

## AUDIT COMMITTEE

**MONDAY 30 MARCH 2009**  
**7.00 PM**

**Bourges/Viersen Room - Town Hall**

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

### AGENDA

	Page No
<b>1. Apologies for Absence</b>	
<b>2. Declarations of Interest and Whipping Declarations</b>	
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.	
<b>3. Minutes of the Meeting Held on 9 February 2009</b>	<b>1 - 8</b>
<b>4. Annual Audit and Inspection Letter 2007/2008</b>	<b>9 - 34</b>
To receive the Annual Inspection Letter for 2007 / 2008 from the Audit Commission. (Note, this was also referred to Cabinet on 30 March 2009).	
<b>5. Assurance Framework</b>	<b>35 - 104</b>
To receive the revised Assurance Framework for 2009.	
<b>6. Internal Audit Plan and Strategy 2009/2010</b>	<b>105 - 128</b>
To receive the Internal Audit Plan and Strategy for 2009/2010.	
<b>7. Feedback and Update Report</b>	<b>129 - 132</b>
To receive standard feedback report on issues and action requests made at past meetings of the Committee.	
<b>8. Audit Committee Work Programme (Including Any Training Needs)</b>	<b>133 - 134</b>

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](mailto:gemma.george@peterborough.gov.uk)

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT THE TOWN HALL, PETERBOROUGH ON 9 FEBRUARY 2009**

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

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

**1. Apologies for Absence**

Apologies were received from Councillor Hussain.

**2. Declarations of Interest and Whipping Declarations**

There were no declarations of interest.

**3. Minutes of the Meeting held on 3 November 2008**

The minutes of the meeting held 3 November 2008 were approved as an accurate and true record.

**4. External Audit Reports**

The Committee received the report in line with its Work Programme for 2008/2009, which highlighted various commissioned reports from PricewaterhouseCoopers (PwC), the Council's external auditors.

During 2008/2009, PwC had undertaken various reviews on behalf of the authority, and the final report had been received and agreed by senior management. The report highlighted to the Committee contained three appendices, including:

- Report to Management 2007/2008;
- Use of Resources; and
- Data Quality Arrangements

The Report to Management included management comments on the auditor's observations. The document had been discussed and agreed by the Director of Strategic Resources and the Head of Strategic Finance. All recommendations had been agreed and appropriate timescales and responsible officers had been identified to deliver any necessary changes. The report highlighted that the Council had maintained its high standard of financial reporting set during the 2006/2007 Audit. Working paper quality and prompt query responses had enabled the work to be completed to timescale.

The report further highlighted a total of 10 issues which were to be addressed, 6 of which were medium priority and 4 being low priority.

The Use of Resources (UoR) judgement formed part of the Comprehensive Performance Assessment (CPA) of the Council. It was carried out annually by PwC and covered several areas, including:

- Financial Reporting;
- Financial Management;
- Financial Standing;
- Internal Control; and
- Value for Money

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

The overall assessment level was a 3, which meant 'performing well'. While this was the same score that was achieved in 2007, the Council had improved on a number of themed scores compared with previous years.

The final item included in the report was the Review of Data Quality Arrangements. The review was undertaken annually by PwC and focused on all aspects of data quality at a corporate level. The review was also linked in to the requirement for PwC to conclude on the Council's use of resources.

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

- Members questioned how it had been identified in the matters arising from the 2007/2008 Statement of Accounts Audit, that the Council had been leasing an industrial unit for 28 years which had been highlighted as a risk. Members were advised that an audit in relation to leasing had been undertaken and this had in turn highlighted the risk. Members were further advised that not all leases were looked into, only a sample.
- Members expressed concern regarding the completeness of the Contract Register which was highlighted in matters arising from the 2007/2008 Statements of Accounts Audit. Further clarification was sought on the issue and Members were informed that this was an extremely important matter for the Council and a new register capturing contracts with an annual value over £10,000 was to be implemented.
- Members questioned which types of contracts Legal Services had an overview of. Members were informed that Legal Services had sight of all decision notices, larger contracts and all contracts organised through procurement.
- A query was raised regarding a recommendation highlighted in matters arising from the 2007/2008 Statement of Accounts Audit, to hold a meeting with Cross Keys Homes in order to obtain more assurance over the value of the VAT shelter to be paid by Cross Keys Homes each year. Members questioned whether the meeting would be held a minimum of once a year. Members were advised that preferably the

meeting would be held quarterly, but it would definitely be held at least once a year.

- With reference to the follow up on prior year issues, Members sought clarity on the nature of the assets that had been removed from the Council's Fixed Asset Register during the 2007/2008 financial year, with a nil net book value or non-specific descriptions. Members were advised that all the assets had been reviewed and any that had vague descriptions and couldn't ultimately be determined were written out. Also, any fully depreciated assets were written out.
- Members positively commented on the absence of any high risk areas within the matters arising from the 2007/2008 Statement of Accounts Audit.
- Members questioned an observation and area of improvement which was highlighted in the Use of Resources Report, under financial management. It was stated that the Business Transformation Programme had achieved significant cash savings and process efficiencies, and it was important for the Council to continue its success in this area. Members questioned how this process would be taken forward. Members were assured that business transformation was about highlighting where money could be saved and further efficiencies were planned and the efficiency agenda would continue.
- Members further questioned an observation and area of improvement which was highlighted in the Use of Resources Report, under internal control. It was stated that in order for the Council to obtain assurance on a risk basis of the viability of its significant contractors and business partner's continuity plans, the partnership toolkit would need to be embedded. Members questioned whether this indicated that assurance was not currently provided. Members were assured that that toolkit was currently being used and assurance was provided. By use of the toolkit, it would look to ensure appropriate governance arrangements were in place but it would also provide a clear exit strategy if the service provider withdrew and the service reverted to the Council to provide. Service continuity would then be preserved.
- A query was raised regarding a finding highlighted in the Review of Data Quality Arrangements regarding the possible reasons behind the insufficient audit trail used to support the total number of private sector homes. Was this accountable to a data quality processing issue, or was it a departmental problem. Members were advised that data quality had been highlighted as an issue, but by and large the overall quality of data provided across the Council had improved substantially. Members were further advised that comment could not be passed on departmental workings.
- Members requested for it to be acknowledged that they had noted the paragraph in the Review of Data Quality Arrangements, stating that "the assessment had been undertaken against the criteria specified by the Audit Commission, and reflected the arrangements to ensure the quality of reported data as opposed to the review and use of that data".

#### **ACTION AGREED:**

The Committee received and endorsed the final reports produced by External Audit in relation to;

- Final Audit of Statement of Accounts 2007/2008: Report to Management;
- Use of Resources; and
- Review of Data Quality Arrangements

## **5. International Financial Reporting Standards**

The Director of Strategic Resources submitted a report which briefed the Committee on the International Financial Reporting Standards (IFRS) transition.

International Financial Reporting Standards were accounting standards issued by the International Accounting Standards Board. The term referred to the equivalent to UK GAAP, the set of Generally Accepted Accounting Principles, to which the Council's accounts complied with.

The demand for a single international set of accounting standards had increased, as both business and financial markets had become more global. One single set of standards would aid the preparation, comparability and analysis of financial information for corporate entities.

The adoption of IFRS in the Public Sector was announced in the Chancellor's 2008 Budget, with the context being the need of government for "high value performance data in combination with appropriate financial data".

Members were advised that the transition to IFRS based accounts was a highly complex area and there would be a number of issues to address and actions to be completed before the implementation could take place. A phased approach was to be taken, which would aid smooth implementation.

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

- Clarification was sought on the process for identifying a project team to progress the implementation. Members were informed that a workshop was due to be held in which action plans would be produced and staff needs would be highlighted.
- Members questioned whether a list of specific timelines and targets to be reached, would be composed. Members were assured that the action plan produced at the workshop would highlight targets. Members were further informed that there would also be national imposed milestones.
- Members expressed concern with regards to the additional work needed to undertake the implementation and would extra staff be needed. Members were advised that this would be a consideration.

### **ACTION AGREED:**

The Committee agreed to support the transition to IFRS based accounts and to request regular update reports on the implementation process.

The Committee also noted;

- (1) The accounting changes required;
- (2) The timescale for implementation; and

- (3) The potential impact on cash reserves and balances that will need to be managed through the medium term financial strategy.

## **6. Risk Management Update**

The Director of Strategic Resources submitted a report which updated the Committee on the Council's Risk Profile and typical actions taken to manage key corporate risks.

In accordance with its terms of reference, the Audit Committee had a responsibility to "monitor the effective development and operation of risk management and corporate governance in the Council".

The Committee approved the latest revision of the Risk Management Strategy at their November 3 meeting. The Risk Management Update report submitted updated the Committee in accordance with the Strategy. The Strategic Risk Register was formally reviewed by the Corporate Management Team every six months, the latest review having been completed in January 2009. The Committee was informed that the complete Strategic Risk Register would be submitted to the Audit Committee in due course.

The register covered a wide range of issues and included a number of risks which were deemed high. These included issues that had recently emerged such as the impact of the credit crunch and failure to achieve the required level of capital receipts to fund the Capital Programme.

Members were advised that a training session on the impact of the credit crunch and asset disposal would be provided at a future meeting of the Audit Committee and would also be rolled out to all Members.

Members sought clarification on the standing of the current risk profile. Members were made aware that the risk profile was the same as at the meeting held on November 3. Members were informed that the profile would be brought to a future meeting of the Audit Committee

### **ACTION AGREED:**

The Committee noted the report.

## **7. Annual Governance Statement Update**

The Director of Strategic Resources submitted a report to the Committee in line with its agreed Work Programme for 2008/2009.

The Annual Governance Statement (AGS) explained how the Council delivered good governance and reviewed the effectiveness of these arrangements. It also met the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) Regulations 2006, which required the Council to publish an Annual Governance Statement ..

The update report highlighted to Members progress that had been made by officers in addressing these governance issues reported in the Council's AGS in 2008.

The AGS brought together all of the Council's strategies, initiatives and work plans and provided the base from which the Council could fulfil its role as a community leader in Peterborough.

The Chief Internal Auditor highlighted to the Committee the issues which had been identified as a result of the review of arrangements and by the work of external and internal audit and further informed the Committee that there were no significant control deficiencies to report.

The Committee was further informed that in order to ensure the 2008/2009 AGS was an accurate and true representation of how the Council delivered good governance and reviewed the effectiveness of these arrangements, an action plan would be put in to place as part of the compilation of the AGS. This plan would include, amongst other things, the Chief Internal Auditor holding regular meetings with relevant officers in Strategic Finance, in order to identify any potential issues arising from Internal Audit Reviews.

**ACTION AGREED:**

The Committee noted;

- (1) The review and progress report on significant governance issues reported in the Annual Governance Statement 2008; and
- (2) The proposed method that would be adopted in the completion of the 2008/2009 statement

**8. Internal Audit Progress Report – To 31 December 2008**

The Director of Strategic Resources submitted a routine planned report which highlighted to the Committee, Internal Audit performance and progress against the Annual Audit 2008/2009 as at 31 December 2008 and other areas of interest.

