegated rights for individual officers are still deemed appropriate.</p>	<p>Purchasing Cards will be reviewed. Financial Controller, quarter one 2009/10.</p>

OBSERVATION AND RISK	RECOMMENDATION AND PRIORITY	MANAGEMENT RESPONSE AND TIMETABLE FOR IMPLEMENTATION
<p>those holding cards, showing name and authorised limits.</p> <p>As part of our testing, we agreed data on this spreadsheet to the initial cardholder request form, completed for each cardholder and authorised by their line manager or Business Manager. When agreeing the details of limits from the spreadsheet to the initial request form, two of the five cardholders reviewed had different authorisation limits on the spreadsheet than that shown on the original form.</p> <p>Further investigation revealed that the card limits had been legitimately amended since the original authorisation form was completed. However, in both cases, no amendment forms could be found.</p> <p>Risk</p> <p>There is a risk that the monitoring and management of purchasing card use will be made problematic if discrepancies exist between documents held on cardholders.</p>	<p>Low priority</p>	
<p>Internal Audit review of Information Technology General Controls (ITGCs)</p> <p>Observation</p> <p>The Council's Internal Audit team have completed a number of IT related reviews over the past two years. We reviewed these reports and noted the progress made on implementing recommendations.</p> <p>Internal Audit have carried out a follow up of the</p>	<p>Internal Audit recommendations should be implemented on a timely basis.</p> <p>Medium priority</p>	<p>Internal Audit recommendations will be implemented in accordance with the management action plan for each audit. Head of ICT.</p>

OBSERVATION AND RISK	RECOMMENDATION AND PRIORITY	MANAGEMENT RESPONSE AND TIMETABLE FOR IMPLEMENTATION
<p>recommendations raised within the Change Quality Assurance, Internet and Network Management reports from 2006/07 and identified that although progress has been made, there are still several issues that remain outstanding, a number of which are 'high priority' recommendations.</p> <p>In particular, we noted one high risk recommendation which was to be implemented immediately according to the management action plan within the report but which remained outstanding as the time of our review. A number of issues also remain outstanding in relation to IT security.</p> <p>Risk Failure to implement Internal Audit IT related recommendations on a timely basis may expose the Council to unnecessary risks.</p> <p>Payroll testing</p> <p>Observation Testing of payroll controls at the interim audit identified that of 25 starters selected for review, 1 starter form could not be located. Of 25 leavers selected for review, 4 leaver forms could not be located.</p> <p>Risk There is a risk that employees are incorrectly established or removed from the payroll system.</p>		
<p>7</p>	<p>We recommend that the Council reminds staff of the importance of retaining documents relating to employees. In the longer term, the Council may wish to consider alternative methods of storing data.</p> <p>For example, introducing a system to scan in documents, as seen in the Accounts Payable and Revenue and Benefits departments, may help to improve the processes relating to the management of payroll data.</p>	<p>The HR Shared Services Manager will remind all staff of the importance of retaining documents and filing promptly in personal files by 30th November 2008.</p> <p>HR Shared Services Manager has begun work with Business Transformation to review and implement where appropriate electronic means of data storage. This work is in its infancy and on-going.</p>

OBSERVATION AND RISK	RECOMMENDATION AND PRIORITY	MANAGEMENT RESPONSE AND TIMETABLE FOR IMPLEMENTATION
<p>8</p> <p>Financing of capital spend note</p> <p><i>Observation</i> The Council has a complex and detailed financing of capital spend note, showing each grant awarded to the authority to support the capital programme.</p> <p>Testing revealed that in some cases it was difficult to trace grant income to supporting documentation from the relevant Department.</p> <p><i>Risk</i> There is a risk that this disclosure note may be misstated.</p> <p>Finance lease calculations</p> <p><i>Observation</i> When reviewing the finance lease calculations included in the accounts, it was noted that the effective interest rate calculated by the Council was incorrect.</p> <p>The correct calculation would be including payments applied in advance. The Council was, however, calculating these in arrears. This resulted in a trivial misstatement to the accounts.</p> <p><i>Risk</i> There is a risk that finance lease figures are misstated.</p>	<p>Low priority</p> <p>We recommend that, if the Council wishes to continue including such a detailed note in its accounts, it ensures that supporting documentation is available for all grants.</p> <p>Alternatively, it may wish to consider another format for the note; for example, one that does not show individual grants.</p> <p>Low priority</p> <p>The Council should review its method for calculating interest lease payments, and ensure that the correct method is being used to calculate effective interest rates.</p> <p>Low priority</p>	<p>This note will be reviewed, in conjunction with the External Auditors, as part of the closure of accounts process. Corporate Accounting Manager, March 2009.</p> <p>This will be reviewed as part of the closure of accounts process. Corporate Accounting Manager, March 2009.</p>
<p>9</p>		

Appendix B: Follow up of prior year issues

The following table lists issues raised in the prior year audit that have not yet been resolved and were not covered by our *Review of Internal Audit effectiveness* (August 2007), *Business Process Mapping* (June 2008) and *Debt Management: follow-up report* (August 2008):

ORIGINAL RECOMMENDATION	ACTION TAKEN AND FURTHER RECOMMENDATIONS	MANAGEMENT RESPONSE / TIMETABLE FOR IMPLEMENTATION
<p>1</p> <p>Fixed assets</p> <p>We recommend that the Council completes its exercise to cleanse the data in its balance sheet so that assets with a value of zero are written out of fixed assets, or are revalued to reflect their carrying amount.</p> <p>We also recommend that the Council completes its exercise to identify all material fixed assets with non-specific descriptions, and that procedures are put in place to ensure that all subsequent capital expenditure is recorded with sufficient detail in the fixed asset register.</p>	<p>The Council removed £8.4m worth of assets with a nil net book value or non-specific descriptions from its fixed asset register during the 2007/08 financial year. In addition, we noted that where assets have been put onto the register in the year, sufficient narrative and references have been included to enable the asset to be easily identified.</p> <p>However, our testing did reveal a number of assets included in the asset register with negative depreciation. We have raised an issue relating to this in Appendix A.</p> <p>Issue partially resolved</p>	<p>Additional checks are being built into the process for 2008/09 closure of accounts. Corporate Accounting Manager, Feb 2009.</p>

ORIGINAL RECOMMENDATION	ACTION TAKEN AND FURTHER RECOMMENDATIONS	MANAGEMENT RESPONSE / TIMETABLE FOR IMPLEMENTATION
<p>2</p> <p>Cash flow statement</p> <p>The Council should review its methodology for completing the Cash Flow Statement and prepare one that I) correctly strips out accruals and prepayments or that II) uses the “direct method” to completely identify all non-cash transactions.</p>	<p>This issue was raised in the prior year due to the inclusion of a balancing figure of £1.3m in the notes to the Cash Flow Statement. We note that a balancing figure of £0.76m is included in the current year notes.</p> <p>It was clear that effort has been made this year to reduce the value of the balancing figure through detailed analysis of accounts and balances by the officer responsible for compiling the Cash Flow Statement. We recommend that the Council continues to strive to eliminate this balancing figure.</p> <p>Issue partially resolved</p>	<p>Further work will be undertaken as part of the closure 2008/09 in order to reduce this balancing figure. Corporate Accounting Manager, May 2009</p>

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

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Government and Public Sector

Peterborough City Council

CPA Use of Resources – Assessment F



Gillian Beasley
Chief Executive
Peterborough City Council
Town Hall
Peterborough
PE1 1HQ

January 2009

Dear Gillian

CPA – Use of Resources – Assessment Results

We are pleased to present the summary results of our assessment of the Council's use of resources, which has been based on the methodology and guidance issued by the Audit Commission. Please contact Chris Hughes on 0207 804 3392 or me if you have any issues you would like to discuss with respect to this report.

Yours sincerely

PricewaterhouseCoopers LLP

cc Nigel Smith, Audit Commission Relationship Manager

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Introduction
Assessment results

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 explains the responsibilities of auditors and audited bodies. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors and audited bodies are. Our reports and management letters are prepared in the context of this Statement. Reports and management letters addressed to members or officers are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any other person or to any third party.

Introduction

Introduction

We have completed our assessment of the Council's use of resources in accordance with the methodology and guidance prescribed by the Audit Commission. The results have been subject to internal and Audit Commission quality assurance arrangements designed to ensure compliance with the methodology and guidance and to promote consistency of assessment between appointed auditors.

The tables in Section 2 set out the results of the assessment and highlight the areas for improvement based on the criteria devised by the Audit Commission. Each judgement area consists of a number of key lines of enquiry and areas of audit focus and evidence. There are also descriptions of performance against each key line of enquiry (KLoE) showing performance levels 2, 3 and 4. These translate into the following assessments

- 1 = below minimum requirements – inadequate performance
- 2 = only at minimum requirements – adequate performance
- 3 = consistently above minimum requirements – performing well
- 4 = well above minimum requirements – performing strongly

The Audit Commission determined the criteria for the assessment by combining the auditor's separate standards with a 'harder test' using a set of rules which it published in 2006. For 2007/08 the criteria have been updated, with new requirements being added or

Preliminary results were discussed with the Council and were subsequently subject to internal quality assurance coordination. The Audit Commission advised the Council on 8 December 2008.

The Council's overall score was the same as last year. However, the individual theme scores compared to last year remained the same.

In the "Observations and areas for improvement" section we have taken into account some of the findings of the Assessment (CAA) that will replace the current assessment in 2009.

Assessment results

Financial Reporting

How good are the council's financial accounting and reporting arrangements?

Overview

The working papers provided by the Strategic Finance team were exemplary again this year, ready on the first day of the year and with clear links to the statement of accounts. We have reported the Council's working papers to the Audit Commission as an example of good practice.

The Council engaged with us throughout the year to discuss accounting issues as they arose. This dialogue ensured that the process was efficient as the accounting treatment for significant transactions and balances was agreed in principle before the accounts were prepared.

The new financial instruments requirements introduced in the Statement of Recommended Practice (SORP) were technically challenging and submitted a robust draft set of accounts to Members for approval in June 2008.

Regarding external accountability, the Council continues to produce useful summary financial information, and can demonstrate a range of stakeholders to inform its decision to prepare an annual report. However, as the Council is currently in the process of using the new DEFRA toolkit, it has not included sufficient analysis about its environmental footprint in its published financial statements.

Key Lines of Enquiry

- The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers

- The Council promotes external accountability.

Observations and areas for improvement

- The Council may wish to consider reviewing the external reports of Local Authorities who have won awards for their notable practice to the Audit Commission. The CAA requires that published reports need to provide an objective, balanced view of the organisation's performance in the year.

Financial Management

How well does the council plan and manage its finances?

Overview

The Council's overall score against this theme has remained a "3". The key reason for this is the fact that the Council practice in balance sheet monitoring or asset management. Furthermore, to achieve a "4" the Council needs to demonstrate strategies have contributed to the achievement of its corporate objectives.

There was a significant overspend in Children's Services in 2007/08. However, this overspend was not unexpected. It was identified in the Financial Strategy, and budgetary control information recognised the overspend so that Members were aware of it sufficiently. The Zero Based Budgeting exercise undertaken in Children's Services should result in future budget variances of a smaller scale.

Notwithstanding the issues in Children's Services, the Council has continued to improve its financial management arrangements. Improvements made last year. For example, the Integrated Business and Financial Planning process (IBFP) involved the Finance Programme Team, who traditionally support the service planning process, and the Strategic Finance Team, who support the financial management process.

The Council has improved its asset management sufficiently for its score to be increased to a "3" against this KLoE. Management of backlog maintenance, and the Council is able to demonstrate that it makes investment and disposal decisions utilising the best available information.

Key Lines of Enquiry

- The council's medium-term financial strategy, budgets and capital programme are soundly based and designed to cover the council's priorities
- The council manages performance against budgets
- The council manages its asset base

Observations and areas for improvement

- The Council needs to ensure that it manages the impact of the credit crunch to ensure that its Medium Term Financial Strategy is realistic and achievable.
- The Business Transformation Programme has achieved significant cash savings and process efficiencies. It is important to ensure that these savings are maintained in this area;

- Local communities and other stakeholders need to continue to be engaged in the financial planning process; and
- The Council should consider how improvements in its asset management arrangements can be translated into outcomes where service needs are met.

Financial Standing

How well does the council safeguard its financial standing?

Overview

The Council's financial standing is sound. It has managed its budget in the last three years within the available resources.

The Medium Term Financial Strategy explains the risks that were identified in the budget setting round, during which District Councils set their budgets.

Last year we noted that the Council needed to ensure that it continued to embed improvements in the area of debt management to prevent its score from falling back. We are pleased to report that improvements continue to be made in debt management and that the Council's score has improved.

We note that the Council had invested £3m in Icelandic banks. We note that this investment was in line with the Council's policy at the time. The treasury management policy is regularly updated and has been reviewed and considered by the Council in the context of the current market.

Key Lines of Enquiry

- The council manages its spending within the available resources

Observations and areas for improvement

- The Council needs to demonstrate a good track record of achieving challenging financial health indicators, particularly in the area of debt management.

Internal Control

How well does the council's internal control environment enable it to manage its significant business risks?

Overview

The Council has made improvements across all of the KLoEs in this area and has achieved a level "3" in 2008. The key findings are as follows:

- The programme to give Officers relevant training and guidance to enable them to take responsibility for managing risk in the council's environment was sufficiently embedded during the 2007/08 financial year;
- The assurance framework document that maps the Council's strategic objectives to risks, controls and assurance measures is comprehensive and up to date;
- The counter fraud work undertaken by the Investigation Team is proactive, driven by a risk assessment and the team is adequately resourced. The Council is successful at pursuing both external and internal frauds; and
- Corrective action is being taken to address weaknesses identified by the Audit Commission's National Fraud Initiative.

