

## NOTICE OF MEETING

MEETING: **AUDIT COMMITTEE**

DATE: **MONDAY 7 JUNE 2010**

TIME: **7.00pm**

VENUE: **BOURGES/BOURGES/VIERSEN ROOMS - TOWN HALLS**

CONTACT: **Gemma George, Senior Governance Officer**  
**Telephone: 01733 452268**  
**e-mail address: gemma.george@peterborough.gov.uk**

*Despatch date: 27 May 2010*

**THERE WILL BE A TRAINING SESSION FOR AUDIT COMMITTEE MEMBERS PRIOR TO THE FORMAL MEETING. THIS WILL COMMENCE AT 6.00 P.M. AND WILL COVER AN OVERVIEW OF THE WORKINGS OF THE AUDIT COMMITTEE.**

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

### AGENDA

Page No

**1. Apologies for Absence**

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

At this point Members must declare whether they have an interest, whether personal or prejudicial, in any of the items on the agenda. Members must also declare if they are subject to their party group whip in relation to any items under consideration.

**3. Minutes of the Meeting held on 29 March 2010**

**1 - 6**

**4. Annual Audit Committee Report 2009 / 2010**

**7 - 22**

To receive the annual report from the Chair of Audit Committee.

**5. Fraud and Irregularity Annual Report 2009 / 2010**

**23 - 34**

To receive the annual report on tackling fraud within Peterborough City Council.

- |           |   |                  |
|-----------|---|------------------|
| <b>6.</b> | <b>Internal Audit Annual Report 2009 / 2010</b>   | <b>35 - 70</b>   |
|           | To receive the annual report on Internal Audit activities and the Chief Internal Auditors Opinion on the control environment within Peterborough. |                  |
| <b>7.</b> | <b>Annual Governance Statement 2009 / 2010</b>  | <b>71 - 138</b>  |
|           | To receive the draft Annual Governance Statement.   |                  |
| <b>8.</b> | <b>Feedback Report</b>  | <b>139 - 144</b> |
|           | To receive standard feedback report on issues and actions requests made at past meetings of the Committee.  |                  |
| <b>9.</b> | <b>Work Programme 2010 / 2011</b>   | <b>145 - 148</b> |
|           | To review the current work programme and propose any future training needs.   |                  |

Committee Members:

Councillors: M Collins (Chairman), H Newton (Vice-Chairman), P Kreling, Simons, Stokes, D Harrington and S Goldspink

Substitutes: Councillors: P Nash, C W Swift and G Murphy

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)

**Emergency Evacuation Procedure – Outside Normal Office Hours**

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



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.

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT THE TOWN HALL, PETERBOROUGH ON 29 MARCH 2010**

Present: Councillors M Dalton (Chairman), North, Kreling and Fitzgerald. .

Officers in attendance: Steve Crabtree, Chief Internal Auditor  
Steven Pilsworth, Head of Strategic Finance  
Victoria Bales, Senior Business Continuity and Risk Officer  
Stuart Hamilton, Resilience Services Manager  
Chris Hughes, PricewaterhouseCoopers  
Israr Ahmed, Lawyer  
Gemma George, Senior Governance Officer

**1. Apologies for Absence**

Apologies were received from Councillor Rush and Councillor Goldspink.

Councillor Fitzgerald attended as a substitute.

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

There were no declarations of interest or whipping declarations.

**3. Minutes of the Meeting held on 8 February 2010**

The minutes of the meeting held on 8 February 2010 were approved as an accurate and true record.

**4. External Audit: Grant Claim Certification Work**

A report was submitted to the Committee which had been prepared by the Council's External Auditor, PricewaterhouseCoopers (PwC)

The External Auditor was required to report to the Audit Committee the outcome of work to certify claims and returns made by the Council during 2008 / 2009. During the year, PwC had undertaken various certifications of claims and returns on behalf of the authority. The report presented to the Audit Committee was the Annual Report on this work and summarised the findings and made recommendations for improvements to the Council's systems and procedures in this area.

The Committee was advised that excluding works on the European Regional Development Fund (EDRF), 7 claims had been certified during the year, 4 of which were qualified although none had been amended.

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

- Members sought further clarity on the EDRF position. Members were advised that significant issues had been experienced with regards to the certification of ERDF claims. These were historic projects relating to the period 2000 - 2008. The certification work which had been undertaken on the majority of these grants was limited to agreeing the income and expenditure figures in the claims to underlying records, but this had proved onerous due to poor audit trails.
- Members questioned how the results highlighted in the report compared with those of previous years. Members were advised that over the last 3-4 years the results had been extremely robust. The situation with the EDRF claims was unusual as the grants were historic. The issues highlighted overall were minor and good progress was being made.

#### **ACTION AGREED:**

The Committee received, considered and endorsed the final report produced by External Audit in relation to the certification of grant claims and considered its role in monitoring work on the certification of grant claims.