The Chief Internal Auditor highlighted the key information to the Committee which was contained within the various appendices attached to the report, which included:

- Progress of Audit Plan 2008/2009: to 31 December 2008;
- Responses to Audit Reports;
- Status of Recommendations;
- Audit Reports issued in quarter 3 with limited/no assurance;
- Audit Plan 2008/2009 Revisions; and
- Development of future Audit Plans

Members were informed that due to a significant issue with staff sickness, a number of jobs had been removed or rolled forward to 2009/2010. These were highlighted in the Audit Plan 2008/2009 revisions. Members were further assured that the remainder of the plan was on target to deliver.

Members were further informed that the Audit Plan had been developed the previous year to closely link in with the Strategic Risk Register ensuring that finite audit resources could be targeted within the key areas. This would continue in line with regular risk register refreshes by the Corporate Management Team.



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

- Members queried whether the increased realignment to strategic risks and the associated increase in strategic based audits would mean that staff no longer had the relevant experience. Members were advised that regular performance assessments were carried out with staff in order to establish any gaps and to develop them. Also staff had already received training development to reflect the requested profiles. Members were assured that confidence in staff being able to deliver was high.
- Clarification was sought on the reasons behind the high number of Special Investigations undertaken in Children's Services as highlighted in the progress of the Audit Plan. Members were advised that there had been a big push on raising fraud awareness over the past year which had re-educated Children's Services encouraging work to be undertaken with the Internal Audit Department.
- Members questioned why the Greater Dogsthorpe Partnership Audit had taken 31 days to complete. Members were advised that the Partnership toolkit had been used for the first time; therefore the audit had taken longer as officers were also learning the process as well as needing to refer to new records. In future the audit time would be less as training had since been undertaken.

**ACTION AGREED:**

The Committee noted;

- (1) That the Chief Internal Auditor was of the opinion that based on the works conducted during the 9 months to 31 December 2008, internal control systems and governance arrangements remained generally sound;
- (2) The progress made against the plan and the overall performance of the section;
- (3) The revision to Audit Plan activities for Quarter 4; and
- (4) The proposals recommended to development of the Audit Plans for 2009/2010.

**9. Feedback and Update Report**

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

Members were advised that all of the items outstanding on the report had been covered and the Strategic Risk Register would be brought back as a future agenda item.

**ACTION AGREED:**

The Committee noted the Feedback and Update Report.

**10. 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.

The draft Work Programme for 2009/2010 was also highlighted to the Committee for reference.

Members were reminded that as discussed earlier in the meeting, a training session on the impact of the credit crunch and asset disposal would be provided at a future meeting of the Audit Committee and would also be rolled out to all Members.

**ACTION AGREED:**

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

The meeting closed at 7.50 p.m.

<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 4
<b>30 MARCH 2009</b>	<b>PUBLIC REPORT</b>

Committee Member(s) responsible:	Councillor Hiller, Chair of Audit Committee	
Contact Officer(s):	John Harrison, Director of Strategic Resources	☎ 452 398

## ANNUAL AUDIT AND INSPECTION LETTER 2007 / 2008

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM :</b> External Auditor and Audit Commission Relationship Manager	<b>Deadline date :</b> N/A
Audit Committee are asked that, subject to any comments they may wish to make, the Audit and Inspection Letter 2007 / 2008 is approved.	

### 1. ORIGIN OF REPORT

The report is presented to Audit Committee in accordance with its Terms of Reference No. 2.2.6: *To consider the external auditors annual letter, relevant reports, and the report to those charged with governance.*

This report was also submitted earlier today to Cabinet following a referral from the Council's External Auditor (PricewaterhouseCoopers) and the Audit Commission Relationship Manager. The report is for Cabinet to consider under its Terms of Reference No. 3.2.11: *To scrutinise auditor's reports and letters, to consider reports from the Council's external auditor and internal auditor, where appropriate, and determine appropriate responses.*

### 2. PURPOSE AND REASON FOR REPORT

The purpose of this report is to consider and respond to the Annual Audit and Inspection Letter for 2007 / 2008, prepared jointly by our external auditors PricewaterhouseCoopers (PwC) and the Audit Commission Relationship Manager.

### 3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	N/A
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### 4. ANNUAL INSPECTION LETTER

4.1 Each year the External Auditor and the Audit Commission Relationship Manager produce an Audit and Inspection Letter reviewing the Council's arrangements and progress in relation to the Audit of the Accounts and the Use of Resources.

4.2 The letter is attached as **Appendix A** for the financial year 2007 / 2008 and representatives from PwC will be in attendance to present the key findings and comment generally on the Council's performance. Members can ask questions and make comment to the External Auditor on its contents and conclusions. The External Auditor may take on board responses received prior to its formal publication. However, the External Auditor is

under a statutory duty to produce and arrange for the publication of the Annual Audit Letter as soon as reasonably practical. A number of work programmes are being deployed that directly address comments made in the Audit Letter.

## **5. CONSULTATION**

The Audit and Inspection Letter has been discussed with the Corporate Management Team. Once the External Auditor and Relationship Manager have reflected on any comments received the letters will be re-issued in final form and circulated to all Members of the Council.

## **6 ANTICIPATED OUTCOMES**

Approval of the Annual Audit and Inspection Letter 2007 / 2008.

## **7 REASONS FOR RECOMMENDATIONS**

The Council is required to consider the statutory Audit and Inspection Letter and make appropriate arrangements in response to recommendations.

## **8 ALTERNATIVE OPTIONS CONSIDERED**

The External Auditor may take on board responses received prior to its formal publication, though he has a duty to produce and arrange for the publication of the Annual Audit Letter as soon as reasonably practical. No specific alternative options are submitted to Audit Committee for consideration.

## **9 IMPLICATIONS**

Specific implications associated with each of the main aspects of the Audit and Inspection Letter are addressed as part of the individual work programmes.

## **10 BACKGROUND DOCUMENTS**

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

Annual Audit and Inspection Letter 2007 / 2008

# Annual Audit and Inspection Letter

Peterborough City Council

Audit 2007-2008

**March 2009**

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

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# Summary

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## Key messages

- 1 The Council met the deadline to publish its 2007/08 accounts by 30 September 2008, and we issued an unqualified audit opinion on them prior to that date. Despite some changes to local government accounting requirements this year, information was available on a timely basis, assisting the efficient completion of the audit. Financial Reporting remains an area of notable practice (paragraph 44).
- 2 The Council recorded an underspend of £2.4m, which was transferred to reserves, against its net revised revenue budget for the year (net of Dedicated Schools Grant passed to schools) of £132.6m. As reported in the Statement of Accounts, the overall position was underpinned by net underspends in Strategic Resources of £4.1m and Assistant Chief Executive's of £1.3m, and an overspend of £3.0m in Children's Services (paragraph 54).
- 3 As in the prior year, the Council has continued its policy of operating with a General Fund balance of £6.0m, representing 4.5% of the net 2007/08 budget (paragraph 56).
- 4 The Council has continued to make progress in its management arrangements relating to data quality. However, there are a number of elements that could be improved further. For example, ensuring that data quality arrangements affecting partnership working are fully embedded and that key actions identified in the Data Quality action plan have been fully implemented and embedded (paragraphs 90 to 94).
- 5 Our assessment covering aspects of the Council's use of resources as part of the most recent Audit Commission Comprehensive Performance Assessment (CPA) review identified continued improvements. The Council's assessed scores increased for five of the eleven 'key lines of enquiry'. Overall, the Council maintained its score of 'performing well' (paragraph 79).
- 6 In particular, arrangements in relation to Internal Control have improved significantly since 2007. Existing good practices in Financial Management and Financial Reporting have also been embedded (paragraph 80).
- 7 Significant changes are being made to the Use of Resources review for 2009 as the new Comprehensive Area Assessment is implemented, which the Council will need to prepare for (paragraphs 85 to 87).
- 8 The Council has many significant challenges in future years, including:
  - The current global economic downturn places the timetable of the city's ambitious growth and regeneration programme at risk. The Council is investigating innovative procurement strategies to deliver its growth agenda, which will require effective project management, including the identification and management of risks (paragraphs 61 and 62);

- In Children's Services, work is continuing to transform practices, to ensure that statutory obligations are met efficiently, and to deliver an improved service. The investments made in Children's Services have resulted in the service achieving a 2 star rating in the recent Ofsted Annual Performance Assessment (paragraph 61);
  - Successful completion of a number of significant capital schemes, notably, a number of schemes relating to the redevelopment of the city centre, the Waste Management Solution and the schools refurbishment programme (paragraph 61);
  - Translating achievements in improving processes into improved outcomes. In particular, whilst the Council can demonstrate that it has good processes in place to manage and improve Value for Money, it has not been able to demonstrate that these have translated into improved performance either consistently across the Council as a whole, or relative to comparator authorities (paragraphs 83 to 84);
  - The adoption from 2010/11 of International Financial Reporting Standards (IFRS) in local government, with comparative data required for 2009/10 (paragraph 61).
- 9** The Annual Governance Statement sets out key elements of the systems and processes that comprise the Council's governance framework, and the arrangements for reviewing its effectiveness. From this review, the Council identified a number of areas for ongoing improvement (paragraphs 63 to 67).
- 10** For 2008 the Peterborough City Council has been assessed as improving adequately. The following Direction of Travel summary highlights key issues:
- Outcomes are improving in some areas that matter most to residents. Improvements are being made in environmental services, particularly in recycling and composting and in reported incidents of fly-tipping and graffiti. There are areas where performance is below expectation and the overall rate of improvement has not reached the average for single tier authorities. For example, crime levels are reducing but still comparatively high. The Council is working effectively in partnership. This includes delivering multi-agency services in special schools, reducing under age drinking and improving the provision of English for speakers of other languages. The Council performs well in the use of resources.
- 11** Good progress is being made to implement plans to drive improvement. Key strategic plans are in place and there is alignment between Council and community plans. This is reinforced through the new performance management system. Capacity is being strengthened through a management restructure, the filling of key vacancies and by reinvesting savings in frontline services. Actions are addressing poorer performing services but are yet to achieve all planned improvements.