Key Lines of Enquiry

- The council manages its significant business risks.
- The council has arrangements in place to maintain a sound system of internal control
- The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.

Observations and areas for improvement

- The Council should continue to focus on ensuring that risk management is embedded in business processes. We note that no improvements have been made since 31 March 2008 (the cut-off date for this assessment), for example, the Corporate Management Team should have updated the Assurance Framework to reflect the changes in the Council's business processes;
- Embed the partnership toolkit, which we understand will enable the Council to obtain assurance on a risk basis of the Council's partners business continuity plans;
- The Council will need to demonstrate how the Assurance Framework has been used in the process for updating the Council's risk register;
- The impact of the Audit Committee in providing effective challenge across the Council and independent assurance on the Council's internal control environment.

associated internal control environment needs to be demonstrated.

Value for Money

Overview

Although the Council's expenditure per head remains in the upper quartile of comparative authorities, the Council set a target for 2007/08 indicating a Council Tax trend that remains below average for comparator authorities.

However, it remains unclear how the investment being made by the Council in respect of business transformation and service redesign is translating into performance outcomes despite some areas of key work i.e. Solutions Centre and revised analysis of performance in areas such as teenage pregnancies. The Council will need to demonstrate further relative improvements in performance in key areas, relative improvements in ranking with comparator authorities, allied to that of demonstrable efficiencies, as well as build on other priority areas i.e. Children in care.

Following last year's comments in respect of the Business Transformation programme, the Council's implementation of an efficiency programme has been able to clearly demonstrate efficiency savings of £2,821,953 (£2,645,294 cashable), worth some £3m. Total savings achieved for the period to 2007/08 have been £10,415,300 (Target: £9,245,000). Key actions and the efficiencies included:

Review of homecare packages and improved management of services: £646,000

Renegotiation of Council contracts for supplies and services: £917,000

Review of business support posts, new accommodation strategy implemented, and improved customer support: £1,007,000

Key Lines of Enquiry

- The council currently achieves good value for money
- The council manages and improves value for money

Observations and areas for improvement

The Council should continue to implement the issues raised and recommendations made last year in order to demonstrate the Council needs to be aware of, and prepare for the revised requirements of the 2008/09 Use of Resources assessment of criteria to 'characteristics of performance'.

The revised Use of Resources assessment will be broader in scope and embrace wider resource issues such as people and natural resources. In addition it will consider and assess the Council's approach to mainstreaming the themes of:

- Partnership working.
- Data quality.
- Equalities; and
- Sustainable development.

The forthcoming assessment will place more emphasis on considering outcomes for local people and it is particularly in the revised KLoE are more strategic and focus much more explicitly than previously on value for money achievements,

In particular the Council will be required to demonstrate:

- Whether arrangements are working effectively in practice.
- What difference they are making.
- Whether they are achieving expected outcomes; and
- Value for money.

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Government and Public Sector

Peterborough City Council

Review of Data Quality arrangements



Ms G Beasley
Chief Executive
Peterborough City Council
Town Hall
Peterborough
PE1 1HG

December 2008

Dear Sir

Review of Data Quality arrangements

We are pleased to present the summary results of our review of the Council's arrangements to ensure data is completed in accordance with the methodology and guidance issued by the Audit Commission.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J Harrison'.

cc J Harrison – Director of Strategic Resources

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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'. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors and audited bodies lie 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. They are not to be used by auditors to any Member or officer in their individual capacity, or to any third party.

Introduction

The Audit Commission requires us to undertake a review of the Council’s data quality arrangements. The review focuses on all aspects of data quality at a corporate level across the Council and is also linked to the requirement for us to conclude on the Council’s use of resources.

The review of data quality is a three-stage approach prescribed by the Audit Commission as follows:

	Description
Stage 1	Management arrangements - Review of overall management arrangements to secure data quality.
Stage 2	Completeness check – Collection of non-BVPI data and variance analysis.
Stage 3	Data quality spot checks - In-depth review of a sample of PIs (from a list of specified BVPIs and non-BVPIs).

This report sets out the results of our review.

Stage 1 – Management Arrangements

The assessment of the management arrangements in place for data quality is used to:

- Direct the detailed work on spot checks (Stage 3 of the report).
- Inform our Use of Resources report (our performance information report).

The work that we have undertaken for the Audit Commission to inform its CPA

The assessment that we have undertaken in relation to data quality:

- Governance and leadership
- Policies and procedures
- Systems and processes
- People and Skills; and
- Data use.

Each theme is supported by a number of key lines of enquiry, setting out areas of audit focus and showing the performance levels required to be rated as 1, 2, 3 or 4. These performance levels translate into the following assessments:

1 = below minimum requirements – inadequate performance

2 = only at minimum requirements – adequate performance

3 = consistently above minimum requirements – performing well

4 = well above minimum requirements – performing strongly

The purpose of the score is to describe the maturity of the Council's management arrangements for data quality and to identify constructive recommendations where needed. The score will be reported in this form to the Audit Commission and will inform the risk assessment required for Stage 3 of the audit process.

Our Use of Resources Conclusion is reported separately in our Audit Report on the 2007/08 accounts and is based on a simple assessment of whether the arrangements in place are adequate (i.e. consistent with a score of 2-4) or inadequate (i.e. consistent with a score of 1).

Stage 2 – Completeness Check

The Audit Commission required us to collect the 2007/08 data for a number of non-Best Value Performance Indicators (BVPIs). These are included in the 12 performance indicators (PIs) selected by the Audit Commission for further testing at Stage 3 of the review. We were also required to investigate reasons for significant variances in the performance of these 12 PIs, as notified to us by the Commission.

Stage 3 – Data Quality Spot Checks

Stage 3 of the review requires the 12 PIs selected by the Commission, as presented in Appendix C, to be subject to in-depth

review and testing on a sample. The sample is dependent upon a risk assessment of Stages 1 and 2 of the review.

- Review of the individual PIs over the specific PI selected
- Documentation and a record of recording and calculation
- Testing the accuracy of the data
- Data testing.

Information Governance

Allied with data quality is information governance. Following the government's agenda following the publication of the Poynter report and Office guidance, all local authorities are required to review their data transfers. However, information governance – information security – can occur from weaknesses in the business processes as well as in the handling or managing sensitive information. Parties are used to deliver services and the risks are considered and steps taken to mitigate them.

The Poynter report, as produced by the Audit Commission, is a comprehensive review of the information governance. We have developed a tested methodology for information governance. If you would like further information, please contact Julian Rickett on 01603 88332.

Summary of findings – Data quality review

Stage 1 – Management Arrangements

A summary of the results from our review of the Council’s management arrangements for ensuring data quality, together with the prior year scores, are presented below. Overall, these scores give rise to an adequate assessment of the Council’s arrangements in our Use of Resources conclusion which was reported to the Council in September 2008. The overall score reported to the Audit Commission in October in respect to this stage of the audit was “3”. This is an improvement on the prior year when the Council achieved an overall score of “2”. We report in Appendix A the detailed findings from assessment.

Key line of enquiry	2007/08 KLOE score	2006/07 KLOE score
Governance and leadership: overall score <ul style="list-style-type: none"> ▪ Responsibility for data quality is clearly defined. ▪ The body has clear data quality objectives. ▪ The body has effective arrangements for monitoring and review of data quality. 	3	2
Policies and procedures: overall score <ul style="list-style-type: none"> ▪ A policy for data quality is in place, supported by a current set of operational procedures and guidance. 	3	1

Key line of enquiry

- Policies and procedures are followed and applied consistently throughout

Systems and processes: overall score

- There are appropriate systems for recording, analysis and reporting performance, and staff use of these systems.
- The body has appropriate controls that information systems secure data to report on performance.
- Security arrangements for performance systems are robust, and business in place.
- An effective management framework is in place.

People and skills: overall score

- The body has communicated clearly to staff, where applicable, for action
- The organization has arrangements in place that staff with data quality responsibilities have necessary skills.

Key line of enquiry	2007/08 KLOE score	2006/07 KLOE score
<p>Data use: overall score</p> <ul style="list-style-type: none"> ▪ The body has put in place arrangements that are focused on ensuring that the data supporting performance information is used to manage and improve the delivery of services. ▪ The body has effective controls in place for data reporting. 	3	3
	2	2

It should be noted that the assessment has been undertaken against the criteria specified by the Audit Commission, and reflects the arrangements to ensure the quality of reported data as opposed to the review and use of that data. The Audit Commission criteria place significant weight on the existence of documented policies and procedures, and on arrangements that ensure or confirm the robustness of data which, although related, are not simply the monitoring or use of that data.

Stage 2 – Completeness Check

We completed Stage 2 of the review and reported the results to the Audit Commission within the timescales specified. We identified no areas we wish to bring to your attention associated with this part of the review.

Stage 3 – Data Quality Spot Checks

We selected 6 PIs, from the Audit Commission's list of selected PIs, based upon our assessment of the risk associated with the Council's arrangements for ensuring data quality and in line with guidance issued by the Audit Commission. These included the two housing benefit PIs which the Audit Commission specified as being mandatory as the testing links into the testing of the Council's Housing and

Council Tax Benefit grant claim of stage 3 were as follows:

- HIP HSSA - % of total p
than six months;
- HIP HSSA - Repeat ho
- BV 82a - Recycling per
- BV 82b - Composting p
- BV 78a - Average time
and council tax benefit)
- BV 78b - Speed of pro
housing and council tax

Of these, we are pleased to rep
Audit Commission as "unfairly
other Councils. Two indicators
audit procedures and these am
Commission at the conclusion

Our detailed recommendations
detailed in Appendix B to this r

Appendix A - Summary of Key Findings Improvement

Governance and leadership

Has the body put in place arrangements at a senior level to secure the quality of data used to manage and rep

Overview

Following the 2007 assessment an action plan was created to progress the Council from a level two authority to a level three authority in the period up to 31 March 2008 and the Council is able to demonstrate progress in a number of key areas of the action plan.

- Portfolio Holder for strategic resources has senior member responsibility for data quality and the Strategic Director for "efficient and effective" council (with delegated authority from the Chief Executive) is the key officer responsible.
- Issues about data quality are considered by and reported to Directors and Heads of Service (HoS). Regular monthly reports via PPlus are signed off by Lead Business Unit Administrators, prior to review by HoS and Director's signoff. Reports are reviewed by the Strategic Improvement Division to provide a performance commentary and quarterly reporting to CMT with a risk assessment.
- A data quality strategy and policy has been created and communicated through a development group and departmental representatives and Council's overall approach is monitored by the Council's Strategic Improvement Division with the Strategic Director. The strategy/policy states that data should be captured as quickly as possible after an event/activity and shared across multiple uses.
- The Data Quality Strategy / Policy clearly specifies the roles and responsibilities for Data Quality, is referenced throughout the Council's policies and procedures and that it is the role of all staff to input/store or otherwise manage data ensuring it is to the highest standard.

Key Lines of Enquiry

- Responsibility for data quality is clearly defined
- The body has clear data quality objectives
- The body has effective arrangements for monitoring and review of data quality

Areas for Improvement

- The Council has made progress in considering data quality as part of the corporate risk management arrangements.

to explicitly support all level 3 criteria, in particular the need to demonstrate the regular assessment of the risks and information. Evidence will be required for the 2009 assessment to demonstrate that key actions/processes have corporate risk management arrangements.

Policies and procedures

Has the organisation defined its expectations and requirements in relation to data quality?

Overview

Significant progress has been made by the Council since the last assessment when a Data Quality Policy was under development, implemented and covers all criteria for judgement. As well as the policy, further guidance has been provided for staff with documentation (This documentation was initially communicated through a workshop to staff, but all policies, procedures and guidance are now available on an internal intra-net site).

A group meet monthly to identify possible areas of concern. The Council provides a weekly information bulletin for all staff. Council. This newsletter includes information of any policy changes with hyperlinks to the full policy for easier access to the Communications and Telecoms) policy is accessed through the public folders as well as all other relevant staff policies (e.g. Private usage policy/mobile telephone policy as well as others, as well as HR. The responsibility then resides with Leadership and ensure compliance.

Key Lines of Enquiry

- A policy for data quality is in place, supported by a current set of operational procedures and guidance
- Policies and procedures are followed by staff and applied consistently throughout the organisation

Areas for Improvement

- The Council will need to ensure that data quality arrangements affecting partnership working, where relevant are both demonstrable for the 2009 assessment. Consideration should also be given to ensuring that partner bodies are fully informed of future data quality policies, procedures and guidance notes.

Systems and processes

Are there effective systems and processes in place to secure the quality of data?

Overview

It is acknowledged that the Council has been undertaking developments in this area, but further work is required to full arrangements are fully embedded.

Performance Plus (PPlus) is Peterborough City Council's performance system which is in place for the collection, recording and reporting of performance. Administrators have been trained throughout with additional support for ensuring the system is secure. The Council is maintaining PPlus as well as responsibility of its operation. Data entry clerks then have the role of adding and amending data to ensure that any updates to the system are communicated throughout, as well as monitoring and reviewing.

Lead Business Unit Administrators have the responsibility of the day to day operation of PPlus. A Performance Management Group was set up (September 2007) to work across the directorates to improve the monitoring and reporting of performance and to disengage from original systems and processes. The group has re-aligned performance management to meet the needs for the organisation and the linkages from operational services to HoS and reporting through to directors & CMT.