#### **5. Risk Management and Business Continuity**

The Committee received a report which provided an update on the Council's Risk Management Strategy.

On 7 September 2009, the Audit Committee received and agreed the New Risk Management and Business Continuity Policy and accepted its role within it, of "monitoring and supporting the Council's risk management arrangements".

Members were advised that the Strategic Risk Register was in the process of being reviewed, in conjunction with Directors and Strategic Improvement. A full update on strategic risks would be available in June 2010.

Members were further advised that the Strategy had been reviewed and updated to reflect progress and practical changes. The latest version of the Strategy was contained within the Audit Committee Handbook which had previously been circulated to Members. Key changes to the Strategy included:

- Revised self assessment scores and new targets scores; and
- A change in risk matrix review periods from 1, 3 and 12 months to 3, 6 and 12 months. It was felt that a 1 month review date was impracticable, however, in the event of a significant risk, a 1 month (or less) review date could be imposed if necessary.

Operational risk assessment process had assisted the review and update of the business continuity plans. It also provided a useful profile of areas of high risk, which could be escalated to the strategic registers where necessary.

There were a number of key ongoing issues for 2010 which had been highlighted these included:

- Completion of operational risk profile;
- Revision of Service and Corporate Business Continuity plans;
- Review of Strategic (corporate) risk register;
- Coordination of Strategic and Departmental risk registers;

- Regular risk “conversations” within and between services at all levels;
- Updates on Insite, web and E-Learning; and
- Strategic issues e.g. introducing and embedding RM / BCM into procurement processes; induction briefings; business plans etc

#### **ACTION AGREED:**

The Committee received, considered and endorsed the revised Risk Management Strategy.

#### **6. Assurance Framework**

The Committee received a report which informed Members of the Assurance Framework (AF), which was an initiative designed to further consolidate the Council’s Risk Management Framework.

The AF was laid out in sections according to the objectives and priorities specified in the Sustainable Community Strategy. It was also intrinsically linked with the Annual Governance Statement (AGS).

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

The Framework provided a structure and reporting process which assisted the Audit Committee in carrying out a number of its duties.

The Key priorities and key risks where assurance was required had been identified from the Strategic Risk Register, the Annual Governance Statement, together with the Assurance Framework. The sources of assurance had been obtained from internal and external sources.

The Framework referenced the documented evidence that identified the key risk areas, the current position of these, the actions being implemented and the mechanisms for reporting on progress. 62 areas of assurance had been sought from across the Council which covered all service areas and activities. Summary information on each activity was highlighted in the framework and Members were advised that 2 risks had improved and none had got worse. There had been a number of changes and improvements to the control and assurance environment, particularly around governance arrangements and the credit crunch.

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

- Investments were highlighted as having full assurance and Members questioned where the Council’s investments were located in view of the situation that had occurred with the Icelandic Banks. Members were advised that the Council’s investments were situated in major UK banks covered by a government guarantee.
- With regards to Climate Change, which was highlighted as having moderate assurance, Members commented that a close eye would need to be kept on this going forward as the weather was so variable.

Members were assured that the appropriate strategies were in place to ensure the needs of the Council were fulfilled.

- Members questioned why there were only 2 changes highlighted in the risks, it was expected that more would have been highlighted. Members were informed that the framework provided a snapshot of the risks and fluctuation did occur. Work was currently being undertaken around the Annual Governance Statement so over the forthcoming weeks further changes may be highlighted. Changes were also to be implemented to the Risk Register and this could further highlight changes to the risks.
- Members questioned why the framework did not include a “no assurance” level. Members were advised that the Framework was separate to the Internal Audit assurance levels; however the use of the four levels, including “no assurance” would be looked into going forward.
- The Committee queried whether “moderate assurance” was classed as being acceptable. The Committee was advised that there were a number of risks moving to full assurance and moderate assurance was classed as acceptable, but would be reviewed in conjunction with the previous question.
- Members noted their concerns regarding the assurance levels around Estate Utilisation and the Credit Crunch, which were both highlighted as having “further work required”.

#### **ACTION AGREED:**

The Committee received, scrutinised and approved the revised Assurance Framework.

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

The Committee received a report which set out the background to the Annual Governance Statement and the process to be followed in order to compile the statement for 2009 / 2010.

Authorities were required to put in place proper arrangements for the governance of their affairs, facilitating the effective exercise of their functions and arrangements for the management of risk. The arrangements should enable the organisation to respond appropriately to significant business, operational, financial compliance and other risks so that it can achieve its objectives.

Each authority was required to publish an Annual Governance Statement, describing governance arrangements and encompassing such items as the policies, procedures, tasks, behaviours and other aspects of the organisation that together facilitated its operation.