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## Recommendations

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



## Summary

<b>Recommendation</b>
<b>R1</b> <ul style="list-style-type: none"><li>• The Council needs to continue to deliver improved outcomes in Children's Services (paragraph 61).</li></ul>
<b>R2</b> <ul style="list-style-type: none"><li>• The investment being made by the Council in respect of business transformation and service developments needs to be translated into performance outcomes (paragraph 83).</li></ul>
<b>R3</b> <ul style="list-style-type: none"><li>• Further improvements need to be made in respect of the Council's arrangements for ensuring Data Quality (paragraphs 93 and 94).</li></ul>
<b>R4</b> <ul style="list-style-type: none"><li>• Ensure that early steps are taken to plan for the adoption in local government accounting from 2010/11 of International Financial Reporting Standards (IFRS). Comparative data will be required for the 2009/10 year, meaning that the practical transition date to IFRS is 1 April 2009 (paragraph 61).</li></ul>
<b>R5</b> <ul style="list-style-type: none"><li>• Given the current financial climate, it will be important for the Council to closely monitor its own financial position, and to work with its partners to take action where appropriate (paragraph 61).</li></ul>
<b>R6</b> <ul style="list-style-type: none"><li>• The Council will need, as a priority, to prepare for the significant changes to the criteria and framework of the Use of Resources review that apply with the introduction of the Comprehensive Area Assessment from 2009 (paragraphs 62 to 87).</li></ul>
<b>R7</b> <ul style="list-style-type: none"><li>• Balances carried forward by schools at 31 March 2008 were £9.5m, an increase of £1.1m compared to 2006/07. In light of this, the Council, in conjunction with School Governors, should continue to keep the level of reserves under review and consider whether there is an appropriate balance between holding funds for future use and current expenditure (paragraph 57).</li></ul>
<b>R8</b> <ul style="list-style-type: none"><li>• Key areas for improvement arising from Direction of Travel assessment include:<ul style="list-style-type: none"><li>– Improving revenues and housing benefits performance</li><li>– Improving other currently poorly performing services</li></ul></li></ul>

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# Purpose, responsibilities and scope

- 13 This Annual Audit Letter (the "letter") summarises the key issues arising from our work carried out during the year. We have addressed this letter to members as it is the responsibility of the Cabinet to ensure that arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Cabinet in meeting its responsibilities.
- 14 The letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).
- 15 We have prepared this letter as required by the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).
- 16 As your appointed auditor, we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we review and report on:
  - the Council's accounts; and
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 17 Also, the Audit Commission uses our assessments to provide scored judgements for the Healthcare Commission to use as part of its Annual Health Check.
- 18 This letter summarises the significant issues arising from both these areas of work and highlights the key recommendations that we consider the Council should be addressing. We have listed the reports issued to the Council relating to the 2007/08 audit at the end of this letter.

# How is Peterborough City Council performing?

19 The Audit Commission’s overall judgement is that Peterborough City Council is improving adequately and we have classified Peterborough City Council as [zero/one/two/three/four star] in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

**Figure 1 Overall performance of councils in CPA**



Source: Audit Commission

## Our overall assessment - the CPA scorecard

**Table 1 CPA scorecard**

Element	Assessment
Direction of Travel judgement	Improving adequately
Previous corporate assessment/capacity to improve, as included in overall CPA judgement	3 out of 4
Current performance	
Children and young people*	2 out of 4
Social care (adults)*	3 out of 4

## How is Peterborough City Council performing?

Element	Assessment
Use of resources*	3 out of 4
Housing	3 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	4 out of 4

(Note: \* these aspects have a greater influence on the overall CPA score)  
(1 = lowest, 4 = highest)

### The improvement since last year - our Direction of Travel report

- 20** The Audit Commission's overall judgement is that Peterborough City Council is Improving Adequately
- 21** Outcomes are improving in some areas that matter most to residents. Improvements are being made in environmental services, particularly in recycling and composting and in reported incidents of fly-tipping and graffiti. There are areas where performance is below expectation and the overall rate of improvement has not reached the average for single tier authorities. For example, crime levels are reducing but still comparatively high. The Council is working effectively in partnership. This includes delivering multi-agency services in special schools, reducing under age drinking and improving the provision of English for speakers of other languages. The Council performs well in the use of resources.
- 22** Good progress is being made to implement plans to drive improvement. Key strategic plans are in place and there is alignment between Council and community plans. This is reinforced through the new performance management system. Capacity is being strengthened through a management restructure, the filling of key vacancies and by reinvesting savings in frontline services. Actions are addressing poorer performing services but are yet to achieve all planned improvements.

### What evidence is there of the Council improving outcomes?

- 23** The Council has made improvements against its priorities which are:
- plan and deliver a safe, attractive and environmentally friendly city;
  - achieve the best possible health and well being;
  - make Peterborough a better place in which to live and work; and
  - provide high quality opportunities for learning and ensuring children are healthy and safe;

with the underpinning driving principle to:

- be accessible, effective and efficient.

## How is Peterborough City Council performing?

- 24** There is evidence of improvement in a number of priority areas including, environmental services, adult social care and transport. Overall performance as measured by performance indicators is less positive, with 54 per cent of Council performance indicators improving in the last year. This is below the national average for single tier authorities, where over 61 per cent of indicators improved. 69 per cent of indicators improved over the last three years which is above the average range for all single tier authorities. The Council has 24 per cent of its indicators in the top 25 per cent of councils compared to a national average of 30 per cent.
- 25** The Council continues to improve most environmental services. Recycling and composting levels are amongst the best 25 per cent of councils nationally, achieving 46.6 per cent, and further increases are being achieved through the additional collection of glass. The introduction of more frequent cleansing schedules has contributed to reduced reported incidents of fly-tipping and graffiti and performance is amongst the best 25 per cent of councils. However, perception indicators about increased levels of litter have increased and are above average. This is now being tackled through the 'My Street' agenda. The amount of waste collected is amongst the worst 25 per cent of councils.
- 26** Improvement in outcomes for children and young people are mixed. Ofsted found that the Council delivers only minimum requirements for children. The management of children's services are adequate. Progress has been made in the area of staying safe. There has been year on year reduction in NEET levels between 2005/06 and 2007/08. The Council is making satisfactory progress in responding to the recommendations of the last Ofsted report published in November 2007. The standards of attainment reached by some children and young people in Peterborough are lower than those in similar councils and nationally. Performance is below the national average for achieving five or more GCSEs, grades A-G. Outcomes for looked after children and young people in care are good but remain low for young people with learning difficulties and/or disabilities and those from the Gypsy/Roma and Travelling community. Performance in 2008/09 (unaudited data) has improved across the majority of children's care indicators.
- 27** Overall adult social care performance is good. The CSCI annual performance assessment of social care services for adults reported 'good' performance for 2007/08. But indicator performance is inconsistent. The Council is amongst the best 25 per cent of councils for helping adults with mental health problems and adults with a learning disability to live at home. But it is amongst the worst 25 per cent of councils for the percentage of new assessments of older people.
- 28** Progress against some priorities is mixed. Crime levels are reducing, but from a low base with all but one indicators amongst the worst 25 per cent of councils. This is a key area of focus for the future. Performance of the Youth Offending Service continues to be effective with a significant reduction in first time entrants. The Council has recently been awarded transport authority of the year which complements its Beacon Status for accessibility to public transport. Through effective working with the local major bus operator a 12 per cent increase in public transport passengers has been achieved.
- 29** The Council contributes proactively to wider community outcomes. Significant improvements have been made in reducing under age drinking. Enforcement targeted

## How is Peterborough City Council performing?

at underage sales of alcohol has contributed to a significant decrease in sales reducing to 0 per cent during the last operation conducted in July 2008. Multi-agency licensing visits to pubs have enabled partners to make a number of checks. For example this has included weights and measures, fire exits and the smoking ban. The Nene Gate School for children with behavioural, emotional and social difficulties, opened in January 2008. This provides a range of multi-agency services including health professionals fully engaged in its development and ongoing operation.

- 30** Overall the Council has a good focus on its vulnerable citizens, but performance in some areas, including housing benefits, is poor. The Council has achieved level three of the Local Government Equality Standard. The city's population has grown significantly since 2005. There are now over 100 languages spoken in a city of 163,300 residents. The Council is responding to this rapid change in its population. 24 community groups have been formed as the City Council strive to engage with its new and ever changing communities. But the major barrier for new arrivals and also for some excluded groups in older migrant communities is language. The Council's provision for English for Speakers of Other Languages (ESOL) training provision is not able to cope with the overwhelming recent rise in demand. The Council is talking to major employers to identify how they can support English language teaching projects, is working with Muslim communities to identify ways of helping women to learn English and support their inclusion in the wider community and is talking to current providers about expanding services. This is work in progress and improvements in language skills are yet to be seen. A recent Ofsted study was positive about initiatives for inclusion of children and young people.
- 31** Revenues and benefits services performance is mixed. Although the service has retained a maximum CPA rating score of four, processing times, in 2007/08, for new housing benefit claims and NNDR collection rates are amongst the worst 25 per cent of councils nationally. Processing times for housing benefit changes in circumstances, accuracy of housing benefit processing and Council Tax collection rates are below average. Some progress has been made on improving revenues and benefits service in 2007/08 and 2008/09. The Council has restructured the service, has made staff responsibilities more generic, developed a business support unit and is focusing on improving performance management.
- 32** Performance in 2007/08 is poor for the percentage of invoices paid and in the speed of delivering planning applications. The planning function has been fundamentally reviewed with the objective of delivering significant and sustained improvement in support of the growth aspirations for the City. The introduction of a new system to manage invoices has made an efficiency saving of £1 million.
- 33** Overall the Council achieved a score of three for the 2007/08 Use of Resources judgement, meaning that it is performing well. Performance continues to be adequate in the delivery of value for money. The Council has achieved significant savings through its business transformation programme.

## How much progress is being made to implement improvement plans to sustain improvement?

- 34** Strategic plans for improvement are in place. The Corporate Plan sets out the Council's commitment to deliver the priorities contained within the sustainable



## How is Peterborough City Council performing?

community strategy. The priorities have been consulted on with the citizens' panel. Other key plans are in place including plans for the future growth of the city. The Integrated Growth Study launched in February 2008 is the largest of its kind in the UK. This Peterborough-wide project analyses over 400 existing studies and documents and draws on extensive professional expertise and innovative techniques to determine the optimum pattern of housing and employment up to 2026. This is being used to inform vital strategies such as the draft Core Strategy. The study is supported by linked plans which consider development, transport, culture, water use and energy use. Council priorities are clear from its key strategies.

- 35** Some plans to deliver improvement in specific services are in place with improved outcomes planned to be delivered in 2009/10. Business planning has been transformed but this is the first year and its robustness has not yet been tested. The revenues and benefits service plan sets out required actions to achieve improvement but whilst these are being implemented performance has not yet reached target levels. A transition plan to deliver improvements identified through an external review of development control and planning services are being implemented but the impact of this is at an early stage. In HR a number of revised and new policies are being developed.
- 36** Improvement actions are implemented. The Council has monitored progress against recommendations made on its children's services following the Corporate Assessment in 2007.
- 37** Performance management is being strengthened. Its balanced scorecard looks at the performance of the Council including against corporate priorities, Local Area Agreement (LAA) targets, financial targets and the leadership agenda. A dashboard has been created around this. Services are at different stages of developing their own dashboards and performance management. Performance is a fixed item on the Corporate Management Team (CMT) agenda on a fortnightly basis where officers present performance information across the Council, linking areas which had previously been reported on a silo basis. There is a strong focus on performance management of partnerships. A Performance Hub for the Greater Peterborough Partnership (LSP) brings together performance specialists and analytical capacity across partners to provide collective analysis of performance data and wider delivery intelligence provided by delivery partners.
- 38** Capacity continues to be strengthened. The Council has made savings of over £3 million in the last year through its business transformation programme. These savings have been reinvested in frontline services. Effective partnership working is beginning to address poor performance in some areas. Through a Solution Centre approach the Council and its LSP partners are undertaking detailed analysis of specific services and developing innovative solutions. Initial trialling on teenage conceptions has proved successful and identified solutions are about to be piloted in 'at risk' areas across the city. Capacity in Children's services has improved though successfully appointing social workers and maintaining low level vacancies. Co-location of teams in one building has reduced building costs and improved joint working and communication between teams. The Council is making innovative staff appointments such as seconding the former police divisional commander to be Director of Operations and a

senior management restructure aims to make CMT less operational and more strategic.