No control mapping has been undertaken to date, although the officers have stated that PPlus does allow errors to be reported. If arranged as appropriate, it is not clear what arrangements have been put in place to progress this. Whilst performance management and inadequate performance and action plans have been put into place there is no evidence of annual data quality review or control mapping.

The Council has business continuity plans. These plans cover the organisational critical information systems to ensure continuity after a disaster. The overall corporate plan is developed through the creation of individual service continuity plans and a system "Office Shadow". The Resilience team have trained nominated people in each service to create plans through training sessions. These plans have been subjected to a challenge session to ensure that the processes work and that all controls are in place. It has been agreed that Peterborough PCT will also use this system and the Council's process to create its Business continuity plans. The plans are being performed on this, but are due in July 2008, as a result reports have not been submitted to management.

The Council has also launched Emergency planning, a full version of this has been issued to heads of services and is a reference document. A pocket version of this is also available as well as being available on the website.

Protocols for sharing key data internally and externally are still to be developed. However, the Local Strategic Partnership has reviewed the performance of Peterborough's Local Public Service Agreement (LPSA). Working with both internal and external partners a process that was in place to create the LPSA and created a summary of lessons learned so that these can be addressed in the new Local Area Agreement. However, it remains unclear what validation process has been established during the year for data provided by partners or other third parties.

Key Lines of Enquiry

- There are appropriate systems in place for collection, recording, analysis and reporting of data used to monitor performance and supported in their use of these systems

- The body has appropriate controls in place to ensure that information systems secure the quality of data used to report
- Security arrangements for performance information systems are robust, and business continuity plans are in place
- An effective management framework for data sharing is in place

Areas for Improvement

Evidence will be required for the 2009 assessment to demonstrate that key actions/processes identified in the Data Quality Review are implemented and embedded in particular:

- Mapping of controls functions.
- Evidence that a programme of consistent data quality reviews is carried out before reporting to senior management.
- Performance information systems have built-in controls to minimise the scope for human error or manipulation, data, and unauthorised data changes.

The Council's current data sharing guidance provides information on sensitivity of data and council information and prior to sending information externally. This is available to all staff. However, this does not detail whether and/or how the Council checks samples of data against source records. The proposed Information Management Policy should identify and take account of data shared and also the types of data being shared. The Council should ensure that the policy addresses:

- Adequate processes to validate data from third parties.
- Is approved by senior management.
- Communication to all employees, Members and partners.
- Regular review and data quality assessments carried out by say internal audit.

People and skills

Does the organisation have the resources in place to secure data quality?

Overview

Key roles and responsibilities of data quality are evidenced in the Data Quality Policy. In addition, there are some specific descriptions for both the Performance Framework Manager and Officer. No other officer's job descriptions contain specific details, although the Performance Management Development Group provide a structure and roles for the central Performance Framework Manager, Performance Contacts (KDPC) and Lead Business Unit Administrators (LBUA's) network.

There are no stated DQ targets or standards set for staff against which they are assessed. Whilst the **PerformancePlus** system has input time targets, as well as guidelines for inputting, it remains unclear what outcomes and impacts have arisen from this, dependent upon the implementation of the Information Management Policy and associated actions.

The Council's **PerformancePlus** system has been fully rolled out throughout the Council. This has been completed after the implementation of the system, also PPlus training guides for staff to use. On site training sessions have also been held to ensure that roles and responsibilities are understood. In 2008 there have been three sessions with 62 attendees. A support network is available for staff to monitor and respond to data quality monitoring. Monthly meetings are held to ensure all areas of concern are discussed but it is not clear how the impact of this has been addressed through training or whether any evaluation has yet been undertaken of the arrangements.

Key Lines of Enquiry

- The body has communicated clearly the responsibilities of staff, where applicable, for achieving data quality
- The organisation has arrangements in place to ensure that staff with data quality responsibilities have the necessary resources

Areas for Improvement

Further consideration should be given to our previous recommendations that the Council should:

- Monitor and report on the interventions made by the Strategic Improvement Division and Performance Management as this would provide an indication of the state of data quality within the Council, and not just Best Value Performance
- Linked to the above, assess the extent and quality of training provided across all departments to ensure that resources are used to ensure the effective collection, recording, analysis and reporting of data.
- Demonstrate whether any levels of inadequate poor performance have led to corrective actions.
- Review future developments that may impact on data quality staff skills and capacity to enable the Council to progress its programmes.

Data use

Are there effective arrangements and controls in place for the use of data by the organisation?

Overview

The Council continues to develop and embed a culture where performance information is seen as critical to business in

Heads of Service use monthly reports from **PerformancePlus** to monitor the performance of their service, this includes performance, as well as identifying what actions are required to achieve the agreed target. A corporate pack is produced from different perspectives of the Council's performance i.e. corporate plan, LAA, CPA/CAA, customers, people, finance/VFI to highlight areas of concern and to support the council's decision making process.

Through the restructure of the Strategic Improvement Division the performance of the Council has been refocused with key issues are reported to the CMT on a monthly basis and the improvements required to change any deviations from plan are reported to the relevant Director for monitoring and subsequent reporting back.

The Council has arrangements in place to primarily support the validation and reporting of best value performance indicators. Templates are in place for all data returns, as communicated via the Lead Business Unit Administrator network, it is intended to address the Level 3 criteria in respect of:

- Validating data returns to government departments; and
- Ensuring senior management approval prior to external reporting to regulators and government departments e.g. IP

We understand that some work has been undertaken on the processes in respect of DEFRA information only and that this is supported by the quarterly reporting and sign off arrangements by HoS but no further evidence was provided.

Key Lines of Enquiry

- The body has put in place arrangements that are focused on ensuring that the data supporting performance information is accurate and improve the delivery of services
- The body has effective controls in place for data reporting

Areas for Improvement

The Council should:

- Continue to develop a review programme that assesses the impact of data quality issues identified through internal audits
- Ensure all data, not just Best Value Performance Indicators, is subject to appropriate senior approval prior to external reporting
- Develop demonstrable evidence of follow-up action by senior officers and Members to address identified problems and ensure they are implemented and effective.

- Clarify the arrangements required for external reporting to regulators and government departments.

Appendix B – Recommendations arising from detailed spot checks of performance indicators

Indicator	Definition	Findings
Reservations to Performance Indicators		
HIP HSSA	% of total private sector homes vacant for more than six months	<p>To generate this indicator, the Council needs to calculate the total number of private sector homes. To do this, the Council takes the total number of properties within the Peterborough boundary, as advised by the District Valuer, and subtracts the number of properties held by Housing Associations.</p> <p>We identified that there was an insufficient audit trail to support the total number of private sector homes. No confirmations had been received from the majority of the Housing Associations to provide details of the number of properties they held at 31 March 2008. Moreover, two of the Associations' total properties appeared to have been double-counted. No information was provided by the Council to explain these duplications or to support the figures subtracted.</p> <p>The Council should ensure that procedures are in place to obtain complete and accurate confirmations of the total non-private dwellings owned/operated by Housing Associations as at 31 March. The Council should retain evidence to support the calculations made.</p> <hr/> <p>We identified one property, from a sample of twenty, for which there was no evidence to support the Council's conclusion that the property was empty.</p> <p>Management should ensure that all documentation to support the status of properties is retained.</p>

Indicator	Definition	Findings
		<p>In our 2006/07 data quality report we commented that working papers to support the figures did not include the date the properties became vacant, and therefore we were unable to undertake test 6 of the Audit Commission's testing schedule. We recommended that the importance of the date for which the data should be sought, and the reasoning for requesting the information, is appropriately communicated to those staff collecting it.</p> <p>No progress has been made against this recommendation during 2007/08 – the date the Council is informed that the property is vacant is still being used. We therefore re-iterate our recommendation.</p>
Other matters arising		
BV 82ai and BV 82aii BV 165 IPF	Recycling performance % of pedestrian crossings with facilities for disabled people Cost per library visit	<p>These PIs required amendment during the course of our audit as a result of the Council becoming aware of additional information that allowed a revised figure to be calculated. These revised figures were submitted to the Audit Commission. Two of the PIs (BV165 and IPF) were outside of the sample under review but as these PIs had been amended in the prior year we did a high level review of those PIs to identify whether there was also a similar issue in the current year.</p> <p>The Council should ensure that sufficient resources are made available and appropriate timetables put in place to ensure that finalised PI values can be reported accurately by the submission deadline.</p>

Indicator	Definition	Findings

Appendix C – Performance Indicators selected by the Audit Commission

Culture

- Cost per library visit (IPF)

Environment

- % of pedestrian crossings with facilities for disabled people (BV165)
- Recycling performance (BV82a)
- Composting performance (BV82b)
- Cleanliness of public places (BV 199a - litter and detritus / BV 199b – graffiti / BV 199c – fly posting)

Housing

- Proportion of non-decent homes (BV184a)
- Average re-let time (BV212)
- Average time in temporary accommodation: hostels (BV183b)
- % of total private sector homes vacant for more than six months (HIP HSSA)
- Repeat homelessness (HIP HSSA)

Housing Benefits

- Average time for processing new claims (housing and council tax benefit) (BV78a)
- Speed of processing: change in circumstances for housing and council tax benefit claims (BV78b)

In the event that, pursuant to a request which the Council has received under the Freedom of Information Act 2000, it is required to disclose this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. The Council agrees to pay due regard to any copyright in connection with such disclosure and the Council shall apply any relevant exemptions which may exist under the Act to such report. If the Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include is in full in any copies disclosed.

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AUDIT COMMITTEE	AGENDA ITEM No. 5
9 FEBRUARY 2009	PUBLIC REPORT

Cabinet Member(s) responsible:	John Peach, Leader of the Council	
Contact Officer(s):	John Harrison, Director of Strategic Resources John Blair, Head of Strategic Finance	Tel. 01733 45 2398 Tel. 01733 38 4564

INTERNATIONAL FINANCIAL REPORTING STANDARDS

RECOMMENDATIONS	
FROM : Director of Strategic Resources	Deadline date : N/A
<ol style="list-style-type: none"> 1. To note the accounting changes required. 2. To note the timescale for implementation. 3. To support the transition to IFRS based accounts. 4. To note the potential impact on cash reserves and balances that will need to be managed through the MTFS. 5. To request regular update reports on implementation progress. 	

1. ORIGIN OF REPORT

- 1.1 The Chancellor's 2008 Budget announced that the annual financial statement of the Government Departments and other entities within the Public Sector will be prepared using International Financial Reporting Standards (IFRS).
- 1.2 For Local Government the accounts relating to 2010/11 need to be IFRS compliant, however as a result of 'IFRS 1 First time adoption of international reporting standards' the transition towards adopting IFRS in practice means the accounts as at the 1st April 2009 will need to be prepared in order to produce opening balances.
- 1.3 The move to IFRS is extremely complex and will have wide reaching implications not limited to the Council's finance function alone but throughout the Council's business activities.
- 1.4 This report is submitted by the Council's Section 151 Officer, the Director of Strategic Resources, being part of his statutory responsibilities.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to brief the Committee on the IFRS transition, significant changes this is likely to bring to the Council's accounts, and the resource demand of this transitional task.
- 2.2 This report is for the Committee to consider under its Terms of Reference 2.8.1.5 (which forms part of the delegations for regulatory committee functions under Part 3, Section 2)

[Governance Support/Cabinet Officer to complete this section following liaison with Author] [Do NOT include any other text under this heading].

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	
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4. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

BACKGROUND

- 4.1 International financial reporting standards (IFRS) are accounting standards issued by the International Accounting Standards Board (IASB). The term IFRS refers to the equivalent to UK GAAP, the set of 'Generally Accepted Accounting Principles' which the Council's accounts currently comply with.
- 4.2 As both business and financial markets become more global, the demand for a single international set of accounting standards has increased. One single set of standards aids the preparation, comparability and analysis of financial information for corporate entities.
- 4.3 The Chancellor's 2008 Budget announced the adoption of IFRS in the Public Sector, with the context being the need of government for "high value performance data in combination with appropriate financial data".

IMPLEMENTATION

- 4.4 Experience in the Private Sector has shown that the move to IFRS is both lengthy and complex and will involve not only the accountants, but internal auditors, human resources, ICT, surveyors, procurement and a range of other stakeholders.
- 4.5 IFRS adoption requires a rigorous methodology to ensure its strategic success. PwC note that the key milestones include:
- Implementing a suitable project structure with the different levels of the project and everyone's roles clearly defined;
 - Winning the involvement of all parties and convincing them of the strategic importance of the project for the organisation as a whole;
 - Tackling accounting policies to ensure that they comply with IFRS;
 - Planning the best possible use of human resources and finding new resources where necessary;
 - Defining and implementing a training plan for each category of participants affected by the project;
 - Adjusting information systems to meet the organisation's new needs and guarantee the best cost / benefit ratio of the change by providing broader, more consistent and reliable information;
 - Simulating IFRS financial statements before going live, to work out the best ways of communicating potential changes in performance trends;
 - Preparing the first financial statements in full compliance with IFRS, making sure that stakeholders understand the differences and there are no last minute surprises.

The impact of IFRS will also need to be considered when making strategic decisions during the transition period.