A Statement of Corporate Governance would assist in providing the Council with the assurance that proper arrangements were in place to ensure that the Council's business was conducted in accordance with the law, proper standards, and that public money was safeguarded and properly accounted for and used economically, efficiently and effectively.

Members were informed of the process to be followed for the review of the statement 2009 / 2010, which included Executive Directors being asked to complete an Assurance Statement and Committee Chair / Vice Chairs being

asked to complete a questionnaire which would seek their views on key governance arrangements. The statements and questionnaires would then be summarised and the actions for improvements would be compiled as part of the Annual Governance Statement. A variety of evidence would also be used to compile the statement as outlined in the Audit Committee Handbook. Feedback would also be taken on board from PricewaterhouseCoopers who had reviewed the Council's previous statement.

Members were invited to comment on the report and it was highlighted that the questionnaire should be sent to all Members. Members were advised that this request would be actioned.

**ACTION AGREED:**

The Committee noted the proposed process for the Annual Governance Statement 2009 / 2010 encompassing Executive Director's Assurance Statements and Members' Assurance Questionnaires.

**8. Internal Audit Plan and Strategy 2010 / 2011**

The Committee received a report which sought its endorsement on the proposed Annual Internal Audit Strategy and Operational Plan for 2010 / 2011.

The Audit Strategy documented the way in which Internal Audit intended to deliver its service and how it ensured its work complied with the standards contained in the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. In particular, it stated how the work of the Internal Audit would provide the assurances required for the production of the statutory Annual Governance Statement.

The Annual Operational Plan described the individual audit reviews which were to be undertaken during the year. In order to determine the scope of the plan for 2010 / 2011 a systematic risk assessment of all auditable areas had been undertaken. This was informed by the review of the Strategic Risk Register, Divisional Risk Registers, the Assurance Framework, Director and Heads of Service consultation, council and government initiatives and the Medium Term Financial Strategy.

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

Members commented that the provision of the Audit Committee Handbook had enabled them to have a clearer understanding of the Internal Audit Plan.

**ACTION AGREED:**

The Committee considered, endorsed and commented on the proposed Annual Internal Audit Strategy and Operational Plan for 2010 / 2011.

**9. Feedback Report**

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

Members were advised that there were four issues requiring action which had been highlighted at the previous meeting of the Audit Committee. Action had been taken on each of the points, including the issuing of a letter which had been requested by the Chair of the Audit Committee, to Castor Primary School congratulating them on their full assurance.

**ACTION AGREED:**

The Committee noted the Feedback Report.

**10. Work Programme 2010 / 2011**

The Chief Internal Auditor submitted the latest version of the Work Programme for the municipal year 2010 / 2011 for consideration and approval.

Members were advised that an additional item had been added to the programme for 2010 / 2011, this was the Treasury Management Strategy.

Members were further advised that any training needs would be discussed at the first meeting of the new municipal year.

**ACTION AGREED:**

The Committee noted and approved the 2010 / 2011 Work Programme.

The Chair of the Audit Committee addressed the all those present and stated that he had enjoyed chairing the meeting over the past year and thanks were extended to Members, Officers and PwC for all their hard work.

The meeting closed at 7.35 p.m.



<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 4</b>
<b>7 JUNE 2010</b>	<b>PUBLIC REPORT</b>

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

## ANNUAL AUDIT COMMITTEE REPORT 2009 / 2010

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

### 1. ORIGIN OF REPORT

This report is submitted to Audit Committee in line with the agreed Work Programme for the Municipal Year 2010 / 2011.

### 2. PURPOSE AND REASON FOR REPORT

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

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

### 3. TIMESCALE

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

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

4.2 In consultation with the (previous) Chair of Audit Committee, the 3<sup>rd</sup> Annual Report has been produced by the Chief Internal Auditor (**Appendix A**). The report has also been circulated in advance to the new Chair of the Audit Committee in order to attach some ownership on the proposals to move forward in the year.

4.3 The report shows:

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

**5. CONSULTATION**

The report has been produced by the Chief Internal Auditor in consultation with the (previous) Chair of the Committee. It has also been circulated to the new Chair, prior to despatch of the committee papers.

**6. ANTICIPATED OUTCOMES**

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

**7. REASONS FOR RECOMMENDATIONS**

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

**8. ALTERNATIVE OPTIONS CONSIDERED**

None required at this stage.

**9. IMPLICATIONS**

This report contains no specific financial implications.

**10. BACKGROUND DOCUMENTS**

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

None

# 3<sup>rd</sup> ANNUAL REPORT FROM THE CHAIR OF AUDIT COMMITTEE 2009 / 2010

*Assurance*

*Governance*

*Accountability*

*Risk Management*

*Independence*

## FOREWORD BY THE CHAIR OF THE AUDIT COMMITTEE

I am pleased to present the Audit Committee's Annual Report for the municipal year 2009 / 2010. The report shows how the Audit Committee has successfully fulfilled its terms of reference and highlights how it has continued to make a positive contribution to the Council's governance and control environments. These cover all aspects, such as internal control; risk management; internal audit; anti fraud; external audit; and financial reporting.