- 39** Service prospects for improvement are positive. The CSCI annual performance assessment of social care services for adults for 2007/08 reported 'promising' capacity to improve. The annual performance assessment of services for children and young people reported that capacity to improve; including the management of services for children and young people is 'adequate'.

### Service inspections

#### Commission for Social Care Inspectorate

#### Summary report of 2007/08 annual performance assessment of social care services for adults services

Areas for judgement	Grade awarded
Delivering Outcomes	Good
Improved health and emotional well-being	Good
Improved quality of life	Adequate
Making a positive contribution	Good
Increased choice and control	Adequate
Freedom from discrimination and harassment	Good
Economic well-being	Good
Maintaining personal dignity and respect	Adequate
Capacity to Improve (Combined judgement)	Promising
Leadership	Promising
Commissioning and use of resources	Promising
Performance Rating	2 Stars

#### Annual Performance Assessment Children and Young People

Assessment judgement area	APA grade
Overall effectiveness of children's services	2
Being healthy	2



## How is Peterborough City Council performing?

Assessment judgement area	APA grade
Staying safe	2
Enjoying and achieving	2
Making a positive contribution	3
Achieving economic well-being	2
Capacity to improve, including the management of services for children and young people	2

Overall effectiveness of children's services

Grade 2

DRAFT

# Audit of the accounts

- 40** As your appointed auditor, we issued an unqualified opinion on the Council's accounts on 23 September 2008.
- 41** The Audit Commission Code of Practice requires us to form an opinion as to whether the Statement of Accounts presents fairly the financial position of the Council and its income and expenditure for the year, and whether they have been properly prepared in accordance with relevant legislation and applicable accounting standards. This section of our Letter summarises the results of our audit work in relation to the Statement of Accounts for the year ended 31 March 2008.

## **Formal communication of relevant audit matters to those charged with governance (ISA 260 Report)**

- 42** We are required to comply with the International Standard on Auditing (ISA) 260 - "Communication of audit matters to those charged with governance". This requires us to communicate the following matters to those charged with governance who, in the case of the Council, are deemed to be the Audit and Accounts Committee:
- Expected modifications to the auditors' report;
  - Unadjusted misstatements;
  - Material weaknesses in the accounting and internal control systems identified during the audit;
  - Views about the qualitative aspects of the entity's accounting practices and financial reporting;
  - Matters specifically required by other auditing standards to be communicated to those charged with governance; and
  - Any other relevant matters relating to the audit.
- 43** We presented our ISA 260 report to Members of the Audit and Accounts Committee on 23 September 2008. We were able to report that the accounts contained no unadjusted misstatements. Our report highlighted certain matters relating to accounting and control which are discussed in paragraphs 22 to 24 below.
- 44** The working papers provided by the Strategic Finance team were exemplary again this year, ready on the first day of the audit and prepared on a CD with clear links to the Statement of Accounts. We have reported the Council's working papers to the Audit Commission as an example of notable practice. No material adjustments were made to the accounts.
- 45** The ISA 260 report noted two significant matters relating to the Statement of Accounts:
- the 2007/08 Statement of Accounts included a prior period adjustment of £13.1m in relation to the investment properties included on the Balance Sheet; and

## Audit of the accounts

- adjustments were made to the 2007/08 Statement of Accounts in relation to the Council's Private Finance Initiative ("PFI") schools to ensure that the accounting entries were appropriate.
- 46** We concluded that management's treatment of the above items in the 2007/08 Statement of Accounts was appropriate.
- 47** We also included detailed recommendations in the 'Report to Management 2007/08' which was issued to management in November 2008, focused on issues that arose during the final audit of the accounts. The more significant recommendations were that:
- the Council obtains more assurance over the value of the VAT shelter to be paid by Cross Keys Homes each year; and that
  - the Council reviews lease arrangements in place to determine whether these are the most suitable terms for the Council.
- 48** The Council has agreed to take action in respect of our recommendations and a detailed action plan has been prepared and is included within each report. We will consider progress in implementing these actions as part of our 2008/09 audit.
- 49** ISA 260 also requires us to communicate with those charged with governance regarding:
- The concept of materiality and its connection to our audit approach;
  - Our approach in addressing the risk of material misstatement;
  - Our approach to the assessment of, and reliance on, internal controls;
  - Intended reliance on the work of internal audit;
  - The work to be undertaken by any other firms of auditors, and how we will obtain assurance over the procedures of other auditors; and
  - The independence and objectivity of the audit team.
- 50** These matters were included within the 2007/08 Audit Plan which was presented to the Audit and Accounts Committee in March 2007. In our ISA 260 report we reported that there had been no changes since that time. In particular, we confirmed that we remain independent of the Council within the requirements of ethical and auditing standards.

### Liaison with the Council during the year

- 51** During the course of the year we have held regular meetings with the Chief Executive, Director of Strategic Resources, Monitoring Officer and the Head of Strategic Finance to discuss emerging issues and priorities facing the Council, matters arising from audit work and areas in which we may be able to assist the Council. These meetings have been valuable in ensuring a shared understanding of key issues and priorities for the Council and have allowed for discussion of more significant matters arising from audit work.
- 52** We have also held quarterly meetings with the Council's internal audit service. These meetings have formed the basis of joint planning and cooperation designed to ensure

that duplication is avoided and that we work effectively together. There are a number of examples where we have been able to place reliance on the work of internal audit and also where we have worked effectively together.

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## Financial Standing

**53** In this section we comment upon the Council's general financial standing taking into account both its performance during the last year and its ability to meet known financial obligations.

### Overall financial performance in 2007/08

- 54** As set out in the Explanatory Foreword to the 2007/08 Accounts, the Council's revised net revenue budget for the year was £132.6m (net of Dedicated Schools Grant passed to schools), against which actual spending totalled £130.2m. The Statement of Accounts highlighted that the overall position was underpinned by net underspends in Strategic Resources of £4.1m and Assistant Chief Executive's of £1.3m, and an overspend of £3.0m in Children's Services.
- 55** The key factors causing the underspends were the result of interest receipts from investments being £1.2m higher than budget and £2.9m received from the VAT Shelter arrangement with Cross Keys Homes, which had previously been budgeted for as a capital rather than a revenue receipt. The key factor for the overspend in Children's Services was the demand led Looked After Children budget.
- 56** At 31 March 2008, total reserves available for use (earmarked reserves and General Fund balances) stood at £38.6m. Of this, £23.1m was earmarked for specific purposes, with a further £9.5m under the control of locally managed schools and £4.5m held to cover insurance risks. General Fund balances of £6.0m represented 4.5% of the net 2007/08 budget.
- 57** In light of the year-on-year increase of £1.1m in reserves under the control of locally managed schools, the Council, in conjunction with School Governors, should continue to keep the level of reserves under review and consider whether there is an appropriate balance between holding funds for future use and current expenditure.

### Outlook for 2008/09 and beyond

- 58** The Council approved the budget for 2008/09 on 4 February 2008, as part of the Medium Term Financial Plan. The budget requirement for 2008/09 was £128.4m (being £237.0m less Dedicated Schools Grant of £108.6m), a 6.6% increase compared to the 2007/08 base budget. Funding for the capital programme for the year totalled £76.0m.
- 59** The latest financial position for 2008/09, as reported to Cabinet in February 2009, based on financial information to the end of December 2008, highlighted that overall the budget position is showing a forecast year-end underspend of £50,000.
- 60** We note that the Council had invested £3m in Icelandic banks and that management continue to report the latest position regarding these monies to as part of monthly budgetary control reports to the Council and Cabinet. We note that this investment was in line with the Council's treasury management policy at that time. The treasury

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 5</b>
<b>30 MARCH 2009</b>	<b>PUBLIC REPORT</b>

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

## ASSURANCE FRAMEWORK

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM : John Harrison, Director of Strategic Resources</b>	<b>Deadline date : N/A</b>
1. The Committee is asked to: <ul style="list-style-type: none"> <li>a) Approve the Assurance Framework which forms part of the Annual Governance Statement;</li> <li>b) Consider whether additional areas of assurance are required;</li> <li>c) Note the proposed future reporting timetable.</li> </ul>	

### 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 report is to inform members of the Assurance Framework which is an initiative designed to further consolidate the Council's Risk Management framework. The Assurance Framework is laid out in sections according to the objectives / priorities specified in the Corporate Plan.

### 3. TIMESCALE

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

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

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

- a) Considering the effectiveness of the Council risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
- b) Seeking assurances that action is being taken on risk related issues identified by Auditors and Inspectors;

- c) Seeking assurance that action has been taken to implement the recommendations arising from the findings of significant audit work; and
- d) Ensuring that the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it. This helps facilitate effective performance management by simplified reporting and enables prioritisation of actions to maximise opportunities and ensure effective management of risks.

## 5. CURRENT POSITION

5.1 The key priorities and key risks where assurance is required has been identified from the Strategic Risk Register (last update January/February 2009), the Annual Governance Statement (June 2008) together with the 2008 Framework. The sources of assurance have been obtained from internal and external sources. Internal sources included Directors and Heads of Service self assessments, committee and scrutiny panel reports together with Internal Audit work. External sources of assurance have been obtained from External Audit activity and Inspection reports.

5.2 The Assurance Framework references the documented evidence that identifies the key risks areas, the current position of these and the actions being implemented, and the mechanisms for reporting on progress (detailed in **Appendix A**).

5.3 65 areas of assurance have been sought from across the Council, which covers all service areas and activities. This represents an increase on last year (42), when the onus was purely on the strategic risk elements. Subject to the availability of information, an assessment has been made against these activity areas, these being **FULL Assurance**, **MODERATE Assurance** or **MORE WORK REQUIRED**. This judgement has been used to establish future audit activity areas for 2009 / 2010 (see separate report on Audit Committee agenda). Current levels show that of the 65 areas, the profile is:

- Full Assurance: **15**
- Moderate Assurance: **40**
- More Work Required: **8**

(NB: 2 further items on the Strategic Risk Register have been deleted)

5.4 The Assurance Framework is not a static document, and will be updated throughout the year as the needs and assurances across Peterborough change. A further update is proposed to be submitted to Audit Committee on a half yearly basis, and has been factored in to the Draft Work Programme for 2009 / 2010.

## 6. CONSULTATION

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

## 7. ANTICIPATED OUTCOMES

Inform Audit Committee of the processes in place to mitigate risks for the delivery of the council's objectives and to inform the production of the Annual Governance Statement.

**8. REASONS FOR RECOMMENDATIONS**

In accordance with best practice within the Use of Resources remit, Audit Committee are expected to be informed in the preparation of the Annual Governance Statement.