TECHNICAL CHANGES

- 4.6 There are a number of unique features of local authority accounting, not least the differences between Council Tax setting rules and accounting practice. These features may require CIPFA (Chartered Institute of Public Finance and Accountancy) to provide certain interpretations of IFRS in an IFRS-based code, but the track record of IFRS application in the government and NHS sectors shows that special interpretations for the public sector are rare.
- 4.7 Areas where IFRS is expected to present significant differences for local authorities:
- Fixed assets, where IFRS requires fixed assets to be held at 'fair value' as opposed to the current requirement for 'current value'

- Leases, where IFRS has a requirement for the leases of land and buildings to be accounted for and disclosed separately
- Defined benefit pension schemes, where there may be a potential change in accounting policy for actuarial gains and losses
- Joint ventures and associates – under IFRS a local authority only needs the power to influence another entity (rather than actually exercise it) for it to be treated as part of the group.

4.8 The following table illustrates some further differences

Significant	Some	Minor
Increased disclosures *	Tangible fixed assets	Inventories
First time adoption	Investment property	Provisions
PFI – Private Finance Initiative	Intangible assets	Government grants
Leases	Presentation of financial statements	Revenue
Operating Segments	Cash flow statement	Post balance sheet events
Infrastructure assets	Accounting policies	Tax
	Employee benefits	Foreign exchange rates
	Related party transactions	Financial instruments.
	Business combinations	
	Group Accounts	

* financial statements in the listed sector increased in size by 60%

ISSUES

- 4.9 As highlighted above the transition to IFRS based accounts is a highly complex area, involving the expertise outside, as well as within, the Council's finance function.
- 4.10 The timings for the adoption of IFRS places competing demands on projects like Manor Drive Plc, the restructure of Operations Directorate, and the overall redundancy process, all currently being undertaken at the Council.
- 4.11 Experience in the other sectors have highlighted difficulties in
- sourcing original contract details for leases and larger schemes like PFI
 - lack of knowledge and expertise through dependence on consultants
 - lack of project team to progress the task
 - lack of capacity for the task, noting this is not something for current staff to do on top of their 'day job'
 - consideration given to moving budgeting and planning to IFRS basis to avoid dual accounting systems
 - consideration to the potential impacts on cash, reserves, and balances through the retrospective application (IFRS1) where 'catch-up' accounting entries may be required.

ACTIONS

- 4.12 The implementation will be managed as a project by the Corporate Accounting Manager and will also report regularly to Audit Committee.
- 4.13 Although the council's 2010/11 accounts will be the first to be prepared on an IFRS basis, there will be a number of key tasks to be undertaken prior to that time. These include.
- restating the 2009/10 accounts on an IFRS basis;

- the opening balances at 1 April 2009 will need to be on an IFRS basis
- Whole of Government Accounts (WGA) will be on an IFRS basis from 2009/10; and
- The impact on budgets, the council tax, our systems and staff training are all areas which need to be considered.

4.14 It is recognised that in the private sector, introduction of IFRS was most successful where key stakeholders other than finance were also involved at an early stage. PwC are leading a workshop in February to investigate the impact of IFRS which will involve all the key stakeholders. Following the workshop PwC will produce an impact report detailing the implications.

4.15 In the private sector, 70% of the effort of the IFRS transition was seen to be in restating the balance sheet to be on an IFRS basis.

4.16 Shown at Annex 1 are some of the key actions that will need to be considered. In some instances it may not be possible to make substantial progress until further guidance is provided.

4.17 It is important that we engage with our external auditors throughout the transition period in order to establish any audit trail or working paper expectations, materiality considerations, preliminary views on accounting treatment, audit timetable and arrangements for ongoing communication.

5. CONSULTATION

No consultations are being considered for this item as this is a statutory change.

6. ANTICIPATED OUTCOMES

As set out in the report.

7. REASONS FOR RECOMMENDATIONS

The recommendations are made to advise the Committee of the transition to IFRS, to highlight the demands and pressures placed on the Council's resources, and ensure involvement of the Committee in this process.

8. ALTERNATIVE OPTIONS CONSIDERED

The Statement of Accounts will be required to be prepared in accordance with the IFRS by 2010/11, and this report sets out the main themes required in to ensure the satisfactory production of the Statement of Accounts. The options are therefore limited in order for the accounts to be prepared to the regulatory deadline and specification.

9. IMPLICATIONS

9.1 The implications arising from this report are to consider, in advance, the processes required in the transition to IFRS based accounts.

9.2 To provide the Committee the opportunity to consider the role and requirements of the Council to meet the transition to IFRS based accounts.

10. BACKGROUND DOCUMENTS

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

PwC, IFRS and local authorities, More than just numbers

PwC, International Financial Reporting Standards, What is IFRS? Your questions answered

PwC, Inside IFRS, Helping you make the transition (various issues)

ACTIONS TO BE CONSIDERED

Managing the IFRS conversion project
<ul style="list-style-type: none"> • Create a Project Board to oversee the implementation • Develop a working group of staff, utilising all affected services
<ul style="list-style-type: none"> • Inform Audit Committee of potential implications of IFRS and regularly report to committee on progress made • Increase awareness at Corporate Management Team level
<ul style="list-style-type: none"> • Review staffing resources and the current level of skills and any conflicting commitments • Review any training needed to help facilitate the introduction of IFRS
Internal and External Reporting
<ul style="list-style-type: none"> • Review any strategic financial implications such as impact on estimates • Any impact on measured performance against council ambitions.
<ul style="list-style-type: none"> • Gain an understanding on what the likely impact will be on the presentation of the income and expenditure statement and balance sheet. • Address any changes required due to new disclosure requirements
<ul style="list-style-type: none"> • Develop any changes needed to internal communications and management information.
<ul style="list-style-type: none"> • Establish ways in which to enhance the information published in such documents as the annual report
Data, systems, processes and controls
<ul style="list-style-type: none"> • Establish how the required information is to be gathered in order to enable the transition • Establish controls over data quality and data capture
<ul style="list-style-type: none"> • Identify any system enhancements needed to meet any additional requirements under IFRS
<ul style="list-style-type: none"> • Identify any other changes occurring across the authority which may need to be integrated with IFRS • Process changes and controls – documentation compliant with corporate governance requirements

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AUDIT COMMITTEE	AGENDA ITEM No. 6
9 FEBRUARY 2009	PUBLIC REPORT

Committee Member(s) responsible:	Councillor Hiller, Chair of Audit Committee	
Contact Officer(s):	John Blair, Head of Strategic Finance	☎ 384564

RISK MANAGEMENT UPDATE

R E C O M M E N D A T I O N S	
FROM : John Harrison, Director of Strategic Resources	Deadline date : N/A
<p>The Audit Committee is asked to:-</p> <ol style="list-style-type: none"> 1. Note the Council's current risk profile 2. To consider what training should be rolled out to all members 	

1. ORIGIN OF REPORT

This report is submitted to Audit Committee as a routine planned report on risk management.

2. PURPOSE AND REASON FOR REPORT

The purpose of this report is to:-

- Provide an update to the committee on the Council's risk profile and typical actions taken to manage the key corporate risks.

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. KEY STRATEGIC RISKS

- 4.1 Risk Management is an important element of managing a business. Potential risks are scored according to their likelihood and the impact they would have and mitigating actions are then taken where appropriate to reduce the risk. In accordance with its Terms of Reference Audit Committee have a responsibility to "monitor the effective development and operation of risk management and corporate governance in the council".
- 4.2 The Audit Committee approved the latest revision of the Risk Management Strategy at their November 3 meeting. This report updates the Committee in accordance with the Strategy. The strategic risk register is formally reviewed by Corporate Management Team every six months, the latest review being January 2009. The complete Strategic Risk Register will be brought to Audit Committee in due course.

- 4.3 The register covers a wide range of issues and includes a number of risks which are deemed high. These include recently emerging issues such as the impact of the credit crunch and failure to achieve the required level of capital receipts to fund the capital programme. The table below details examples of risks and some of the actions taken in order to address and mitigate these particular risks.

Examples of Risks	Mitigation / Action To Address / Progress
Impact of the Credit Crunch Shortfall in income in several areas as a result of the credit crunch	The overall financial position of the Council has been reviewed in the light of the impact of the credit crunch and the MTFs has been updated accordingly. The risks have also been highlighted in the MTFs. The situation will be kept under close review.
Asset Disposals The financing of the capital programme assumes a certain level of capital receipts, failure to achieve these will cost the Council in additional borrowing	The Asset Disposal programme was also reviewed as part of the MTFs and continues to be monitored. Governance arrangements for the capital programme are being reviewed.

- 4.4 There will be a training session for Audit Committee members prior to the meeting where more of the strategic risks and actions in place will be discussed. The Audit Committee is also asked to consider what risk management training should be rolled out to all members.

5. CONSULTATION

This report has been issued to the Corporate Management Team for consideration.

6. ANTICIPATED OUTCOMES

Audit Committee scrutinise and review the current risk profile facing the Council.

7. REASONS FOR RECOMMENDATIONS

Risk management is a key component of the Council's corporate governance framework.

8. ALTERNATIVE OPTIONS CONSIDERED

None

9. IMPLICATIONS

Environmental Impact

- 9.1. The identification of risks and the proper management of those risks in respect of environmental issues will ensure that legislation and the Council's policies and ambitions in respect to the environment are met.

Equal Opportunities

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

Financial Implications

- 9.3. The management of risks in respect to claims and litigation and reviewing how risks are controlled could result in reduced financial costs to the Council. Good risk management contributes to the efficient use of resources.

Legal Implications

- 9.4. The proper management of risks should reduce the likelihood of litigation and claims against the Council.

Links with Corporate Priorities

- 9.5. Managing risks as per the Council's risk management processes will help the Council to deliver effectively the Council's priorities.

10. BACKGROUND DOCUMENTS

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

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AUDIT COMMITTEE	AGENDA ITEM No. 7
9 FEBRUARY 2009	PUBLIC REPORT

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

ANNUAL GOVERNANCE STATEMENT UPDATE

R E C O M M E N D A T I O N S	
FROM : John Harrison, Director of Strategic Resources	Deadline date : N/A
The Committee is asked to note:	
<ol style="list-style-type: none"> 1. The review and progress report on the significant governance issues reported in the Annual Governance Statement 2008 2. The proposed method that will be adopted in the completion of the 2008 / 2009 Statement. 	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee in line with its agreed Work Programme for 2008 / 2009.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. In discharging these responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 2.2 The Annual Governance Statement (AGS) explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts & Audit Regulations 2003, as amended by the Accounts & Audit (Amendment) Regulations 2006, which require the Council to publish an AGS.
- 2.3 The purpose of this report is to update members on the progress being made by officers in addressing those governance issues reported in the Council's AGS in 2008.
- 2.4 The AGS brings together all of the council's strategies, initiatives and work plans. It provides the basis from which the council can fulfil its role as a community leader in Peterborough.

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. PROGRESS AND FUTURE DEVELOPMENT

- 4.1 Regulation 4(2) of the Accounts and Audit Regulations 2003 (as amended) requires audited bodies to conduct a review at least once a year of the effectiveness of its systems of internal control, and publish an Annual Governance Statement (AGS) with the annual Statement of Accounts. Internal control is one of the five key lines of enquiry that make up the Use of Resources Assessment, which contributes to the Council's Corporate Performance Assessment (CPA) (Comprehensive Area Assessment from April 2009).
- 4.2 A report of the Chief Internal Auditor to the meeting of the Audit Committee on 31 March 2008 set out the approach to conducting the review of the effectiveness of the Council's governance framework including the system of internal control. In addition, further details are contained within the Audit Committee Handbook.
- 4.3 A further report on 2 June 2008 provided the conclusions to the review and the draft AGS was submitted for comment and challenge. Following a number of amendments suggested at this meeting, together with additional comments from Corporate Management Team, the AGS was formally reviewed and approved by the Audit Committee on 30 June 2008. Subsequently, this enabled the Leader of the Council and the Chief Executive to authorise the document on behalf of the Council for inclusion in the Statement of Accounts for 2007 / 2008.
- 4.4 This report provides an update to the action plans and progress made in resolving the significant governance issues. The details are included in the Appendix to this report.
- 4.5 2007 / 2008 was the first year that Councils were required to publish an AGS. Previously there was an obligation to produce a Statement on Internal Control (SIC). The AGS expanded on the detail that had been required by the SIC, as it reviews the governance framework that is in operation within the Council. The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. It sets out the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 4.6 The AGS is audited as part the annual audit of the Statement of Accounts by external audit. The external auditor reviews whether the AGS reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA / SOLACE in June 2007. They are obliged to report if it does not comply with proper practices specified by CIPFA / SOLACE or if the statement is misleading or inconsistent with other information that they are aware of from their audit of the financial statements. In its annual report, the External Auditor issued an unqualified opinion on all financial statements including the AGS.
- 4.7 It is therefore proposed that the same format of presenting the AGS will be adopted in 2008 / 2009 as was used in 2007 / 2008. This approach will be revised if any additional guidance and / or requirements are announced in relation to the AGS.
- 4.8 It is also intended to use the same process for collating the information and gathering evidence regarding the effectiveness of the governance framework in operation within the Council with the Chief Internal Auditor as the lead officer. However, it is intended to start the process earlier in order to ensure a thorough review is undertaken, and all relevant personnel are involved.

- 4.9 To ensure that the 2008 / 2009 AGS is an accurate and true representation of how the Council delivers good governance and reviews the effectiveness of these arrangements, the procedures identified below will be part of the compilation of the AGS:
- Regular meetings will take place with the Chief Internal Auditor and relevant officers in Strategic Finance, so that any potential issues arising from Internal Audit reviews are identified early;
 - Regular meetings with the Monitoring Officer and relevant officers within Strategic Finance will take place to review any monitoring reports that have been submitted and to identify any other potential issues that may have arisen;
 - Regular meetings with the Section 151 Officer and relevant officers within Strategic Finance will take place to highlight any potential issues; and
 - Effective challenge of Statements received by Directorates in respect of their Assurance Statements will take place by relevant officer within Strategic Finance, together with the compilation of appropriate evidence that support their responses.