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

The Council achieved a score of 3 out of 4 overall on the new, tougher, Use of Resources Assessment. The Audit Committee plays a significant role in relation to the Use of Resources Assessment. Firstly, the Audit Committee's own arrangements comply with good practice and, secondly, the Audit Committee oversees many other arrangements that are reflected in the assessment.

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

2010 / 2011 will be a testing time for all Councils with the resources available becoming more important. How we risk manage our priorities, resources and partnerships will be vital, notwithstanding the risk of fraud. As I pass on the role of Chair to Councillor Collins, the role of the Audit Committee will become more intensive to ensure good and effective stewardship of resources are working and I'm confident that the Committee is well placed to do that during 2010 / 2011 and beyond.

Councillor Matthew Dalton  
Chair of the Audit Committee  
May 2010

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## **AUDIT COMMITTEE: ANNUAL REPORT 2009 / 2010**

**INTRODUCTION**

**MEMBERSHIP AND MEETINGS**

**KEY ACTIVITIES AND TRAINING DURING THE MUNICIPAL YEAR**

**PLANS FOR 2010 / 2011**

**APPENDICES**

**A: Audit Committee Terms of Reference**

**B: Audit Committee Attendance**

## INTRODUCTION

This is the third annual report produced by Peterborough City Council's Audit Committee. It is produced in accordance with latest best practice<sup>1</sup> and shows that the Council is committed to working as an exemplar organisation, operating the highest standards of governance. The report shows how the Audit Committee has successfully fulfilled its terms of reference and has improved the Council's governance and control environments.

The Audit Committee was established by the City Council at its meeting in May 2006. Following its first year of operation, the membership was reduced from 10 to 7 members. The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risks and weakens the control environment, and to oversee the financial reporting process.

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

- Raising greater awareness of the need for internal control and the implementation of both internal and external audit recommendations;
- Increasing public confidence in the objectivity and fairness of financial and other reporting;
- Reinforcing the importance and independence of internal and external audit and similar review processes; and
- Providing additional assurance through a process of independent and objective review.

The Terms of Reference for the Committee can be found at **Appendix A** of this report.

This report sets out the work of the Committee for 2009 / 2010 and specifically highlights those areas where its scrutiny and review process has made a difference to performance. The Committee has overseen good progress in all areas under its supervision.

Audit Committee members have received training on key issues throughout the year, and further details of this can be found later in this report.

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<sup>1</sup> Best practice as contained in the CIPFA, IPF document "A Toolkit for Local Authority Audit Committees"

## MEMBERSHIP AND MEETINGS

During 2009 / 2010, the Audit Committee met on the following dates:

- 1 June 2009
- 29 June 2009
- 7 September 2009
- 28 September 2009
- 2 November 2009
- 8 February 2010
- 29 March 2010

The Audit Committee has 7 members, which represents the political make up of the Council. The members for 2009 / 2010 were:

- Councillor M Dalton (Chair)
- Councillor North (Vice Chair)
- Councillor Gilbert
- Councillor Harrington (replaced by Councillor Goldspink from 2 November 2009)
- Councillor Hussain
- Councillor Kreling
- Councillor Rush