**9. ALTERNATIVE OPTIONS CONSIDERED**

None

**10. IMPLICATIONS**

None

**BACKGROUND DOCUMENTS**

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

Accounts and Audit Regulations

Use of Resources / Key Lines of Enquiry

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**ASSURANCE FRAMEWORK: MARCH 2009**

REFERENCE	<b>AF.01</b>	
KEY CONTROL AREA WHERE ASSURANCE REQUIRED	Staff capacity and skills	
<b>ASSURANCE REQUIRED</b>		
STRATEGIC PRIORITY	E & E	
NATURE OF ASSURANCE REQUIRED	The council manages change in the light of revised structures enabling sustained service delivery at existing levels	
SOURCE(S)	Strategic Risk Register (SSR) 1.01	
RESPONSIBLE OFFICER	Head of Human Resources Head of Business Transformation	
RESPONSIBLE PORTFOLIO HOLDER	Finance and Human Resources Cllr J Peach	
<b>ASSURANCE CURRENTLY AVAILABLE</b>		
INTERNAL	<ul style="list-style-type: none"> <li>• Senior Management review conducted by Chief Executive (September 2008)</li> <li>• Learning Academy programme to 3rd Tier management</li> <li>• Skills audits undertaken as part of Annual Performance and Development (APD) process for all officers</li> <li>• Staff sickness monitoring (trend analysis e.g. stress related) monthly to Corporate Management Team (CMT) and reports submitted to Scrutiny Committee</li> </ul>	
EXTERNAL	Investors in People accreditation (training development crucial element)	
<b>FURTHER ASSURANCE WORK REQUIRED / PROGRAMMED</b>		
INTERNAL	Voluntary redundancy scheme - impact on services to be evaluated by Directors	
EXTERNAL ASSURANCE	Comprehensive Area Assessment	
<b>LEVEL OF ASSURANCE</b>		
<b>FULL ASSURANCE</b>	<b>MODERATE</b>	<b>FURTHER WORK REQ'D</b>

E = Creating the UK's environmental capital  
H = Creating strong and supportive communities  
L = Delivering substantial and truly sustainable growth  
C = Creating opportunities - tackling inequalities  
E+E = Delivering value for money

**ASSURANCE FRAMEWORK: MARCH 2009**

REFERENCE	<b>AF.02</b>	
KEY CONTROL AREA WHERE ASSURANCE REQUIRED	Staff retention in key areas	
<b>ASSURANCE REQUIRED</b>		
STRATEGIC PRIORITY	E & E	
NATURE OF ASSURANCE REQUIRED	The organisation can recruit and retain appropriate / quality staff	
SOURCE(S)	SRR 1.02	
RESPONSIBLE OFFICER	Executive Director of Resources (Interim) Head of Human Resources	
RESPONSIBLE PORTFOLIO HOLDER	Finance and Human Resources Cllr J Peach	
<b>ASSURANCE CURRENTLY AVAILABLE</b>		
INTERNAL	<ul style="list-style-type: none"> <li>• Review of Recruitment and Selection Policy and links with Project through Business Transformation for Talent Management</li> <li>• Leadership Academy introduced to develop internally</li> <li>• Development of market force supplements in key / difficult work fields</li> <li>• Job evaluation process and full adoption (March 2008). Ongoing appeals / verifications during 2008.</li> </ul>	
EXTERNAL	Investors in People accreditation	
<b>FURTHER ASSURANCE WORK REQUIRED / PROGRAMMED</b>		
INTERNAL	<ul style="list-style-type: none"> <li>• Voluntary redundancy scheme - impact on services to be evaluated by Directors</li> <li>• Internal Audit Plan 2009/2010: Recruitment</li> </ul>	
EXTERNAL ASSURANCE	-	
<b>LEVEL OF ASSURANCE</b>		
<b>FULL ASSURANCE</b>	<b>MODERATE</b>	<b>FURTHER WORK REQ'D</b>

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**ASSURANCE FRAMEWORK: MARCH 2009**

REFERENCE	<b>AF.03</b>	
KEY CONTROL AREA WHERE ASSURANCE REQUIRED	Financial considerations with third party funded schemes	
<b>ASSURANCE REQUIRED</b>		
STRATEGIC PRIORITY	E & E	
NATURE OF ASSURANCE REQUIRED	<ul style="list-style-type: none"> <li>• Long term financial risk to the Council is minimised.</li> <li>• Ongoing management of PFI projects, capital projects and grant funded schemes</li> </ul>	
SOURCE(S)	SRR 1.03	
RESPONSIBLE OFFICER	Executive Director of Resources	
RESPONSIBLE PORTFOLIO HOLDER	Finance and Human Resources Cllr J Peach	
<b>ASSURANCE CURRENTLY AVAILABLE</b>		
INTERNAL	<ul style="list-style-type: none"> <li>• Exit strategies incorporated into all projects during planning stages</li> <li>• Challenge mechanisms including whole life costs at Programme / Efficiency Boards</li> <li>• Central grant claim register established</li> <li>• Integrated Medium Term Financial Strategy (MTFS) in place</li> <li>• PFI separate reporting / monitoring</li> <li>• Capital funding reviews in light of credit crunch</li> </ul>	
EXTERNAL	<ul style="list-style-type: none"> <li>• Grant claims unqualified</li> <li>• External Audit Closure of Accounts (Report to Management) Jan 2009</li> </ul>	
<b>FURTHER ASSURANCE WORK REQUIRED / PROGRAMMED</b>		
INTERNAL	-	
EXTERNAL ASSURANCE	-	
<b>LEVEL OF ASSURANCE</b>		
<b>FULL ASSURANCE</b>	<b>MODERATE</b>	<b>FURTHER WORK REQ'D</b>

E = Creating the UK's environmental capital  
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E+E = Delivering value for money

**ASSURANCE FRAMEWORK: MARCH 2009**

REFERENCE	<b>AF.04</b>	
KEY CONTROL AREA WHERE ASSURANCE REQUIRED	Growth	
<b>ASSURANCE REQUIRED</b>		
STRATEGIC PRIORITY	E L E & E	
NATURE OF ASSURANCE REQUIRED	<ul style="list-style-type: none"> <li>• Effective joint planning arrangements</li> <li>• Securing of the approvals / resources / strategies / cooperation required to meet the demands for the significant growth of Peterborough</li> </ul> (Link to SSR 1.07)	
SOURCE(S)	SRR 1.04	
RESPONSIBLE OFFICER	Deputy Chief Executive	
RESPONSIBLE PORTFOLIO HOLDER	Housing, Regeneration and Economic Development Cllr G Murphy	
<b>ASSURANCE CURRENTLY AVAILABLE</b>		
INTERNAL	<ul style="list-style-type: none"> <li>• Medium Term Financial Strategy (MTFS) and linked to growth.</li> <li>• Creation of Opportunity Peterborough</li> <li>• GPP establishment</li> <li>• Peterborough Growth and Regeneration: Securing the Future (Cabinet Dec 2008)</li> </ul>	
EXTERNAL	<ul style="list-style-type: none"> <li>• CPA Corporate Assessment (2006)</li> <li>• Partnership arrangements and business plans put in place with Opportunity Peterborough</li> </ul>	
<b>FURTHER ASSURANCE WORK REQUIRED / PROGRAMMED</b>		
INTERNAL	<ul style="list-style-type: none"> <li>• Planning Strategy development</li> <li>• Internal Audit Plan 2009/2010: Regeneration</li> <li>• Internal Audit Plan 2009/2010: Sustainability</li> </ul>	
EXTERNAL ASSURANCE	Comprehensive Area Assessment	
<b>LEVEL OF ASSURANCE</b>		
FULL ASSURANCE	<b>MODERATE</b>	FURTHER WORK REQ'D

E = Creating the UK's environmental capital  
 H = Creating strong and supportive communities  
 L = Delivering substantial and truly sustainable growth  
 C = Creating opportunities - tackling inequalities  
 E+E = Delivering value for money

**ASSURANCE FRAMEWORK: MARCH 2009**

REFERENCE	<b>AF.05</b>	
KEY CONTROL AREA WHERE ASSURANCE REQUIRED	Local Area Agreements	
<b>ASSURANCE REQUIRED</b>		
STRATEGIC PRIORITY	E & E	
NATURE OF ASSURANCE REQUIRED	<ul style="list-style-type: none"> <li>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</li> <li>Ensure that LAA targets are met and that arrangements for democratic accountability are sound</li> </ul>	
SOURCE(S)	SRR 1.05 Annual Governance Statement 2007/2008	
RESPONSIBLE OFFICER	Chief Executive Lead Directors (with LAA targets)	
RESPONSIBLE PORTFOLIO HOLDER	ALL	
<b>ASSURANCE CURRENTLY AVAILABLE</b>		
INTERNAL	<ul style="list-style-type: none"> <li>Local Area Agreement (Internal Audit review - Full Assurance)</li> <li>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</li> <li>Themed areas established and regular reports to CMT</li> <li>Coordination by Community Safety Partnerships (part of GPP)</li> </ul>	
EXTERNAL	Greater Peterborough Partnership integrated approach with partners	
<b>FURTHER ASSURANCE WORK REQUIRED / PROGRAMMED</b>		
INTERNAL	Annual refresh of LAA to ensure targets remain relevant	
EXTERNAL ASSURANCE	Comprehensive Area Assessment	
<b>LEVEL OF ASSURANCE</b>		
FULL ASSURANCE	<b>MODERATE</b>	FURTHER WORK REQ'D

E = Creating the UK's environmental capital  
H = Creating strong and supportive communities  
L = Delivering substantial and truly sustainable growth  
C = Creating opportunities - tackling inequalities  
E+E = Delivering value for money

**ASSURANCE FRAMEWORK: MARCH 2009**

REFERENCE	<b>AF.06</b>	
KEY CONTROL AREA WHERE ASSURANCE REQUIRED	Partnership working with Primary Care Trust (PCT) and the impact of PCT changes on PCC service delivery	
<b>ASSURANCE REQUIRED</b>		
STRATEGIC PRIORITY	H E & E	
NATURE OF ASSURANCE REQUIRED	<ul style="list-style-type: none"> <li>The Council has an integrated working relationship with the PCT</li> <li>Soundness of governance arrangements including signing of partnership agreements and the robustness of financial management arrangements</li> </ul>	
SOURCE(S)	SRR 1.06	
RESPONSIBLE OFFICER	Director of Adult Social Care	
RESPONSIBLE PORTFOLIO HOLDER	Health & Adult Social Care Services Cllr D Lamb	
<b>ASSURANCE CURRENTLY AVAILABLE</b>		
INTERNAL	<ul style="list-style-type: none"> <li>Review of Section 75 agreements and Accountability Agreements in place</li> <li>Work undertaken by Cambridgeshire Health Internal Audit Service (CHIAS)</li> <li>Health and Adult Social Care Scrutiny Panel reviews</li> </ul>	
EXTERNAL	External Audit reviews at both bodies	
<b>FURTHER ASSURANCE WORK REQUIRED / PROGRAMMED</b>		
INTERNAL	Internal Audit Plan 2009/2010: PCT Governance	
EXTERNAL ASSURANCE	<ul style="list-style-type: none"> <li>Commission for Social Care Inspection Annual Review</li> <li>Comprehensive Area Assessment</li> <li>Assurance from CHIAS</li> </ul>	
<b>LEVEL OF ASSURANCE</b>		
<b>FULL ASSURANCE</b>	<b>MODERATE</b>	<b>FURTHER WORK REQ'D</b>

E = Creating the UK's environmental capital  
H = Creating strong and supportive communities  
L = Delivering substantial and truly sustainable growth  
C = Creating opportunities - tackling inequalities  
E+E = Delivering value for money

<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 6
<b>30 MARCH 2009</b>	<b>PUBLIC REPORT</b>

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

## INTERNAL AUDIT ANNUAL PLAN AND STRATEGY 2009 / 2010

<b>RECOMMENDATIONS</b>	
<b>FROM : John Harrison, Director of Strategic Resources</b>	<b>Deadline date : N/A</b>
1. The Committee is asked to consider, endorse and comment where appropriate on the proposed Annual Internal Audit Strategy and Operational Plan for 2009 / 2010.	