5. CONCLUSIONS

- 5.1 The detailed analysis provided in the Appendix highlights significant progress in addressing the issues raised in the AGS 2008.
- 5.2 By its very nature, much of the work will need to continue to ensure the successful delivery of key projects. However, these projects are benefiting from enhanced programme management processes, regular testing and discipline providing a firm foundation for successful delivery.
- 5.3 Certain key areas have seen significant improvement but remain a priority, for example data security arrangements where a statutory deadline of 31 March 2008 is in place.
- 5.4 Appropriate arrangements have been established to ensure the 2008 / 2009 AGS can be produced to timescale.

6. CONSULTATION

Circulated to senior management for information and approval.

7. ANTICIPATED OUTCOMES

Approval of progress made to date and the plans being adopted to take forward for the production of future statements.

8. REASONS FOR RECOMMENDATIONS

- 8.1 The production of the AGS is a requirement of the Accounts and Audit Regulations 2003 (as amended). In addition, the internal control systems contribute to the overall CPA scoring of the Council. A strong assurance framework is a significant factor in the achievement of an improved score.
- 8.2 The Audit Committee is responsible for approving the AGS for inclusion in the Statement of Accounts. To approve the AGS the Committee needs to have assurances that the council's governance arrangements are adequate. This report has outlined the progress made on actions from 2008.

9. ALTERNATIVE OPTIONS CONSIDERED

None considered. Non-compliance would result in the council not meeting best practice processes.

10. IMPLICATIONS

Financial implications:

- There are no direct financial implications arising directly from this report. However, significant resources in the form of officer time will have been required to draw up and put in place action plans to address the reported governance issues and improve the areas where the weaknesses in the systems of internal control.

Legal implications:

- The AGS complies with the requirements of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006. The Council is required to test its governance arrangements against the principles contained in the CIPFA / SOLACE framework "*Delivering Good Governance in Local Government*". The CIPFA / SOLACE document also requires the Council to provide an outline of action taken, or proposed, to deal with significant governance issues. The Council's AGS 2008 contained such a statement.

BACKGROUND DOCUMENTS

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

Accounts and Audit (Amendment) (England) Regulations 2006

CIPFA / SOLACE Framework "*Delivering Good Governance in Local Government*" June 2007

Annual Governance Statement 2007 / 2008

Audit Committee Handbook

GOVERNANCE ISSUES

The issues were identified as a result of the review of arrangements and by the work of external and internal audit. Whilst there are no "significant" control deficiencies to report, the following are included as issues that may attract public interest.

ACTIVITY	AREA FOR IMPROVEMENT	LEAD OFFICER	PROGRESS / RESOLUTION
Management of the Private Finance Initiative (PFI)	The Council signed up to a PFI for the transformation of secondary school education. Regular monitoring is required to ensure that the project delivers to its objectives and those risks are appropriately identified and mitigated.	Director of Children Services	Ongoing monitoring is undertaken of the PFI contract. Specific accounting treatment is maintained within the council's accounts to ensure correct recording of charges over the life of the contract. Ongoing.
Business Continuity	Business continuity is a risk for every business. The Council needs to ensure those services which are required to produce and test business continuity as well as (emergency) resilience plans, do so.	Director of Environment and Community Services	Lead Officer has reverted to the Executive Director of Operations following a review of the senior management structure. During 2007, an actual incident took place - the flooding of a key council building - resulting in a business continuity plan being put into action. Following this, a working group was set up to establish the lessons to be learnt, and any further changes required to ensure smoother delivery / mitigate any future disasters. Various developments and changes have been proposed and these have been communicated and endorsed by CMT. Ongoing business continuity and disaster recovery exercises are undertaken, the last being in December 2008, primarily in relation to the cessation of ICT systems / buildings. Further exercises based on different scenarios are planned on an ongoing basis. Ongoing.

ACTIVITY	AREA FOR IMPROVEMENT	LEAD OFFICER	PROGRESS / RESOLUTION
Safeguarding electronic data	Fundamental reviews of the ICT infrastructure during the year have established a clear blue print to ensure the protection of the interests of the council, its employees and the citizens of Peterborough.	Director of Strategic Resources	<p>Whilst the council itself has not experienced any data losses, it is mindful of incidents in other public sector bodies. An incident team was created in October 2008 with the Primary Care Trust (and coordinated by them) following a potential issue within a family centre. Exemplary practice was followed.</p> <p>Flowing from this, various encryption arrangements have been put in place in relation to laptops within the Council and the use of USB data sticks has been restricted.</p> <p>Increased awareness has been made across the Council with the establishment of separate pages on Insite detailing practical advice on data security.</p> <p>Within the Council, a working group has been commissioned to look further in to the safe storage and transfer of data to authorised sources. The Council has to be compliant with a number of government initiatives - Government Connect project / E-CAF scheme - by 31 March 2009. An action plan is in place to deliver, which including changes to the IT architecture and councils policies. This is a time critical project to provide a secure environment for data exchanges. If the Council fails to meet the deadline, central government departments will cease to support information exchanges (in particular DWP).</p> <p>The council is pursuing the adoption of a managed service approach to deliver ICT services in the future. Various submissions have been received by interested parties and are being evaluated at present. Whatever solution is selected, the impact on security arrangements will be considered.</p> <p>Ongoing.</p>

ACTIVITY	AREA FOR IMPROVEMENT	LEAD OFFICER	PROGRESS / RESOLUTION
Development of Local Area Agreements	The authority is increasingly engaged in partnership working with both the public and private sector. There is an increased expectation in terms of establishing assurance on governance arrangements for the growing number of partnership and joint working activities.	Assistant Chief Executive	Lead Officer has reverted to the Deputy Chief Executive following a review of the senior management structure. Agreements have been established with each provider - whether public, private or voluntary sector. Continue to roll out the partnership protocols developed and the associated toolkit. Ongoing.
Data quality	Data quality arrangements were assessed as weak by the External Auditors.	Director of Strategic Resources	Data quality arrangements have improved, with the externally assessed score moving to a 3 (from 2). A Data Quality policy and strategy has been implemented and regularly reviews are undertaken of data quality and the establishment of expected standards by Performance Improvement. Regular monitoring reports are taken to CMT.

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AUDIT COMMITTEE	AGENDA ITEM No. 8
9 FEBRUARY 2009	PUBLIC REPORT

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

INTERNAL AUDIT PROGRESS REPORT: TO 31 DECEMBER 2008

RECOMMENDATIONS	
FROM : John Harrison, Director of Strategic Resources	Deadline date : N/A
Audit Committee are asked that :	
<p>1. The Internal Audit Update Report to 31 December 2008 be received and the Committee note in particular:</p> <p>(a) That the Chief Internal Auditor is of the opinion that based on the works conducted during the 9 months to 31 December 2008, internal control systems and governance arrangements remain generally sound.</p> <p>(b) Progress made against the plan and the overall performance of the section.</p> <p>(c) The revision to audit plan activities for Quarter 4.</p> <p>(d) The proposals recommended for development of the audit plans for 2009 / 2010.</p>	

1. ORIGIN OF REPORT

This report is submitted to Audit Committee as a routine planned report within the work programme of the committee. It sets out Internal Audit performance and progress with regards to the 2008 / 2009 Audit Plan (Audit Committee approval: 31 March 2008).

2. PURPOSE AND REASON FOR REPORT

The purpose of this report is to inform the Audit Committee on Internal Audit activities and performance progress against the Annual Audit 2008 / 2009 as at 31 December 2008.

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. OVERVIEW

This report outlines the work undertaken by Internal Audit up to 31 December 2008, progress against our plan and other issues of interest.

5. ASSURANCE OPINION

- 5.1 One of four levels of assurance is allocated to each audit review. These assurance levels are: **FULL**; **SIGNIFICANT**; **LIMITED**; and **NO ASSURANCE**. Where concerns have been identified resulting in limited or no assurance, the Executive Summaries for these reviews will be included in an appendix to this report, once the audit review has been agreed and finalised. **Four** reports fall into this category for the quarter, details of which are included in **Appendix D**.
- 5.2 Based on the work carried out and finalised during the 2008 / 2009 (to 31 December 2008), the Chief Internal Auditor is of the opinion that the Council's internal control systems for those areas audited are generally sound. 100% of high / critical recommendations made to date have been accepted by management and programmed for implementation (against a target of 96%).

6. AUDIT PLAN 2008 / 2009

6.1 Progress against Plan

- 6.1.1 **Appendix A** shows all audits underway or completed in the first 9 months, with the exception of FMSiS follow up work and indicates the status of each activity. This includes reviews brought forward from the previous year that have been finalised during 2008/09. The *actual days* column shows the number days taken to complete an audit (from preparation to quality review and finalising the report) and includes time spent in 2007 / 2008. The *planned days* column shows how many days were budgeted for the audit (in either the 2007 / 2008 or the 2008 / 2009 Annual Audit Plan) and the figure in brackets shows where that figure has been revised. A revision can occur due to a change in the scope or extent of the audit. Audits that were not planned at the time of the Annual Audit Plan are also included within the appendix, and identified as "unplanned work".
- 6.1.2 Progress against the 2008 / 2009 plan is 63.7% (compared with 57.9% to the 9 month period April - December 2008). While the progress against the plan has improved compared to the previous year, the planned contingency time for unplanned reviews has now been utilised. This is due to the amount of requests for work, such as special investigations that have been made by management on the team, an example being where one review has taken in excess of 65 days. In view of this and that the needs of the organisation is continually changing the Audit Plan for the final quarter has been revised to best meet the demands of the business. **Appendix E** details the audit areas that have either been removed from the plan or will be rolled forward into 2009/10.
- 6.1.3 To date, 35 audit projects for 2007 / 2008 have been finalised together with a further 56 for 2008 / 2009. Six other pieces of work have been completed where either no audit report was necessary, or a committee report was produced.
- 6.1.4 There are 53 audit projects in various stages of progress. Of these, 24 relate to the ongoing Financial Management of Schools reviews, which is an ongoing activity and are timetabled to be completed at the end of the year.
- ### 6.2 Responses to Audit Reports
- 6.2.1 **Appendix B** details the timeliness of responses for all audit projects that were finalised, or should have been finalised, during Quarter 3.
- 6.2.2 Reminders continue to be produced as required to finalise reports in a timely manner.

6.3 Status of Recommendations

- 6.3.1 The table at **Appendix C** shows the status of those recommendations that have been made in all reports finalised to date in 2008 / 2009.
- 6.3.2 Our current policy, as defined in our Audit Charter approved at Audit Committee on 6 November 2006, is to follow up the implementation of recommendations 6 months after the reports have been finalised. To date 62.2% of high/critical recommendations have been followed up against an annual target of 65%. Where services receive an annual review, e.g. very high risk areas or key financial systems such as benefits and national non-domestic rates, recommendations are reassessed during this review. Refer to Appendix C for further information.

6.4 Other Performance Matters

- 6.4.1 Our productive time (chargeable days) target is 80%. Performance up to December 2008 is 84%. This is above the anticipated target as a result of the additional resources provided by agency staff during Quarter 1 but has reduced since Quarter 2 due to the increase in sickness days detailed later in this report.
- 6.4.2 Feedback for each audit is collected via Post Audit Questionnaires (PAQ). Our average score to date is 4.0 against a target of 3.75 (the highest score being 5), reflecting the high opinion our audit clients have of auditor conduct and the quality and usefulness of reports.
- 6.4.3 An average of 8 days sickness per person was lost during the 9 months to 31 December 2008, compared to a target of 3.75 days. This is a slight improvement on last year where sickness was 8.9 days per person as at 31 December 2007. However, sickness trends increased significantly during Quarter 3 due to the certificated absence of three members of staff for extended periods. This has had a major impact on the delivery of the Audit Plan and will so for the remainder of the year, where it is known that sickness is to continue into Quarter 4 for one member of staff. Where appropriate, sickness is being actively managed in accordance with the Council's Attendance Policy and through Occupational Health if appropriate.
- 6.4.4 An average of 5.53 days training has been provided to each auditor so far this year, compared to an annual target of not less than 5 days per auditor. This includes 'on the job' training, internal corporate training, training for professional qualifications and audit technical update seminars. Corporate initiatives introduced during the year in relation to the Learning Academy (Cohort 2010) and the Situation Leadership Programme, which Internal Audit are actively engaged in, will result in training exceeding the stated 5 days by the year end.
- 6.4.5 The length of time from completion of field work to issue of a draft report is 15 days on average and is currently on line with a target of 15 days.

7. DEVELOPMENT OF FUTURE AUDIT PLANS

- 7.1 Each year, the Chief Internal Auditor produces an annual audit plan, as required by The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (the Code). The plan 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.
- 7.2 Traditionally, Internal Audit plans have been developed along departmental lines. While there is still merit in this, with assurance being required across more cross-cutting areas and key risks and themes, this conventional approach does not sit well. For example, it is not always apparent how each audit activity will provide assurance to AGS. As a rule while there is an intrinsic need to link the audits to key strategic risks, the majority of audits either originate from

departmental risks or from a need to provide assurance elsewhere, for example to the Section 151 officer. Departmental reviews will still remain, but these should be developed along risk lines linked in with the corporate / departmental contracts being developed. It must be reiterated that the onus on the identification and continuous assessment of risk rests with service / line managers and not Internal Audit who will test the adequacy of the risks.