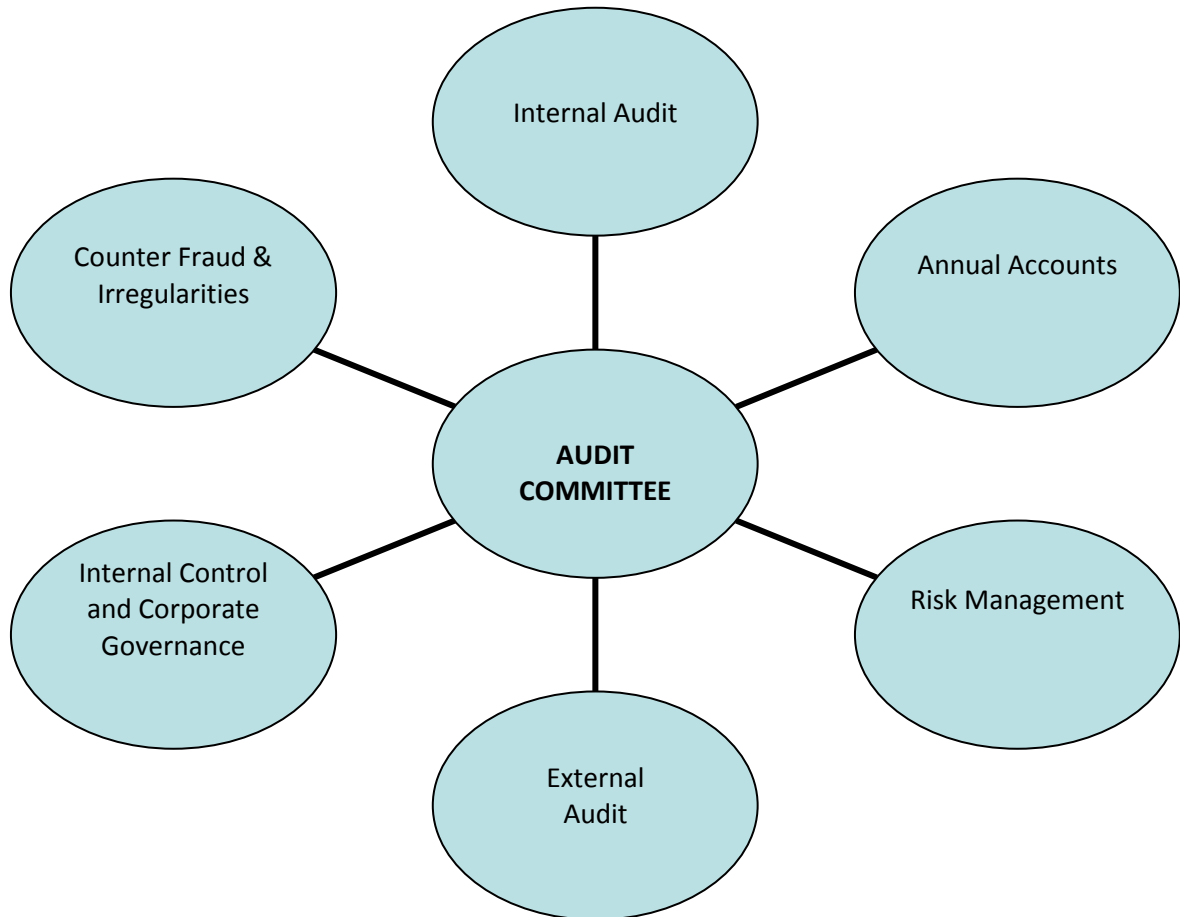
Membership attendance is set out in **Appendix B**. A number of Audit Committee members also sit on various other committees and panels. On occasions there may be clashes with the Audit Committee and where this occurs, apologies are received for any episodes of non-attendance and where available, substitutes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

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

## KEY ACTIVITIES AND TRAINING DURING THE MUNICIPAL YEAR

The first meeting within the year took place in June 2009. While there were no local elections in May that year, the nucleus of the membership remained the same, albeit a change in chair, with a similar number of meetings planned throughout the year.

The Audit Committee's current terms of reference (**Appendix A**) covers 6 main areas (see below).





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## **Internal Control and Corporate Governance**

A key role of the Committee is to oversee the Authority's control environment and its associated system of internal controls and assurance processes. The Committee must satisfy itself that the Authority's assurance statements, in particular the Annual Governance Statement, properly reflect the risk environment and any actions needed to improve it. This is done through receiving and scrutinising reports on the relevant areas and calling officers to account where necessary.

The Committee reviewed the draft Annual Governance Statement on 1 June 2009, noting areas for improvement following a review of internal controls, risk management arrangements and significant governance issues. The Committee agreed to final changes to the Statement prior to its inclusion in the Statement of Accounts.

At that meeting the Committee also reviewed the effectiveness of the system of internal audit noting planned actions to address any areas of partial compliance. It endorsed the reporting of findings from the review within the 2008 / 2009 Annual Governance Statement and the Chief Internal Auditors Annual report and opinion.

An update was provided on 2 November 2009 on addressing previous weaknesses identified within the Annual Governance Statement together with the development of the next statement through the newly created Strategic Governance Board. A further update was provided on 29 March 2010.

The Audit Committee Handbook was fully updated and agreed by the Committee on 8 February 2010.

## **Annual Accounts**

The Committee reviewed and scrutinised the 2008 / 2009 Revenue and Capital Outturn and Statement of Account on 29 June 2009 prior to its submission to the external auditors for audit. The Committee then approved the Statement of Accounts for 2008 / 2009 and authorised its signing by the Chairman. The Committee delegated authority to the Executive Director of Strategic Resources to make, following consultation with the Portfolio Holder for Resources, any non-material amendments to the Accounts arising from the external audit to be carried out by the Audit Commission between July and September 2009.

As part of the accounts process, Members have also considered the implications of the introduction of International Financial Reporting Standards (IFRS) within local government and reviewed the progress towards its implementation. This was in the form of a training session to Members on 2 November 2009.

## **Internal Audit**

The Audit Committee received quarterly reports highlighting internal audit performance against targets and quality assurance results at each meeting to able it to review and comment on the work and performance of internal audit. Any areas reviewed which are considered to be weak or requiring attention following Internal Audit activity resulted in officers from across the Council being held to account. Similarly, this has been used for officers to explain the non-implementation of recommendations. Through the use of these challenge sessions within the Committee it has acted as a deterrent to ensure that management take action.