### 1. ORIGIN OF REPORT

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

### 2. PURPOSE AND REASON FOR REPORT

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

### 3. TIMESCALE

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

4.1 The Local Government Act 1972 details the need for an Internal Audit function in its requirement that authorities "make arrangements for the proper administration of their financial affairs". In England, the Accounts and Audit Regulations 2003 specifically require that an authority must "*maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control*".

4.2 Internal Audit is an integral part of probity and corporate governance. It operates as an **independent assurance function** designed to give an objective opinion to the Council on the control environment, comprising risk management, internal control and governance. It adds value to the Council by improving its operations and contributing to the proper, economic, efficient and effective use of resources.

4.3 The Audit Strategy (attached at **Appendix A**) documents the way in which Internal Audit intend to deliver the service and how we ensure that our work complies with the standards contained in the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. In particular, it states how the work of Internal Audit will provide the assurances required for the production of the statutory Annual Governance Statement. We will achieve

this by adopting a risk-based approach to our work; both at the level of annual planning and of individual audits, to ensure that the Council's key priorities, objectives and risks are targeted.

- 4.4 The Audit Strategy also comments on some key areas we will review, including partnership governance, contracting arrangements, project management, business continuity and ICT arrangements.
- 4.5 The Annual Operational Plan (attached at **Appendix B**) describes the individual audit reviews to be undertaken during the year. To determine the scope of the plan for 2009 / 2010 we have undertaken a systematic risk assessment of all auditable areas. This is informed by our review of the Strategic Risk Register (updated January 2009), Divisional Risk Registers, the Assurance Framework, Director and Heads of Service consultation, council and government initiatives and the Medium Term Financial Strategy. We have also determined the work required to fulfill statutory s.151 responsibilities.
- 4.6 The plan shows the minimum amount of work that the Internal Audit service (IAS) has assessed should be undertaken after considering available resources. We will have an establishment of 8.3 full time equivalent (fte) posts, a reduction of 1(fte) on 2008 / 2009. There will be one vacancy for a trainee post at the start of 2009 / 2010 whilst the recruitment process is undertaken. For further details please refer to **Appendix A**.
- 4.7 Internal Audit currently undertakes the 'External Assessor' function for the Financial Management Standard in Schools (FMSiS) accreditation, which is a mandatory requirement for all schools to achieve in accordance with the Department for Children's Schools and Families (DCSF) and supports the s.151 officers' financial responsibilities of the Local Authority. Due to the FMSiS mandatory review cycle of three years, more schools are required to be reviewed in a given year than would normally be the case if IAS applied their own risk assessment to the school profile (normally 4-5 years for all schools). Children's Services have over the previous two years contributed to the cost of performing the external assessments from the DSG Grant. During 2009 / 2010 more reliance will be placed on the work undertaken by the Children's Services Finance Team to realise efficiencies in the review process but funding will still be sought to support the additional workload that will still be required by IAS.
- 4.8 The plan for 2009 / 2010 is not a static document. The Chief Internal Auditor reserves the right to amend plans (in consultation with the s151 officer) in line with emerging risks and changing priorities as they occur throughout the year. Any major changes in the plan will be reported to those charged with governance and through to the Audit Committee on a periodic basis.



4.9 A summary is included below:

<b>INTERNAL AUDIT: ANNUAL PLAN 2009 / 2010</b>	
	<b>Audit Days</b>
Systems Activity	174
Annual Governance and Assurance Framework	285
Strategic and Operational Risks	140
Schools and Colleges	152
Contract Audit / Partnerships / Project Management	100
Grant Certification	70
Corporate Support – <ul style="list-style-type: none"><li>• CIA Consultancy, Control Advice and Contingency</li><li>• Other Audit Support Activities</li></ul>	350 161
<b>TOTAL PLANNED AUDIT DAYS</b>	<b>1432</b>

## **5. CONSULTATION**

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

## **6 ANTICIPATED OUTCOMES**

Approval of the Audit Strategy and Annual Plan 2009 / 2010 by Audit Committee.

## **7 REASONS FOR RECOMMENDATIONS**

The Council is subject to the Accounts and Audit Regulations 2003 and, as such, must make provision for Internal Audit in accordance with the CIPFA Code of Practice. It must also produce an Annual Governance Statement to be published with the Council's financial accounts. The attached reports demonstrate how the audit service will be provided and how it will contribute to the Statement.

## **8 ALTERNATIVE OPTIONS CONSIDERED**

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

## **9 IMPLICATIONS**

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

## **10 BACKGROUND DOCUMENTS**

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

CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006  
Accounts and Audit Regulations 2003  
Local Government Act 1972

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# PETERBOROUGH CITY COUNCIL

## INTERNAL AUDIT STRATEGY 2009 / 2010

### 1 Introduction

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

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

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

### 2 Regulatory Framework

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

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

### **3 Professional Standards and Ethics**

#### **3.1 Chartered Institute of Public Finance and Accountancy (CIPFA)**

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

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

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

The Audit Charter describes how Internal Audit complies with the Code provisions. It sets out Internal Audit's terms of reference, its scope of work, the standards and protocols by which it operates, and how it derives its authority and independence. The Audit Charter was updated in September 2006 and approved by Audit Committee in November 2006. This continues to be relevant to the operations of the team and will be reviewed each year to ensure it is still appropriate.

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

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

#### **3.3 Ethics**

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

The principles that must be observed are:

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

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

## **4 Provision of the Internal Audit Service**

- 4.1 In considering the options for the provision of internal audit the Council currently delivers its service from an in-house team of staff. The establishment is due to reduce by one post to 8.3fte in April 2009 as part of the "*Manor Drive plc* proposals". This reduction is being met by the removal of both a Principal and Senior Auditor post from the Internal Audit structure through voluntary redundancy but with the addition of a Trainee Auditor post. The audit profile will therefore consist of the Chief Internal Auditor, Group Auditors (1.3fte), Principal Auditor (1), Senior Auditors (3) and Trainee Auditors (2). The recruitment process for the Trainee Auditor will commence during 2009 / 2010.
- 4.2 Internal Audit also undertake the 'External Assessor' function for the Financial Management Standard in Schools (FMSiS) accreditation, which is a mandatory requirement for all schools to achieve in accordance with the Department for Childrens Schools and Families (DCSF) and supports the s.151 officers' financial responsibilities of the Local Authority.
- 4.3 The Council complies with the above requirements (statutory framework, professional standards and role) through the operation and work of Internal Audit Services.

## **5 Role of Internal Audit**

- 5.1 The roles and responsibilities of Internal Audit are set out in the services Audit Charter which was approved by Audit Committee in November 2006. This document is reviewed each year to ensure that it is in accordance with the CIPFA Code of Practice.

## **6 Internal Audit Manual**

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

## **7 Planning and Resources**

- 7.1 It is important that the service keeps under review the resources required in order for it to fulfil its role in the medium to longer term. As such, an "Audit Universe" is maintained which predicts the likely areas for audit activity over the medium to longer term and compares this with the existing resources available.

- 7.2 In developing the Strategy and the Risk Profile it is important that audit resources are directed in line with the priorities of the Council taking into account an assessment of risk. In order to achieve this, a systematic risk assessment and planning methodology is used, as follows:
- A list of auditable areas, known as the Audit Universe is maintained on an ongoing basis. This is based on the audit activity undertaken during the year and the overall opinion of the control environment within the audited area.
  - In addition to the above, during January / February of each year a further review of the auditable areas is conducted based upon:
    - Consultation with Chief Officers and other senior managers, to identify key issues facing the council to ensure that key risks are prioritised;
    - A review of the Corporate Plan;
    - Review and consideration of new council initiatives, government initiatives and legislation;
    - Review and consideration of strategic risks as identified in the Corporate Risk Profile;
    - Review and consideration of the assurance framework; and
    - Financial and Budgetary information.
  - The Audit Universe is then updated to reflect changes in the Council and methods of service delivery. To determine the priorities for the annual Audit Plan the following are reviewed:
    - The need to be to provide an annual audit opinion of the Council's key financial and non financial systems;
    - Risk assessments which are maintained on an ongoing basis for all areas on the audit universe;
    - The assurance framework;
    - Specific client requests; and
    - The existing operational plan
- 7.3 The above methodology results in a plan that is supportive of Directors in delivering the strategic priorities and corporate improvement priorities of the Council and provides an overall view of the internal control environment, a key part of good Corporate Governance.
- 7.4 The proposed 2009 / 2010 Annual Plan has been compiled using the criteria detailed above along with a consideration for available resources. The plan shows the minimum amount of work that IAS has assessed should be undertaken to provide assurance to the organisation.
- 7.5 Internal Audit continues to explore how additional funding / resources can be obtained to support the plan. As stated in 4.2, one aspect of the IAS coverage includes the 'External Assessor' role in ensuring schools within the LEA meet the Financial Management in Schools FMSiS accreditation. Due to the FMSiS mandatory review cycle of three years more schools are required to be reviewed in a given year than would normally be the case if IAS applied their own risk assessment to the school profile. Children's Services have over the previous two years contributed to the cost of performing the external assessments from the DSG Grant. During 2009 / 2010 more reliance will be placed on the work undertaken by the Children's Services Finance Team to realise efficiencies in the review work but it is hoped that some funding will still be available as in previous years to support the additional workload that will still be required.

## **8 Performance Indicators**

- 8.1 A range of performance indicators are maintained within the IAS Business Plan. These cover areas such as Cost and Efficiency, Quality, Customer Satisfaction and Continuous Improvement. Performance against these areas will be reported to the Director of Strategic Resources and the Audit Committee on a quarterly basis.

## **9 Reporting**

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

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## PETERBOROUGH CITY COUNCIL

### INTERNAL AUDIT OPERATIONAL PLAN 2009 / 2010

#### **1 Introduction**

- 1.1 This document sets out the division of responsibilities between managers and Internal Audit Services, and presents the Internal Audit Operational Plan for 2009 / 2010.

#### **2 Division of Responsibilities**

- 2.1 It is management's responsibility to manage the systems of the Council in a manner in which:

- Ensures the plans and intentions of the organisation are delivered, (including those outlined in plans, policies and procedures) and are in compliance with the laws / regulations under which the organisation operates);
- Ensures the reliability of data and information used either internally or reported externally;
- Safeguards the organisations resources; and
- Promotes efficient and effective operations.

- 2.2 Controlling is an integral part of managing operations and as such internal auditors independently review how efficient management discharges this aspect of its responsibilities by evaluating the effectiveness of systems and controls and providing objective analyses and constructive recommendations. Management retain full ownership and responsibility for the implementation of any such recommendations.