- 7.3 The Audit Plan was developed last year to closely link in with the Strategic Risk Register, ensuring that finite audit resources can be targeted in the key areas. This will continue in line with regular risk register refreshes by the Corporate Management Team.
- 7.4 External Audit identified in their review of the effectiveness of internal audit (reported to Audit Committee 5 November 2007) that they considered that Internal Audit resources concentrated too much on central / fundamental systems - predominantly within Strategic Finance - and recommended a review of the time / effort spent in this area. The Audit Plan for 2008 / 2009 showed a marked reduction in the time allocated, achieved by a greater emphasis on the risks rather than the controls within the system. This approach will continue to enable audit time to be utilised and allocated efficiently to the benefit of the organisation.
- 7.5 As a result of the proposed changes, it is expected that future audit plans will be set out in line with **Appendix F**.
- 7.6 The increased realignment to strategic risks and the associated increase in strategic based audits could have a number of implications. Firstly, there is a potential for a richer skills mix within the team due to the higher, more strategic issues being reviewed. Second, with an emphasis on risks rather than the controls, there is also a potential to reduce the overall number of days to be delivered to obtain the necessary assurance.

8. CONSULTATION

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

9. ANTICIPATED OUTCOMES

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

10. REASONS FOR RECOMMENDATIONS

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

11. ALTERNATIVE OPTIONS CONSIDERED

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

12. IMPLICATIONS

12.1 Corporate Strategy (relevance to):

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

Internal Audit reviews the risk management process that is integral in the setting of priorities within the Council and ultimately the Corporate Strategy. A corporate risk management process is now in place and work continues to be undertaken to embed further a risk management culture throughout the Council. Corporate risk registers were first introduced in October 2003 and these are continuing to evolve as is the nature of effective risk management. These registers should reflect the risks associated with the key priorities identified in the Corporate Strategy. The Internal Audit plan for 2008 / 2009 has been produced with reference to the Corporate Risk Register to ensure, where possible and appropriate, Internal Audit review those areas considered to be of the most significant risk. The annual audit plan will continue to be reviewed to ensure it is in line with the risk registers, and as a consequence that the audit programme is closely linked to the Corporate Strategy.

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

13. BACKGROUND DOCUMENTS

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

CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006
 Accounts and Audit (amendment) (England) Regulations 2006
 Internal Audit Business Plan 2008 / 2009
 Internal Audit Annual Plan 2008 / 2009

APPENDICES:

Appendix A	Progress of Audit Plan 2008 / 2009: To 31 December 2008
Appendix B	Responses to Audit Reports
Appendix C	Status of Recommendations
Appendix D	Audit Reports Issued in Quarter 3 with Limited / No Assurance
Appendix E	Audit Plan 2008/09 Revisions
Appendix F	Development of Future Audit Plans

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Audit Assignment	Original (Revised) Planned Days	Actual Days	Stage / Comment
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ADULT SOCIAL CARE			
Rolled forward from 2007/8			
PPCT Corporate Governance	10 (18)	19.5	Final report issued

CHIEF EXECUTIVES DEPARTMENT			
Greater Dogsthorpe Partnership	15(26)	31	Fieldwork completed
Investing in Communities (08/09)	14 unplanned	9	Fieldwork in progress
Local Area Agreements (2007/8)	10	10.5	Final memo issued
Sl. Chief Executive's no.1 (Str5310-01)	1.5 (2) unplanned	2	Final memo issued
Section 106 Follow up	3.0	3.0	Final memo issued
Members Allowances	10 Unplanned	9	Final memo issued
Sl. Chief Executive's no.2 (Cex1063-02)	15(70) unplanned	69	Draft review stage
Rolled forward from 2007/8			
Section 106 Agreements	15 (30)	30.5	Final report issued
British Sugar S106 Agreement	10 unplanned	8.5	Final report Issued

CHILDRENS SERVICES			
Schools – FMSiS Arrangements (25 schools including one re-assessment)	193 (201.5)	168	One school has been completed. All others in progress.
Caverstede Early Years Centre FMSiS & Follow Up	7	4.0	Final memo issued.
Schools – FMSiS 07/08 schools follow up	46	14.5	23 schools to be followed up during 2008/09. 12 follow ups are complete with the remainder underway
Fostering & Adoption	10	8	Final report issued
S.I. Children's Services no.1 (Chi2082-04)	3 (13.5) unplanned	14.5	Final report issued
S.I. Children's Services no.2 (Chi2340-02)	13 (22) unplanned	25.5	Final report issued
Schools – Remuneration Committee review	1 unplanned	1.5	Work completed
S.I. Children's Services no.3 (Chi2410-03)	3(8) unplanned	9	Final report t to be issued

Audit Assignment	Original (Revised) Planned Days	Actual Days	Stage / Comment
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CHILDRENS SERVICES (continued)			
SI Children's Services no.7 (Chi2083-05)	11	11.5	Final Issued
S.I Children' Services no. 9 (Chi2320-01)	15	13.5	Final memo issued
S.I. Children's Services no.4 (Chi2108-03)	1 (10) unplanned	3	Work completed
S.I. Children's Services no.8 (Chi2310-02)	2(3.5) unplanned	4.5	Final memo issued
PCAЕ follow up	2 (4)	4	Final letter about to be issued
Section 52 Outturn Statement	0.5	1	Final memo issued
Youth Offenders Service – Cancellation of Events	1 unplanned	1	Final memo issued
Rolled forward from 2007/8			
School FMSIS Arrangements: 17 schools rolled forward to 2008/9.	136 (171.5)	173	Final Reports issued for all over-running 07/08 schools (figures include only over-running schools).
SureStart Follow-up	2	2	Final memo issued.
Education Psychology	8	7	Final memo issued
SI Children's Services no.5 (Chi2450-01)	10 (20) unplanned	20	Final report to be issued
School Closure follow up	2	2	Final memo issued
SI Children's Services no.6 (Chi2340-01)	17 unplanned	17.5	Final memo issued
Home to School Transport	10	7	Final memo issued

CITY SERVICES			
Budgetary Control – City Services.	10	10.5	Draft report issued

Audit Assignment	Original (Revised) Planned Days	Actual Days	Stage / Comment
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STRATEGIC RESOURCES DEPARTMENT			
Purchasing Cards	15(21)	21	Draft report issued
Teachers' Pension Returns 07/08	25 (29)	33.5	Five final reports – all issued
Budgetary Control (Revenue) – Children's Services	15(18)	18.5	Draft report issued
Purchase to Pay 08/09	10	2	Fieldwork in progress.
STRATEGIC RESOURCES DEPARTMENT (continued)			
Business Change Programmes	25	22.5	Completed
Control Advice (Cheque Handling)	2	2	Final memo issued
S.I. Strategic Resources no.2 (Str5355-05)	3(7) unplanned	7	At review stage
S.I. Strategic Resources no.1 (Str5355-04)	1 unplanned	1	Final memo issued
Cash & Banking	15	15	At review stage
CRB policy for schools	5 Unplanned	4	At review stage
S.I. Strategic Resources no.3 (Str5240-03)	1	1	Final memo issued
Bus Service Operator's Grant	1 (3)	3	Final memo issued
S.I. Strategic Resources no.4 (Str5310-01)	1.5(2) unplanned	2	Final memo issued
Debtors (Invoice to Cash & Invoice Billing)	8	7.5	Fieldwork in progress
Performance Management	15	2	Fieldwork in progress
Capital Projects Gateway Processes	10	2	Fieldwork in progress
Change in VAT rate	0.5(3) unplanned	3	Final memo issued
S.I. Strategic Resources no.5 (Str5470-16)	1 unplanned	1	Final memo issued

Audit Assignment	Original (Revised) Planned Days	Actual Days	Stage / Comment
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Rolled forward from 2007/8			
Housing & Council Tax Benefits	10 (28)	29.5	Final report issued
Risk Management	6 (13)	12	Final report issued
Debtors (Invoice to Cash & Invoice Billing)	10 (24)	24	Final report issued
Payroll	5	6	Final report issued
Treasury Management	5 (7)	8	Final report issued
Financial Accounting	10 (15)	14.5	Final report issued
Council Tax	10 (25)	25	Final report issued
National Non-Domestic Rates	10 (29)	30.5	Final report issued
Fixed Asset Accounting	10 (17)	21	Draft report issued

IT AUDIT			
PCI Standards follow up	2	0.5	Fieldwork in progress
Disaster Recovery & Business Continuity follow up	3	0.5	Fieldwork in progress
Physical Access & Environmental Controls follow up	3	0	Follow up about to commence
Rolled forward from 2007/8			
PCI Standards	8	10.5	Finalised
ICT Disaster Recovery & Business Continuity	9	11.5	Finalised
ICT Physical Access & Environmental Controls	8	7.5	Finalised
Follow up of three 06/07 ICT audits (Network Management, Internet, and CQA)	8	9.5	Final memo issued

ENVIRONMENT AND COMMUNITY SERVICES DEPARTMENT			
SEN Transport	6	5.5	Final report issued
CIF Grant Certification	8 (9) unplanned	8.5	Completed
Stage 3 Complaint	10 unplanned	7	Fieldwork in progress
Street Lighting	10	8.5	Draft report issued
Rolled forward from 2007/8			
Central Library	10 (33)	35	Final report issued
Museum	8 (23)	24.5	Final report issued

Audit Assignment	Original (Revised) Planned Days	Actual Days	Stage / Comment
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CONTRACT AUDITS			
Professional Services Partnership	5	1	In Planning
Schools' Broadband Contract	4	1.5	In Planning
Award of SEN Transport Routes	3	0.5	In Planning
Eastern Regional Term Maintenance Framework Contract	3	1	In Planning
Rolled forward from 2007/8			
Measure Term Contracts	6 (20)	20.5	Draft report about to be issued

CORPORATE / CROSS CUTTING / OTHER			
Imprest Arrangements	15(21)	20	Final report about to be issued
Annual Governance Statement	15(21)	21	Final report issued
Corporate Governance – Partnership Toolkit Development	12 unplanned	8	In planning
Fees and Charges (CIA Consultancy)	2 unplanned	1.5	Final memo issued
CIPFA Benchmarking	8	8	Completed
Business Continuity	15	12	Completed
CMDN – National ID Scheme (CIA Consultancy)	10	5	Final memo issued
UoR / KLOE	15	8	Fieldwork in progress
Business Transformation (Service Planning)	10 unplanned	5.5	Consultancy work ongoing

EXTERNAL ACTIVITIES			
LPSA2 Grant	5	12	Fieldwork in progress
GAF Grant Claim	6	5.5	Final memo issued
Rolled forward from 2007/8			
Grants Management	5(15)	12	At review stage.

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AUDIT REPORTS: RESPONSES FOR 2008 / 2009

DEPARTMENT / SERVICE ACTIVITY	DATES			No. OF RECOMMENDATIONS		AUDIT OPINION	COMMENTARY
	DRAFT ISSUED	REMINDER ISSUED	FINAL AGREEMENT	MADE	NOT AGREED		
ASSISTANT CHIEF EXECUTIVE							
Investing in Communities	26-Jun-08	23-Jul-08	03-Nov-08	5	0	LIMITED	Reported to Audit Committee 02 Feb 2009
British Sugar S106 Agreement	28-Feb-08	-	18-Apr-08	16	0	SIGNIFICANT	Follow up finalised 30-Dec-08
Local Area Agreement: Grant 2007/2008	N/A	-	25-Jun-08	0	0	FULL	
ADULT SOCIAL CARE (PRIMARY CARE TRUST)							
PPCT Corporate Governance	26-Jun-08	07-Jul-08	16-Oct-08	3	0	SIGNIFICANT	

AUDIT REPORTS: RESPONSES FOR 2008 / 2009

DEPARTMENT / SERVICE ACTIVITY	DATES			No. OF RECOMMENDATIONS		AUDIT OPINION	COMMENTARY
	DRAFT ISSUED	REMINDER ISSUED	FINAL AGREEMENT	MADE	NOT AGREED		
CHILDRENS SERVICES							
FINANCIAL MANAGEMENT STANDARDS							
Werrington Primary FMSiS	24-Jan-08	7-Mar-08 25-Mar-08	18-Apr-08	8	0	SIGNIFICANT	Follow up finalised 17-Oct-08
Southfields Junior FMSiS	17-Apr-08	16-May-08 9-Jun-08	23-Jun-08	11	1	SIGNIFICANT	Finalised without response. Unsolicited progress update on recommendations later received. Finalised 10-Dec-08.
Thorpe Primary FMSiS	4-Mar-08	-	16-Apr-08	8	0	SIGNIFICANT	Follow up finalised 27-Nov-08
Gladstone Primary FMSiS	8-Apr-08	8-May-08	4-Jul-08	13	0	LIMITED	Reported to Committee: 1 Sept 2008 Follow up to be carried out in Q4.
Fulbridge Primary FMSiS	4-Mar-08	-	29-Apr-08	9	0	SIGNIFICANT	Follow up finalised 17.10.08
Eye C of E Primary FMSiS	8-Apr-08	2-May-08	14-May-08	12	0	SIGNIFICANT	
Queen's Drive Infants FMSiS	8-Apr-08	2-May-08	7-May-08	10	0	SIGNIFICANT	
William Law C of E Primary FMSiS	14-Mar-08	-	7-Apr-08	7	0	SIGNIFICANT	Follow up finalised 15-Oct-08
Brewster Avenue Infants FMSiS	9-Apr-08	2-May-08	7-May-08	4	0	SIGNIFICANT	
Weiland Primary FMSiS	8-Apr-08	2-May-08 30-May-08	4-Jun-08	11	0	LIMITED	Reported to Committee: 1 Sept 2008
Gunthorpe Primary FMSiS	8-Apr-08	-	30-Apr-08	3	0	SIGNIFICANT	Follow up finalised 27-Nov-08
Ravensthorpe Primary FMSiS	8-Apr-08	2-May-08	13-May-08	5	0	SIGNIFICANT	
Braybrook Primary FMSiS	14-Apr-08	8-May-08	9-May-08	5	0	SIGNIFICANT	
Matley Primary FMSiS	21-Apr-08	14-May-08	28-May-08	3	0	SIGNIFICANT	
St Botolph's C of E Primary FMSiS	1-May-08	-	28-May-08	8	0	SIGNIFICANT	