At its 29 March 2010 meeting the Committee considered a report on the 2010 / 2011 annual plan. The annual audit plan is an indicative plan which is kept under review to ensure that it is aligned to emerging risks. It is subject to revisions during the year with approval from the Committee. The assurance gained from the programme of work set out in the annual plan forms the main input for the development of an annual opinion for the Council. The Committee reviewed the plan and approved it after gaining assurance on the adequacy of work on the Council's key financial systems audits. Overall, we ensured that internal and external audit plans were complementary and provided optimum use of the total audit resource.

Internal Audit reviewed its Audit Charter and received committee support / approval in February 2010.

### **Risk Management**

To discharge its responsibilities for overseeing the effectiveness of risk management within the authority, the Committee formally approved the updated Risk Management and Business Continuity Policy and Strategy at the 7 September 2010 meeting. Corporate activities around developing, implementing and embedding risk management were presented.

The comprehensive Assurance Framework was further refined and intrinsically linked to the corporate plans, to produce a comprehensive document which could be used to establish effective governance arrangements across all activities and services. Committee assessed the Assurance Framework in conjunction with works from Internal Audit, External Audit and the Risk Management processes twice in the year - 2 November 2009 and 29 March 2010.

### **Counter Fraud & Irregularities**

On 29 June 2009, the Committee received an annual report highlighting counter fraud and irregularity work over the previous year. The Committee's review of the work and performance of the counter fraud team showed strong support and interest.

Separate training was provided on the investigating fraud and the use of Regulation of Investigatory Powers Act (RIPA) at the meeting on 8 February 2010.

### **External Audit**

At its 28 September 2009 meeting the Committee considered the Audit Commission's Annual Governance report on the Audit of the 2008 / 2009 Accounts and approved and agreed the:

- audited Statement of Accounts for 2008 / 2009 and adjustments;
- signing by the Executive Director of Strategic Resources of the Council's letter of representation; and
- actions to be taken in respect of the issues identified by the auditors that did not result in changes to the accounts.

At its 2 November 2009 meeting the Committee considered the Interim Audit Report to Management in respect of 2008 / 2009, together with the assessed Use of Resources scores.

On 8 February 2010, the Committee scrutinised the Annual Audit and Inspection Letter in respect of 2008 / 2009 and considered the Annual Audit and Inspection Plan 2009 / 2010. In a new development, External Audit now provides an annual assessment on grant claims within the authority and this was provided to Audit Committee on 29 March 2010.

### **Training**

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

- Preparation and scrutiny of the Statement of Accounts;
- Risk management and business continuity;
- International Financial Reporting Standards;
- Investigating fraud and the use of RIPA; and
- Use of Resources and the Comprehensive Area Assessment.

To further assist Member development, the Chief Internal Auditor fully revised the Audit Committee Handbook. The second edition was endorsed by Committee on 8 February 2010.

## **FUTURE DEVELOPMENTS AND PLANS FOR 2010 / 2011**

Overall, the Audit Committee want to continue to develop and build on our current achievements. For 2010 / 2011 this will involve:

- Continuing to drive up standards and meet the ongoing requirements of the Use of Resources assessment;
- Continuing to equip existing and any new Members to fulfil our responsibilities by providing or facilitating training on all aspects of the Committee's remit;
- Playing a critical role in the preparation of the Annual Governance Statement and in so doing ensure all governance arrangements are reviewed;
- Assisting and supporting officers to promote the work of the Committee and the roles of internal audit, external audit and risk management;
- Supporting the continued production of high quality and compliant statutory accounts and general good practice in financial management, including monitoring the implementation of the International Financial Reporting Standards;
- Helping to further increase awareness within the Council of its governance arrangements; and
- Providing effective challenge to officers, raising awareness for sound internal control arrangements and giving assurance to the Authority that its control arrangements are sound.

A similar programme of works has been scheduled for the year, although additional areas which will be taken through the committee include:

- Treasury Management, and the responsibility for the scrutiny of the treasury management strategy;
- Detailed strategic risk register profiles;
- The revision of Contract Regulations; and
- Quarterly updates on the use of RIPA.

**APPENDIX A****2.2 AUDIT COMMITTEE: TERMS OF REFERENCE<sup>2</sup>****2.2.1 Terms of Reference**

- 2.2.2** To consider the Director of Strategic Resources annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
- 2.2.3** To consider summaries of specific internal audit reports as requested.
- 2.2.4** To consider reports dealing with the management and performance of the providers of internal audit services.
- 2.2.5** To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale
- 2.2.6** To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 2.2.7** To consider specific reports as agreed with the external auditor.
- 2.2.8** To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 2.2.9** To liaise with the Audit Commission over the appointment of the council's external auditor.
- 2.2.10** To commission work from internal and external audit.