#### **3 Development of the Internal Audit Operational Plan**

- 3.1 In developing the Annual Plan, it is important that audit resources are directed in line with the priorities of the Council taking into account an assessment of risk. In order to achieve this, a systematic assessment and planning methodology is used, as set out in the Audit Strategy.
- 3.2 The methodology results in a plan that is supportive of Directors in delivering the strategic priorities and corporate improvement priorities of the Council and provides a view of the overall internal control environment, a key part of Corporate Governance.

3.3 The table below summarises the planned allocation of productive days for 2009 / 2010.

<b>INTERNAL AUDIT: ANNUAL PLAN 2009 / 2010</b>	
	<b>Audit Days</b>
Systems Activity	174
Annual Governance and Assurance Framework	285
Strategic and Operational Risks	140
Schools and Colleges	152
Contract Audit / Partnerships / Project Management	100
Grant Certification	70
Corporate Support –	
• CIA Consultancy, Control Advice and Contingency	350
• Other Audit Support Activities	161
<b>TOTAL PLANNED AUDIT DAYS</b>	<b>1432</b>

It can be seen from the above table that the plan has been developed cover the main audit areas by categories rather than Directorates. This is to better demonstrate the coverage and the impact of the audit activities across the organisation. The individual audit reviews and service areas are analysed in greater detail in section 7 of this document.

## 4 Key Points

- 4.1 The plan is linked to the Corporate Objectives of the Council. All of the reviews undertaken are underpinned by the driving principle to be “**delivering value for money.**” Where Governance, Contract and Partnership reviews are to be undertaken this will also cover the organisations four strategic priorities in part or in their entirety. Where appropriate, links to the Strategic Risk Register have been highlighted, together with the Assurance Framework.
- 4.2 Auditable activity areas assessed as a very high or high priority have been included in the 2009 / 2010 plan. Audits of all the main financial systems of the Council are undertaken on an annual basis as part of the managed audit approach with external audit.
- 4.3 Those areas not included in the plan this year will be considered for review on a cyclical basis in future years. However, it is anticipated that audits of low priority areas will not occur unless a risk assessment results in an increased priority level. Given the number of auditable areas (approximately 400), and the fact that we plan to, subject to available resource, audit all very high priority areas *and* all main financial systems on an annual basis, it would take 4 years to cover all auditable areas, and just over 3 years to cover all but low priority areas. Professional guidance suggests that the production of strategic plans covering this period of time is not best practice. This is because it results in insufficient audit time being directed at key risk areas for the Council, which may change from year to year.
- 4.4 The plan for 2009 / 2010 is not a static document. The Chief Internal Auditor reserves the right to amend plans in line with emerging risks and changing priorities as they occur throughout the year. Any major changes in the plan will be discussed with the Director of

Strategic Resources and then reported to the Audit Committee as part of the quarterly performance / monitoring reports for approval.

4.5 The following key points are of note:

4.5.1 External Works

The plan shows that we carry out work for external bodies, which generates income or savings. For 2009 / 2010 this work consists of the audit of grant claims on behalf of PwC, if required, (thus generating savings in the external audit fee), and the provision of an external assessment of the achievement of Financial Management Standards in Schools (which will generate income for the Internal Audit budget). The time allocated for FMSiS works is incorporated into the Schools and Colleges allocation.

4.5.2 Main Financial Systems

IAS will continue to review the effectiveness of internal control within the Council's key financial systems and key non-financial systems, in accordance with agreed rolling programmes of audit work in these areas. We will co-ordinate our work with that of the external auditor (PwC) to ensure that reliance can be placed on the work provided by Internal Audit in accordance with PwC's three year rolling programme. This is demonstrated this year by adopting a key controls approach to some auditable areas and informing of PwC changes in process mapping.

4.5.3 Annual Governance and Assurance Framework

Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. IAS will continue to undertake reviews to support this process covering areas such as governance arrangements for managed and shared services, a review of the risk management process and business continuity. This area of audit activity also links into the assurance framework of the organisation where reviews will be undertaken to support the overall assurance framework.

4.5.4 Partnerships, Contracts and Projects

This area has been identified as a continuing risk, in light of the increasing number partnerships with external organisations. Internal Audit will review specific partnerships including those in the Local Area Agreement.

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

4.5.5 Corporate Risks

The Corporate risk profile was last updated by Corporate Management Team in January 2009. A rolling programme of internal audits will take place of the adequacy and effectiveness of the control environment to mitigate the council's principal risks.

4.5.6 Anti-Fraud and Corruption Arrangements

The roles and responsibilities for fraud investigations continue to operate within the Memorandum of Understanding between Internal Audit and the Corporate Fraud Team. Internal Audit evaluates the control weaknesses that have allowed a fraud to take place or remain undetected, and provide recommendations to improve fraud prevention and detection. Internal Audit's role may also include involvement in major fraud investigations. The contingency element of the plan includes an allocation for both these aspects of

work. In addition to this, Internal Audit will be undertaking a review as part of the National Fraud Initiative.

#### 4.5.7 Environmental Auditing

An increasing number of Local Authorities have either introduced Environmental Auditing to their organisations via their Internal Audit Teams or are exploring the possibility of undertaking such a role. During 2009 / 2010, Internal Audit intends to undertake two reviews regarding the management of 'green issues' and the impact of climate change for the Authority.

#### 4.5.8 Corporate Support

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

## 5 Reporting Protocols

- 5.1 At the conclusion of each individual audit a Draft Report and proposed Action Plan will be forwarded to the appropriate manager within the client department. Once agreement has been reached a Final Report and Action Plan will be forwarded to the relevant Chief Officer. In accordance with our reporting arrangements, all audit reports are brought to the attention of the Leader of the Council, Chief Executive, Director of Strategic Resources, and Chair of Audit Committee.
- 5.2 A quarterly progress report will be presented to the Audit Committee indicating the level of achievement against agreed targets and any major findings arising from the audit work undertaken. All audit reports with 'no' or 'limited' assurance will be shared with the Audit Committee in the form of an executive summary as part of this process.
- 5.3 An annual report will be prepared for Audit Committee in order to give assurance or otherwise to Members that they can rely on the internal control framework of the Council.

## 6 Performance Management

- 6.1 All work undertaken by IAS in delivery of the plan will be in accordance with its Audit Manual, which is based upon the professional standards required by CIPFA and IIA-UK. The objectives of the service for 2009 / 2010 and the Key Performance Indicators are reported in the Business Plan and are monitored through the Performance Management System.

## 7 Detailed Plan

- 7.1 Documented below is the full allocation of audit activity proposed with its link to the strategic risk registers and draft assurance framework where appropriate. It should be noted that some time is analysed as 'All' rather than by Directorate. It is planned that this work will impact on all directorates, hence increasing the dedicated time allocated for each department. It must be reiterated that the plan is also linked to the strategic priorities of the Council. All of the reviews undertaken are underpinned by a driving principle to be **delivering value for money**, although there will be cross-cutting reviews which will also cover the other four priorities.

AUDIT ACTIVITY 2009 / 2010	ALL	Strategic Resources	Assistant Chief Exec	Primary Care Trust	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	AF Ref	Assurance Framework Key Control Area	
<b>SYSTEMS ACTIVITY</b>	To review the design and operation of key systems to assess whether they are fit for purpose and allow the s151 officer to make his statement included in the Annual Accounts, on the reliability of the supporting financial systems. The fundamental systems - those which are critical to the operation of the council) are reviewed annually; others will be reviewed cyclically dependent on risk.											
Main Accounting / Financial Accounting		✓						8.01	Poor Financial Management	AF36	Financial management and strategy	
Accounts Payable		✓						8.01	Poor Financial Management	AF36	Financial management and strategy	
• Ordering / Receiving / Payments		✓						8.02	Procurement Strategy does not deliver	AF37	Procurement	
• Purchasing Cards												
-Central Controls												
- Directorate/Business Support Activity	✓											
Sundry Billing / Debt Recovery		✓						8.01	Poor Financial Management	AF36	Financial management and strategy	
Housing and Council Tax Benefits		✓						-	-	AF36	Financial management and strategy	
Council Tax		✓						-	-	AF36	Financial management and strategy	
Business Rates		✓						-	-	AF36	Financial management and strategy	
Cash / Banking		✓						-	-	AF36	Financial management and strategy	
Budgetary Control (Revenue)			✓				✓	8.01	Poor Financial Management	AF36	Financial management and strategy	
Budgetary Control (Capital)		✓						1.12	Impact of the Credit Crunch	AF12	Credit Crunch	
								8.01	Poor Financial Management	AF36	Financial management and strategy	

AUDIT ACTIVITY 2009 / 2010	ALL	Strategic Resources	Assistant Chief Exec	Primary Care Trust	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area	
<b>SYSTEMS ACTIVITY</b>	<b>CONTINUED</b>											
Treasury Management		✓						1.12	Impact of the Credit Crunch	AF12	Credit Crunch	
								8.01	Poor Financial Management	AF36	Financial management and strategy	
								8.08	Investments	AF43	Appropriate investment strategy	
HR / Payroll			✓					1.02	Staff retention in key areas	AF02	Management of staff	
Teachers Pensions Returns			✓		✓			-	-	AF36	Financial management and strategy	
								-	-	AF36	Financial management and strategy	
Asset Management		✓						4.01	Schools Phase 2 and Building Schools for the Future	AF18	Gateway reviews of capital schemes	
• Fixed Asset Accounting								8.01	Poor Financial Management	AF36	Financial management and strategy	
• Capital Receipts / Asset Disposal Programme								8.04	Asset Disposal Programme is not achieved	AF39	Estate utilization	

AUDIT ACTIVITY 2009 / 2010	ALL	Strategic Resources	Assistant Chief Exec	Primary Care Trust	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area	
<b>ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK</b>	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.											
Arrangements for production of AGS	✓	✓						8.03	Comprehensive Area Assessment (CAA)	AF38	CAA transition	
								-	-	AF44- AF49	Good governance principles	
								-	-	AF52	Effective corporate governance arrangements are embedded	
Other Governance Arrangements								1.06	PCT Changes	AF06	PCT partnership working	
-ICT Managed Service		✓		✓				1.11	Governance Arrangements for Partnerships	AF11	Governance arrangements for partnerships	
-PPCT		✓						1.13	Shared services	AF13	Transition to shared service functionality	
-Shared Services								8.03	CAA	AF52	Effective corporate governance arrangements are embedded	
Annual Audit Opinion		✓						-	-	-	-	
Annual Audit Planning and Review		✓						-	-	-	-	
Anti Fraud Culture								-	-	AF44- AF49	Good governance principles	
- National Fraud Initiative								-	-	-	-	
- Anti Fraud Liaison	✓		✓					-	-	AF54	Risk management processes robust and embedded	
- Fraud Control Reviews			✓					-	-	AF55	Risk management processes robust and embedded	
Risk Management	✓	✓						-	-	-	-	
- Strategic	✓							-	-	-	-	
- Operational	✓							-	-	-	-	