AUDIT REPORTS: RESPONSES FOR 2008 / 2009

DEPARTMENT / SERVICE ACTIVITY	DATES			No. OF RECOMMENDATIONS		AUDIT OPINION	COMMENTARY
	DRAFT ISSUED	REMINDER ISSUED	FINAL AGREEMENT	MADE	NOT AGREED		
CHILDRENS SERVICES							
FINANCIAL MANAGEMENT STANDARDS							
Leighton Primary FMSIS	9-May-08	9-Jun-08	1-Jul-08	10	0	LIMITED	Reported to Committee: 1 Sept 2008
Paston Ridings FMSIS	13-May-08	9-Jun-08	26-Jun-08	3	0	LIMITED	Reported to Committee: 1 Sept 2008
Caverstede Early Years Centre: Follow Up	-	-	24-Jul-08	1	0	No rating	Only one low priority recommendation.
St John Fisher: Compliance / Follow Up	23-Sep-08	16-Oct-08 4-Nov-08	-	14		NONE	Awaiting response. Additional time allowed for response due to difficulties within Children's Services and the school.
Eyrescroft FMSIS	14-Nov-08		10-Dec-08	9	0	SIGNIFICANT	First of the 08/09 schools to pass FMSIS
OTHER SCHOOL ACTIVITIES							
Orton Longueville: Cashless System	17-Jul-08	-	18-Aug-08	11	0	NONE	Reported to Committee: 3 November 2008
CENTRAL ACTIVITIES							
Surestart Follow up	N/A	N/A	15-Apr-08	N/A	N/A	LIMITED	Reported to Committee: 1 Sept 2008
Home to School Transport	6-Dec-07	-	2-Apr-08	7	0	SIGNIFICANT	Follow up undertaken
Educational Psychology Service	2-Apr-08	6-May-08 29-Jul-08	30-Jul-08	3	0	SIGNIFICANT	
SI Children's Services no.2 (Chi2340-02)	26-Sep-08	23-Oct-08	17-Nov-08	23	0	NONE	Reported to Audit Committee February 2009
Foster Care Overpayments	25-Sep-08	21-Oct-08	-	2		FULL	To be finalised
Private Fostering	-	-	-	0		No rating given	Insufficient evidence available to form a view. To be re-audited in 12 months time

AUDIT REPORTS: RESPONSES FOR 2008 / 2009

DEPARTMENT / SERVICE ACTIVITY	DATES			No. OF RECOMMENDATIONS		AUDIT OPINION	COMMENTARY
	DRAFT ISSUED	REMINDER ISSUED	FINAL AGREEMENT	MADE	NOT AGREED		
CHILDRENS SERVICES							
CENTRAL ACTIVITIES							
Invoice Fraud	9-Jul-08	03-Sep-08 08-Sep-08 15-Sep-08	-	20		LIMITED	Responses now received, final to be issued.
PCAE follow up to 07/08 report	-	3-Jul-08		-	-	No rating given	Finalisation deferred until completion of Chi2410-03
SI Chi2410-03	27-Nov-08	-		8	0	NONE	Final report about to be issued
Budgetary Control (Children's Services)	16-Oct-08	-				SIGNIFICANT	Awaiting response
S.I. Children's Services no.2 (Chi2340-02)	31-Oct-08	-	7-Nov-08	8	0	LIMITED	Reported to Audit Committee 2 Feb 2009

AUDIT REPORTS: RESPONSES FOR 2008 / 2009

DEPARTMENT / SERVICE ACTIVITY	DATES			No. OF RECOMMENDATIONS		AUDIT OPINION	COMMENTARY
	DRAFT ISSUED	REMINDER ISSUED	FINAL AGREEMENT	MADE	NOT AGREED		
CITY SERVICES							
Budgetary Control (City Services)	9-Oct-08	-		12	-	LIMITED	Partial response received. A further reminder to be issued.
ENVIRONMENT & COMMUNITY SERVICES							
Museum	25-Mar-08	8-May-08	12-Jun-08	27	1	SIGNIFICANT	One recommendation rejected (obsolete due to forthcoming change in responsibilities)
Central Library	18-Sep-08	-	6-Nov-08	16	16	SIGNIFICANT	
SEN: Transport Tender	30-Jun-08	-	2-Jul-08	5	0	SIGNIFICANT	
Street Lighting	15-Oct-08	-		7		LIMITED	Meeting held and report in process of finalisation
STRATEGIC RESOURCES							
MAIN SYSTEMS							
Housing / Council Tax Benefits	27-Jun-08	7-Aug-08	9-Sep-08	9	3	SIGNIFICANT	All recommendations rated low. 2 withdrawn due to an error in the observation
Invoice to Cash / Invoice Billing	10-Apr-08	-	16-May-08	18	1	SIGNIFICANT	One recommendation rejected. Alternative solution proposed by client.
Payroll	9-May-08	-	10-Jun-08	5	0	LIMITED	Reported to Committee: 1 Sept 2008
Council Tax	16-Jul-08	7-Aug-08	27-Aug-08	9	0	SIGNIFICANT	
NNDR	27-Aug-08	-	26-Nov-08	12	3	SIGNIFICANT	Response to draft received 3-Oct-08 however some response queried. 1 Medium & 2 Low priority recommendations rejected.
Purchasing Cards	16-Oct-08	-		17		NONE	Discussions held, awaiting response
Bank Imprest Accounts	15-Oct-08	20-Nov-08		19		LIMITED	Meeting held. Report in process of being finalised.

AUDIT REPORTS: RESPONSES FOR 2008 / 2009

DEPARTMENT / SERVICE ACTIVITY	DATES			No. OF RECOMMENDATIONS		AUDIT OPINION	COMMENTARY
	DRAFT ISSUED	REMINDER ISSUED	FINAL AGREEMENT	MADE	NOT AGREED		
OTHER SYSTEMS							
Risk Management	8-May-08	-	20-May-08	10	0	SIGNIFICANT	
Treasury Management	23-May-08	-	10-Jul-08	4	0	SIGNIFICANT	
Financial Accounting	2-Jun-08	-	11-Jul-08	7	0	SIGNIFICANT	
Teachers Pensions: Longthorpe Primary	16-Sep-08	-	19-Dec-08	2	0	SIGNIFICANT	
Teachers Pensions: Nene Valley Primary	8-Sep-08	-	24-Sep-08	3	0	FULL	
Teachers Pensions: (Chi5470-11)	16-Sep-08	-	13-Oct-08	4	0	LIMITED	Reported to Audit Committee 2 Feb 2009
Teachers Pensions: Bushfield College	11-Sep-08	-	17-Sep-08	1	0	FULL / LIMITED	Full assurance was provided on the calculation and treatment of the information, however, a limited opinion was provided on a separate issue identified
Teachers Pensions: PCC Payroll	24-Sep-08	-	24-Oct-08	2	0	LIMITED	Reported to Audit Committee 2 Feb 2009
IT AUDIT							
PCI Standards	22-Apr-08	10-Jun-08 7-Jul-08 21-Jul-08	22-Jul-08	7	0	LIMITED	Reported to Committee: 1 Sept 2008
ICT Physical Access & Environmental Controls	22-Apr-08	10-Jun-08 7-Jul-08 21-Jul-08	22-Jul-08	35	0	SIGNIFICANT NONE	Four server rooms were given significant assurance 1 server room was given a no assurance rating Reported to Committee: 1 Sept 2008
ICT Disaster Recovery & Business Continuity	22-Apr-08	10-Jun-08 7-Jul-08 21-Jul-08	22-Jul-08	11	0	NONE	Reported to Committee: 1 Sept 2008
CORPORATE ACTIVITY							
No reports issued to date							

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RECOMMENDATIONS STATUS

Status of Recommendations made in 2008 / 2009

	9 months April 2008 to December 2008			
	Total	Critical	High	Medium / Low
Total number of recommendations made	416 (100.0%)	7 (1.7%)	94 (22.6%)	315 (75.7%)
Recommendations awaiting Management response	107 (25.7%)	2 (28.6%)	30 (31.9%)	75 (23.8%)
Recommendations agreed	303 (72.8%)	5 (71.4%)	64 (68.1%)	234 (74.3%)
Recommendation not yet followed-up / date for action not yet expired	205 (67.6%)	5 (71.4%)	48 (75.0%)	152 (65.0%)
No work started on recommendation	- -	- -	- -	- -
In progress	76 (25.1%)	- -	13 (20.3%)	63 (26.9%)
Fully implemented	- -	- -	- -	- -
Recommendation due to be followed up within annual review	22 (7.3%)	- -	3 (4.7%)	19 (8.1%)
Recommendation superseded	- -	- -	- -	- -
Recommendation rejected	6 (1.5%)	- -	- -	6 (1.9%)

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AUDIT REPORTS ISSUED 2008 / 2009 WITH LIMITED OR NO ASSURANCE**Reports issued during Quarter 3 (October - December 2008)**

- | | |
|---|--------------------------------------------|
| 1 | S.I. Children's Services no.2 (Chi2340-02) |
| 2 | Teachers Pensions Returns (Chi5470-11) |
| 3 | Teachers Pensions Annual Report |
| 4 | Investors In Communities |

REPORT 1: S.I. Children's Services no.2 (Chi2340-02)

Executive Summary

Prior to recent events no asset register had been maintained at the Centre. At that time this was in breach of the requirements of Financial Regulations. Having been made aware of the specific allegations made, the Service Manager took immediate action to set-up a register and associated guidelines which addressed the above shortcomings. The importance of asset management is essential, not only as a fundamental internal control process, but also as a safeguard for both the Council and officers to counter against any allegations of malpractice as has been the case in this instance.

During a check of the adequacy of the number of careworkers on duty during AM and PM shifts, it was confirmed that sometimes staff on sick leave are included in the definitive list of those working. This means that it is not possible to rely on management information produced from this data, as the data itself might be inaccurate and in some cases, incomplete.

There are no daily shift sheets for waking night shift staff. The record supplied was a summary of the staff that were on duty each night and this provided insufficient detail for an analysis to be made.

A sample check carried out on the calendar month of May 2008 revealed that on 8 occasions, the number of careworking staff on duty during AM shifts was less than the minimum level agreed locally with OFSTED, with 5 of these occurring during the half term week when the education staff would not have been on the premises. On 5 occasions the PM shifts were also understaffed (although 3 of these were only deficient by one hour). However, the ratio of permanent to agency staff was not breached during this period.

No evidence was found of inappropriate staff (e.g. administration staff) being used to remedy a shortage of careworking staff.

A small minority of staff worked excessive hours during the sample period and as timekeeping records are not maintained by residential workers, it is not readily clear when they are working overtime. Due to this lack of adequate record keeping, it is also difficult to monitor if working time regulations are being breached.

According to the records provided, the vast majority of careworkers have received CALM physical restraint training, including all the waking night staff, but further work will be needed to gain assurance that these records are accurate and complete.

Scope & Objectives

Internal Audit was requested by the Assistant Director, Families and Communities, to undertake a review of specific management and procedural issues at the centre following a series of whistle blowing allegations that had been made by a number of staff. Subsequently, to report to management any concerns with regard to control shortcomings or non-compliance with Peterborough City Council policies that are identified during the course of the review.

The objectives were to determine the procedures and controls in place with regard to asset security, procurement, asset disposal, duty rotas / timesheets, staff restraint training.

Methodology

Initial discussions were held with the Service Manager in order to obtain background information in relation to the areas that were to be reviewed. Computer and manual records were examined relating to the scope detailed above. Where appropriate, IDEA was used for the interrogation of data.

Conclusion

This review has highlighted a number of major weaknesses that must be urgently addressed, in both the financial and staffing areas of this investigation.

The previous lack of an asset register and the practices adopted by the Service Manager with regard to asset disposals make it difficult to substantiate the allegations that have been made. The need for management to maintain appropriate records and implement transparent procedures that do not leave themselves, or their staff, open to allegations of malpractice is of paramount importance.

Evidence has been found that substantiates the allegation that staffing level figures have sometimes been inaccurate by including staff on sick leave, although this only led to understaffing on a few occasions. Time constraints precluded interviewing members of staff and checking agency invoices to discover if all the shifts credited to individuals are correct. However, any breaches in agreed staffing levels could have serious repercussions, bearing in mind the vulnerability of the residents.

Audit Opinion

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

The audit opinion is **No Assurance** in the specific areas reviewed.

Report 2: Teachers Pensions Returns (Chi5470-11)

Executive Summary

The school's external payroll provider, Capita, administer teachers' pensions on behalf of the school. Agreed actions from the Internal Audit Teachers' Pensions Report 2007 have not been implemented and are detailed within this report. There are checking processes within the school to ensure the payroll service is satisfactory. However, these are not evidenced appropriately.