**2.2.11 Regulatory Framework**

- 2.2.12** To maintain an overview of the council's constitution in respect of contract procedure rules, and Financial Regulations.
- 2.2.13** To review any issue referred to it by the Chief Executive or a Director, or any council body.
- 2.2.14** To monitor the effective development and operation of risk management and corporate governance in the council.
- 2.2.15** To monitor council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the council's complaints process.
- 2.2.16** To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.
- 2.2.17** To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

**2.2.18 Accounts**

- 2.2.19** To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 2.2.20** To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.

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

## AUDIT COMMITTEE ATTENDANCE

## APPENDIX B

MEMBERS	2009					2010	
	1 Jun	29 Jun	7 Sept	28 Sept	2 Nov	8 Feb	29 Mar
CLlr Dalton (Chair)	✓	✓	✓	✓	✓	✓	✓
CLlr North (Vice Chair)	× (1)	✓	× (2)	✓	× (1)	✓	✓
CLlr Gilbert	✓	× (1)	× (1)	× (1)	✓	✓	× (1)
CLlr Harrington	× (1)	✓	✓	✓			
CLlr Hussain	× (1)	× (1)	× (1)	✓	× (3)	× (1)	×
CLlr Kreling	✓	✓	✓	✓	✓	✓	✓
CLlr Rush	✓	✓	✓	✓	✓	× (2)	× (4)
CLlr Goldspink					✓	✓	× (1)

(1) Apologies received

(2) Apologies received and substitute member attended - CLlr Collins

(3) Apologies received and substitute member attended - CLlr Khan

(4) Apologies received and substitute member attended - CLlr Fitzgerald

## AUDIT COMMITTEE ATTENDANCE

## APPENDIX B

OFFICERS	2009					2010	
	1 Jun	29 Jun	7 Sept	28 Sept	2 Nov	8 Feb	29 Mar
<b>KEY CONTACT OFFICERS</b>							
Executive Director (Strategic Resources)	-	✓	-	✓	-	-	-
Chief Internal Auditor	✓	✓	✓	✓	✓	✓	✓
Head of Strategic Finance	✓	✓	-	✓	✓	✓	✓
<b>OTHER SERVICE AREAS IN ATTENDANCE</b>							
Financial Services Manager: Corporate Accounting	-	✓	-	-	-	-	-
Legal Services: Lawyer	✓	✓	✓	✓	✓	✓	✓
Fraud Investigation & Manager	-	✓	-	-	-	-	-
Resilience Services Manager	-	-	✓	-	-	-	✓
Democratic Services: Governance Support	✓	✓	✓	✓	✓	✓	✓
<b>EXTERNAL REPRESENTATION</b>							
PwC: Senior Manager	-	✓	-	-	✓	✓	✓
Relationship Manager	-	-	-	✓	-	-	-

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<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 5</b>
<b>7 JUNE 2010</b>	<b>PUBLIC REPORT</b>

Cabinet Member responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member responsible:	Councillor Collins, Chair of Audit Committee	
Contact Officer(s):	Diane Baker, Compliance and Ethical Standards Manager	☎ 452 559

## **FRAUD AND IRREGULARITY ANNUAL REPORT 2009 / 2010**

<b>RECOMMENDATIONS</b>	
<b>FROM :</b> Helen Edwards, Solicitor to the Council	<b>Deadline date :</b> N/A
Audit Committee is asked to	
1. Receive, consider and endorse the attached annual report on the investigation of fraud and other issues for the year ended 31 March 2010.	

### **1. ORIGIN OF REPORT**

This report is submitted to the Committee as a scheduled report on fraud and irregularity in accordance with the established Work Programme 2010/2011.

### **2. PURPOSE AND REASON FOR REPORT**

The main purpose of this report is to provide an overview of the Council's approach to combating fraud, and its delivery over the period April 2009 - March 2010. This report is to be considered in accordance with its Terms of Reference 2.2.15 - *To monitor council policies on "raising concern at work" and the anti fraud and anti corruption strategy and the Council's complaints process.*

### **3. BACKGROUND**

3.1 The United Kingdom public sector maintains high standards of probity and has a good reputation for protecting the public purse. Sound systems of public accountability are vital to effective management and in maintaining public confidence. Peterborough City Council shares these high standards and is committed to protecting the public funds entrusted to it. The minimisation of losses to fraud and corruption is essential for ensuring that resources are used for their intended purpose - that of providing services to the citizens of Peterborough.

3.2 The public is entitled to expect the Council to conduct its affairs with integrity, honesty and openness and demand the highest standards of conduct from those working for it. In addressing this expectation, the Council has shown its commitment by creating a dedicated Investigation Team, which is tasked in investigating all allegations of fraud / impropriety, breaches in codes of conduct and high level complaints. The Compliance and Ethical Standards Team, which comprises corporate investigations, benefit fraud investigations and Information Management, has been in operation since 1<sup>st</sup> April 2007 – with the Information Management stream joining in January 2008.