AUDIT ACTIVITY 2009 / 2010	ALL	Strategic Resources	Assistant Chief Exec	Primary Care Trust	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area
<b>CONTINUED</b>											
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK Business Continuity and Disaster Recovery	✓							1.08	Major illness impact	AF08	Health and safety
								1.09	Business Continuity	AF09	Business continuity and resilience
								8.07	Corporate manslaughter	AF42	Health and safety coordination
Data Quality -links to LPSA	✓							1.05	Unable to meet LAA Targets	AF05	Local Area Agreements
								-	-	AF53	Effective performance management arrangements
								-	-	AF60	Data quality arrangements
Data Security	✓							1.13	Shared services	AF13	Revenues and Benefits data security arrangements
								-	-	AF59	Safeguarding electronic data
Internal Audit Effectiveness		✓						-	-	AF52	Effective corporate governance arrangements are embedded
								-	-	AF61	Audit recommendations implemented
Follow up Reviews	✓							-	-	AF61	Audit recommendations implemented
Assurance Framework	✓							8.03	CAA	AF52	Effective corporate governance arrangements are embedded
CAA / UoR Support		✓						8.03	CAA	AF52	Effective corporate governance arrangements are embedded



AUDIT ACTIVITY 2009 / 2010	ALL	Strategic Resources	Assistant Chief Exec	Primary Care Trust	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area	
<b>STRATEGIC AND OPERATIONAL RISKS</b>	<b>Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.</b>											
Review processes in place to mitigate the impact of the credit crunch	✓							1.12	Impact of the Credit Crunch	AF12	Credit Crunch	
Review arrangements for the creation of Arms Length Management Organisation (ALMO)			✓		✓			5.02	Creation of ALMO	AF31	ALMO	
Arrangements to mitigate and adapt to the impacts of Climate Change							✓	6.03	Failure to mitigate and adapt to the impacts of Climate Change	AF34	Climate Change	
Environmental Management - Data Collection (EMS)							✓	6.02	Environmental capital aspirations	AF33	Environmental management	
								6.03	Failure to mitigate and adapt to the impacts of Climate Change	AF34	Climate Change	
								8.05	Waste management and recycling	AF40	Recycling rates	
Safe Recruitment to include CRB	✓							4.04	Children staying safe	AF21	Child protection	
								8.03	CAA	AF65	Safe Recruitment	
Planning Obligations Scheme								1.07	Implications of the Growth Agenda	AF07	Deliver Master Plan Regeneration Sustainability	
EDRMS – review b/fwd from 2008/09 due to project delays		✓						-	-	AF59	Safeguarding electronic data	

AUDIT ACTIVITY 2009 / 2010	ALL	Strategic Resources	Assistant Chief Exec	Primary Care Trust	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area
<b>STRATEGIC AND OPERATIONAL RISKS</b>	<b>CONTINUED</b>										
Business Change / Transformation Programme	✓							8.04	Procurement Strategy does not deliver	AF37	Procurement
Key Theatre							✓	-	-	AF57	Effective governance
Social Care Placements				✓				-	-	AF57	Effective governance
Processes for Payments to Clients and VFM				✓				-	-	AF57	Effective governance
Clare Lodge				✓				-	-	AF57	Effective governance
Westcombe Industries						✓		-	-	AF57	Effective governance

AUDIT ACTIVITY 2009 / 2010	ALL	Strategic Resources	Assistant Chief Exec	Primary Care Trust	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area
<b>SCHOOLS &amp; COLLEGES</b>	On a 3 year cyclical basis we carry out audits of schools to ensure that they are following correct financial procedures, and are complying with council policies. Internal Audit also act as the External Assessor for the Financial Management Standard in Schools (FMSiS).										
Schools - Voyager School - Bushfield Community College Closure Arrangements					✓ ✓			-	-	AF57	Effective governance
FMSiS - 23 Schools (Primary and Secondary) - Quality Assurance of Central FMSiS data					✓ ✓			-	-	AF57	Effective governance
PCAE					✓			-	-	AF57	Effective governance

AUDIT ACTIVITY 2009 / 2010	ALL	Strategic Resources	Assistant Chief Exec	Primary Care Trust	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area
<b>CONTRACT AUDIT / PARTNERSHIPS / PROJECT MANAGEMENT</b>	Dependent on risk, we review a sample of projects each year to test whether the council's governance arrangements are being followed and that contracts provide vfm										
Reviews to include:	✓							1.05	Unable to meet LAA Targets	AF05	Local Area Agreements
Community Safety								1.13	Shared services	AF13	Revenues and Benefits agile working arrangements for data security
IT Project Reviews								6.01	Highways infrastructure conditions	AF32	Highways contracts
Investing in Communities								8.03	CAA	AF52	Effective corporate governance arrangements are embedded
Greater Dogsthorpe Partnership								8.04	Asset disposal programme is not achieved	AF39	Estate utilization
Agile Working Scheme								-	-	AF62	New ways of working
Better Use of Property Assets											
Better Use of Property Assets											
Contracts Register											

AUDIT ACTIVITY 2009 / 2010	ALL	Strategic Resources	Assistant Chief Exec	Primary Care Trust	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area
<b>GRANT CERTIFICATION</b>	Increasing, IA is being required by government departments to provide certification on grant claims. It is likely that the number of grant claims IA will be asked to certify will increase in future years.										
L A A	✓							1.05	Unable to meet LAA Targets	AF05	Local Area Agreements
L P S A	✓							1.05	Unable to meet LAA Targets	AF05	Local Area Agreements
Grant Claim Certification (on behalf of PwC and Grants Team)	✓							-	-	-	-

AUDIT ACTIVITY 2009 / 2010	ALL	Strategic Resources	Assistant Chief Exec	Primary Care Trust	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area
<b>CORPORATE SUPPORT</b>											
Consultancy & Control Advice	✓							-	-	-	-
Contingency for Rolled Forward Reviews / Unplanned Reviews	✓							-	-	-	-
Audit Committee Support		✓						-	-	-	-
PwC Liaison		✓						-	-	-	-
Strategic Resources Management		✓						-	-	-	-
Audit Management		✓						-	-	-	-

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 7</b>
<b>30 MARCH 2009</b>	<b>PUBLIC REPORT</b>

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.

APPENDIX A

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 Handbook	Include Audit Committee Handbook in committee papers, and provide supporting report	Steve Crabtree	On agenda 30 June 2008	30 June 2008
	Annual Governance Statement 2007 / 2008	Clarification required on the "test case" disrupts policy comment in relation to smoking.	Steve Crabtree	As part of the supporting documentation to produce the Annual Governance Statement, committee received the Assurance Framework (Appendix B on that report) which mapped out the key risks within the organisation and how these were being addressed / mitigated.  One priority within the council, as part of the "achieve the best possible health and well being", is to increase the access to smoking cessation services and a risk identified to deliver this was "legal test case disrupts policy". This related to a legal challenge to the government's smoking ban in England which was launched in the High Court in June 2007. Freedom to Choose lodged a petition for a judicial review of the legislation at the Royal Courts of Justice citing Article One of the First Protocol of the European Convention on Human Rights which assures the right to peaceful enjoyment of possessions. It also points to Article Eight which covers the right to respect privacy. If the challenge was successful, it could have a material impact on our policy statement.	30 June 2008
	Update 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



APPENDIX A

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

MUNICIPAL YEAR: MAY 2008 - APRIL 2009

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

APPENDIX A

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

MUNICIPAL YEAR: MAY 2008 - APRIL 2009

DATE ISSUE RAISED	SUBJECT / ITEM	AUDIT COMMITTEE COMMENTS	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
9 Feb 2009	Agenda Item 4: External Audit Reports	To provide further explanation in relation to the leasing arrangements identified in the <i>Report to Management</i> Report on Industrial Units.	Steve Crabtree	The item has been referred to Andrew Edwards, Head of Strategic Property.  Initial response received. Whilst it is not clear from the report which site this refers to, clarification has been sought from External Audit to the exact site. Furthermore, the lease arrangements will be obtained from Legal Services. The issues are in relation to the rental agreement. From information currently available:  <ol style="list-style-type: none"> <li>1. PCC sold the asset(s) to a third party;</li> <li>2. The Council rents the asset back from the third party. This is done by paying a percentage of the rent due, rather than the rent paid; and</li> <li>3. The Council rents out the units to others.</li> </ol> <p>Once the lease documents have been obtained, there is a clear need to review. By paying a percentage of rent due rather than that collected, the Council could be hit by unit vacancies. With the arrangements having been established almost 30 years ago, there are few, if any, officers around who may have been involved in the lease.</p>	
9 Feb 2009	Agenda Item: 5 International Financial Reporting Standards	Members requested regular update reports throughout the year together with key timelines on its implementation.	John Blair	This has been factored into the Work Programme for 1 June 2009.	
	Agenda Item: 6 Risk Management Update	Request for a training session on the impact of the credit crunch and the asset disposal programme	John Blair	This has been factored into the Work Programme for 1 June 2009.	
	Agenda Item: 6 Risk Management Update	Request for the detailed risk profile to be brought to a future meeting of the Committee	John Blair	This has been factored into the Work Programme for 1 June 2009.	

**AUDIT COMMITTEE  
DRAFT WORK PROGRAMME 2009 / 2010**

Last Updated: Thursday 19 March 2009

(NB: Committee dates are subject to agreement at Full Council on 8 April 2009)

Activity Area	Responsible Officer	1 June 2009	29 June 2009	7 Sept 2009	28 Sept 2009	2 Nov 2009	8 Feb 2010	29 March 2010
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**REGULAR AGENDA ITEMS**

Member Training		X	X	X	X	X	X	X
Update and Feedback Report		X	X	X	X	X	X	X
Audit Committee Work Programme		X	X	X	X	X	X	X

Training already identified (per Minutes 9 February 2009):

- 1 June IFRS Update
- Credit Crunch and Asset Disposal Programme

**INTERNAL AUDIT / EXTERNAL AUDIT ACTIVITY**

Internal Audit - Annual Report 2008 / 2009	Steve Crabtree	X						
Internal Audit - Progress Report: Quarterly (subject to dates)	Steve Crabtree			X		X	X	X
Internal Audit - Strategy and Plan 2010 / 2011	Steve Crabtree							X
External Audit - Reports (subject to availability)	Steve Crabtree PwC	X		X		X	X	X
External Audit - Joint Audit and Inspection Plan	Steve Crabtree PwC							X
Annual Audit Committee Report	Steve Crabtree	X						

**AUDIT COMMITTEE  
DRAFT WORK PROGRAMME 2009 / 2010**

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Activity Area	Responsible Officer	1 June 2009	29 June 2009	7 Sept 2009	28 Sept 2009	2 Nov 2009	8 Feb 2010	29 March 2010
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**REGULATORY FRAMEWORK**

Draft / Final Annual Governance Statement	Steve Crabtree	X	X					
Fraud and Irregularity Annual Report 2008 / 2009	Diane Baker	X						
Risk Management	John Blair	X		X			X	
Use of Resources	John Blair					X		X
Comprehensive Area Assessment	John Blair					X		X
Assurance Framework	Steve Crabtree					X		X

Updates identified from previous Committee minutes:

1 June Risk Management (Register Update) - per Minutes 9 February 2009

**ACCOUNTS**

Statement of Accounts and Summary Accounts 2008 / 2009	John Blair		X					
Audit of Statement of Accounts	John Blair				X			
International Financial Reporting Standards	John Blair	X				X		