Scope & Objectives

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

The areas covered were compilation of the payroll, payroll control environment and degree of risk attached to the data provided for the return.

Methodology

Payroll and pensions records were reviewed for 2007/08 to ensure compliance with Teachers' Pensions regulations. In addition, the previous Teachers Pensions internal audit report, issued in October 2007, was followed up.

Conclusion

There are satisfactory controls in place at the school for the administration of teachers' pensions. However, improvements to the payroll processes can be made as detailed.

Audit Opinion

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

The audit opinion is **Limited Assurance** because recommendations remain outstanding from the 2007 Internal Audit review.

Report 3: Teachers Pensions Returns – Annual Report

Executive Summary

An annual Teachers' Pension review has been undertaken on behalf of PricewaterhouseCoopers (PwC) in accordance with the Audit Commission's Certification Instruction. Peterborough City Council's (PCC) role in this is to administer the scheme in relation to those schools it provides payroll services, collate external providers' data, and complete then submit form TR17.

Examination of the TR17 and related payroll records has highlighted inaccurate deductions in relation to two supply teachers where PCC provides payroll services. Therefore the TR17 return total pensionable pay is understated and there is a shortfall in contributions made totalling £244.11.

Scope & Objectives

The purpose of the audit was to provide assurance to PricewaterhouseCoopers that

- There are appropriate controls in place for the administration of Teachers' Pensions returns to support the review of the grant claim.
- Confirm the figures contained within the TR17 are accurate, and are ready for submission to the external auditor
- Confirm that appropriate paperwork is maintained to support teachers' pension arrangements..

Methodology

Discussions were held with appropriate PCC HR staff along with the review of manual and computerised documentation.

Conclusion

There are no problems with the compilation of the TR17. Figures are obtained, collated and entered accurately. However data provided to Teachers Pensions on the TR17 return is inaccurate. Errors found in relation to the exclusion of two supply teachers from the Teachers' Pensions Scheme (TPS), who should have been included in the scheme, have resulted in a shortfall in contributions. This may lead to the external auditor issuing a qualification letter when certifying the TR17.

Audit Opinion

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

The audit opinion is **Limited Assurance**.

Report 4: Investors In Communities

Executive Summary

Investing in Communities (liC) is an East of England Development Agency (EEDA) programme aiming to work with public, private and voluntary and community sector partners to drive sustainable economic development and reduce disadvantage and deprivation in the East of England. liC is based on the principle that partners develop a shared understanding of the issues facing the most deprived communities and the priorities for action. Based on this understanding EEDA will contribute to a limited number of major interventions alongside partners. As an economic development agency liC's key priorities are employment, skills and enterprise.

Peterborough City Council (PCC) acts as the accountable body for the liC programme and through its management of the programme have established an liC Board, with governance arrangements delivered via the Peterborough Regional Economic Partnership (PREP), to lead the development and delivery of the programme.

The Board has, in turn, secured wider partnership engagement through the establishment of three thematic advisory groups to lead developments under the key priority areas of employment, enterprise and skills. In addition, the programme has established strong relationships with the Greater Peterborough Partnership (GPP), and the Local Area Agreement (LAA) management group.

In February 2007 the EEDA Board approved, subject to conditions, the PREP liC Business Plan for 2007-11 including investment of £11.5 million.

In response to conditions applied by EEDA in approving the 2007-11 Business Plan, PCC Strategic Growth & Development recognised that the governance arrangements in place to monitor the four projects operating during 2006-07 would be insufficient when managing a larger programme. A paper was taken to the liC Board on 3 April 2007 to approve the new reporting structure for liC. This has clarified the link between the liC Board, the PREP Board and PCC. However, because of the liC section was not fully staffed and experienced staff turnover during 2007, this process is only now becoming bedded-in.

Scope & Objectives

The objectives of the audit were to ensure that appropriate governance arrangements have been established for the liC program, that funds are appropriately accounted for, that performance standards are met and that PCC fulfils its' role as the accountable body.

External auditors have historically considered the governance arrangements of the partnership as weak, with reliance being placed on the controls within the accountable body – PCC.

Methodology

Our approach was to examine the adoption of policies and procedures; standards for business conduct; register of interests; accountability, operation of the board and reporting through review of relevant documentation and discussion with PCC-liC staff.

Conclusion

The liC Board should independently assess the current governance arrangements in place, and where existing PCC policies and procedures are considered relevant these should be formally adopted by the Board. Where additional policies and procedures are considered necessary these should be developed and approved by the Board at the earliest opportunity.

A risk register should be developed and approved by the liC Board and should be subject to periodic review by the Board.

An Operations Manual for liC Board members and staff outlining protocol and procedures for all aspects of liC operation, including the ongoing review of its policies and procedures, should be developed.

Audit Opinion

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

The audit opinion is **Limited Assurance**.

INTERNAL AUDIT RECOMMENDATION GRADES

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

INTERNAL AUDIT OPINIONS

OPINION	DESCRIPTION	GUIDE FOR AWARDING
FULL assurance	The system is designed to meet objectives and controls are consistently applied that protect the Authority from foreseeable risks.	A limited number of LOW recommendations.
SIGNIFICANT assurance	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.	Predominantly LOW and MEDIUM recommendations or high number of LOW recommendations.
LIMITED assurance	There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.	Predominantly MEDIUM and HIGH recommendations or high number of MEDIUM recommendations.
NO assurance	Controls are weak and/or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.	One (or more) CRITICAL or a significant number of HIGH recommendations.

Audit Plan 2008/09 Revisions

AUDIT ACTIVITY Removed / rolled forward to 2009 /2010	Reason for Removal / Deferral / Realignment	Days Removed	
		TOTAL	85

STRATEGIC RESOURCES			
Business Change Programme	PwC are due to follow-up programme realisation. Internal Audit activities to roll forward into 2009 / 2010 as appropriate.	15	
Budgetary Control (Capital)	Aspects of Capital Budgetary Control are being reviewed within an unplanned contract review. To be re-programmed into 2009/ 2010	10	
EDRMS	Corporate project has been delayed and Audit Activities will roll forward into 2009 / 2010	10	
Capital Receipts	This is incorporated into the medium term strategy due to credit crunch issues. Audit activity to roll forward into 2009/10.	15	
Business Transformation – Performance Improvement	Audit focus changed to review key high risk performance indicators on behalf of the Performance Team.	15	
SUB-TOTAL			65

IT AUDIT			
Coverage to be determined following the outcome of the AT Kearney report	The Chief Internal Auditor is undertaking activities regarding Corporate IT projects for Government Connect and E-CAF, and IT Governance. Internal Audit are also maintaining an overview on the arrangements being developed for the ICT Managed Service (AT Kearney review). Original plan days reduced.	20	
SUB-TOTAL			20

ADDITIONAL

A separate exercise has been incorporated into the audit of the Treasury Management function to include a review of the arrangements in relation to investments made in Icelandic banks.

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AUDIT GROUP	REASONS	POTENTIAL AUDIT AREAS
Systems Activity (S.151 Officer Responsibilities)	<p>Review the design / operation of key systems so that s151 officer can make his statement included in the Annual Accounts, on the reliability of the supporting financial systems.</p> <p>The fundamental systems (critical to the operation of the council) are reviewed annually; others reviewed dependent on risk.</p>	<ul style="list-style-type: none"> • Main Financial Systems • Payroll • Accounts Payable (including Ordering / Receiving / Payments and Purchasing Cards) • Billing, Debtors and Debt Recovery • Housing and Council Tax Benefits • Council Tax and Business Rates • Cash / Banking • Budgetary Control (Revenue and Capital) • IT Control Environment • Treasury Management • Asset Management and Registers • Fixed Asset Accounting
Strategic Risks	Audit testing of the effectiveness of controls designed to mitigate identified risks.	<ul style="list-style-type: none"> • Key strategic risks not identified separately in other work strings. For example this could be around Economic Well Being, the Growth Agenda or ALMO's)
Annual Governance Statement	Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. In particular it is expected to assess its arrangements against the six principles of good governance as recommended by CIPFA / SOLACE.	<ul style="list-style-type: none"> • AGS (implementation of previous; and arrangements for production of) • Review of the Effectiveness of IA • Corporate Governance • Partnerships and Governance • Ethical Standards • Fraud Awareness / Anti Fraud Culture • Performance Management and Data Quality • Key elements from the CAA (for example Risk Management, Business Continuity, Workforce Planning, Equalities) • Assurance Framework
Directorate Review	Reviews covering each delivery contract. Based on the controls in place to mitigate key risks rather than an assessment of the contract.	<ul style="list-style-type: none"> • Risk based reviews. For example, Public Protection, Legal Services, Highways Transport, Children and Young Peoples Plan
Schools	Cyclical schools audits to ensure they are following correct financial procedures and council policies	<ul style="list-style-type: none"> • Financial Management Standards in Schools
Contract Audit / Project Management	Dependent on risk, sample review of projects to ensure governance arrangements followed and contracts provide vfm	<ul style="list-style-type: none"> • Use of Councils Project Register and Contracts Database to establish areas of activity
Grant Certification	Provision of certification on grant claims to government departments.	<ul style="list-style-type: none"> • Departments should coordinate spend etc through project/grant life and provide appropriate evidence for IA to verify and approve claims. For example, LPSA.
Corporate Support	Ad hoc duties outside the audit areas	<ul style="list-style-type: none"> • Time set aside to cover new developments, advice and consultancy, support to the CAA and UoR process, Audit Committee support, and liaison with External Audit

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AUDIT COMMITTEE	AGENDA ITEM No. 9
9 FEBRUARY 2009	PUBLIC REPORT

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

FEEDBACK AND UPDATE REPORT

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

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

3. FEEDBACK RESPONSES

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

AUDIT COMMITTEE: RECORD OF ACTION TAKEN (FEEDBACK REPORT)

MUNICIPAL YEAR: MAY 2008 - APRIL 2009

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

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

MUNICIPAL YEAR: MAY 2008 - APRIL 2009

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

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AUDIT COMMITTEE	AGENDA ITEM No. 10
9 FEBRUARY 2009	PUBLIC REPORT

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

AUDIT COMMITTEE WORK PROGRAMME

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 details of the remaining Work Programme for the municipal year 2008 / 2009.

3. WORK PROGRAMME

Appendix A sets out the remaining items scheduled for future meetings of the Audit Committee.

In addition, **Appendix B** provides a framework for the structure of the committee meetings for the Municipal Year 2009 / 2010. At the present moment, dates are purely indicative.

Based on the future work programme, appropriate training needs can be developed.

AUDIT COMMITTEE: WORK PROGRAMME

MUNICIPAL YEAR: MAY 2008 - APRIL 2009

DATE	REPORT / ACTIVITY AREA	LEAD OFFICER	SUMMARY EXPLANATION		
30 Mar 2009	Assurance Framework	Steve Crabtree	<i>Receive the annual assurance framework</i>		
	Internal Audit Plan 2009 / 2010	Steve Crabtree	<i>Receive the annual plans and strategy for Internal Audit</i>		
	External Audit: Draft Audit and Inspection Plan (*)	John Blair	<i>Receive the draft inspection and audit plans for External Audit</i>		
	External Audit: Joint Audit and Inspection Letter (*)	John Blair	<i>Receive the annual inspection letter</i>		
	Comprehensive Area Assessment Update	John Blair	<i>Update on the arrangements for the CAA</i>		
	External Audit Reports	John Harrison	<i>To receive a series of commissioned reviews undertaken by the External Auditors</i>		
	Update and Feedback Report		<i>Receive standard feedback report on issues and action requests made at past meetings of the committee</i>		
	Audit Committee Work Programme including any Training Needs		<i>To agree the current work programme and review any training needs</i>		

(*) Subject to agreement / release by Audit Commission in time for meeting

AUDIT COMMITTEE: DRAFT WORK PROGRAMME

MUNICIPAL YEAR: MAY 2009 - APRIL 2010

	June 2009	June 2009	Sept 2009	Sept 2009	Nov 2009	Feb 2010	Mar 2010
REGULAR AGENDA ITEMS							
Member Training	X	X	X	X	X	X	X
Update and Feedback Report	X	X	X	X	X	X	X
Audit Committee Work Programme	X	X	X	X	X	X	X
INTERNAL AUDIT / EXTERNAL AUDIT ACTIVITY							
Internal Audit - Annual Report 2008 / 2009	X						
Internal Audit - Progress Report: Quarterly (subject to dates)			X		X	X	X
Internal Audit - Strategy and Plan 2010 / 2011							X
External Audit - Reports (subject to availability)	X		X		X	X	X
External Audit - Joint Audit and Inspection Plan							X
Annual Audit Committee Report	X						

AUDIT COMMITTEE: DRAFT WORK PROGRAMME

MUNICIPAL YEAR: MAY 2009 - APRIL 2010

	June 2009	June 2009	Sept 2009	Sept 2009	Nov 2009	Feb 2010	Mar 2010
REGULATORY FRAMEWORK							
Draft / Final Annual Governance Statement	X	X					
Fraud and Irregularity Annual Report 2008 / 2009	X						
Risk Management			X			X	
Use of Resources	X				X		X
Comprehensive Area Assessment	X				X		X
Assurance Framework					X		
ACCOUNTS							
Statement of Accounts and Summary Accounts 2008 / 2009		X					
Audit of Statement of Accounts				X			
International Financial Reporting Standards	X	X					