- 3.3 The attached report (**Appendix A**) demonstrates the success of the Investigation Team and provides an insight into how this unique service will continue to operate as a key operation within the Council.

#### **4. CONSULTATION**

Consultation has taken place between the following parties:

- Solicitor to the Council;
- Executive Director of Strategic Resources (as the designated s.151 officer); and
- Chief Internal Auditor

#### **5. ANTICIPATED OUTCOMES**

That the Audit Committee is informed of the proactive measures taken across the organisation to tackle and prevent fraudulent activity. Furthermore, this will assist in the development of future policies and procedures and allow the Committee to support this important function.

#### **6. REASONS FOR RECOMMENDATIONS**

There are no recommendations contained within this report.

#### **7. ALTERNATIVE OPTIONS CONSIDERED**

The option is not to present a comprehensive report, which addresses the risk of fraud and identifies areas for improvement. This could result in a lack of awareness and a potential lack of support from the Audit Committee.

#### **8. IMPLICATIONS**

The implications of this report are that the Council will become more fraud aware and will continue to consider the risks and consequences of this type of abuse. The team have already created a positive profile and the quality of referrals has improved in accordingly. Fraud is unacceptable and requires a well thought through approach. The presumption must be about preventing fraud by designing systems to stop it happening in the first place but where it occurs, there should be an equal presumption that its perpetrators will face tough action. This can only serve to increase the standards of conduct in the Council.

#### **9. BACKGROUND DOCUMENTS**

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

National Fraud Authority website [www.attorneygeneral.gov.uk](http://www.attorneygeneral.gov.uk)  
Audit Commission's Report 'Protecting the Public Purse – Local Government Fighting Fraud'. (2010)



**APPENDIX A**

**Compliance and Ethical Standards  
Team  
Annual Report  
2009/2010**

## 1 Introduction

Peterborough City Council, in common with all other public bodies, has an ongoing duty to protect the public purse. The main purpose of this report is to provide an overview of general and specific fraud issues that are of relevance to Peterborough City Council. Given the size and complexity of the Council we must view our performance against reasonable standards of materiality. Public sector standards of governance are high and the control systems are effective in minimising the exposure to fraud.

The Council has a dedicated team, which considers all allegations of fraud and financial irregularity. During 2009/2010, the team underwent a restructure and as a result, changed its name to the Compliance and Ethical Standards Team; this name more accurately reflects the full responsibility of the team in that it investigates a wide range of issues but also delivers the Information Management function on behalf of the Council. This report therefore details progress and performance in all areas of the Compliance and Ethical Standards Team's work.

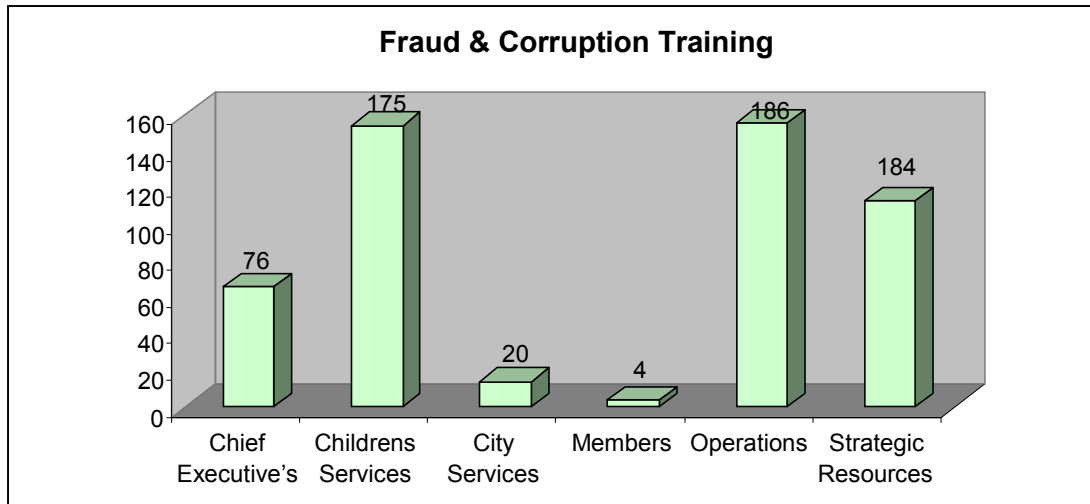
## 2 Raising Awareness of Fraud

The results of investigations triggered by specific referrals may identify business areas in which controls need to be strengthened and where managers should improve the monitoring of systems and staff. The Compliance and Ethical Standards Team continues to work closely with colleagues in the Internal Audit department to address these issues on an ongoing basis.

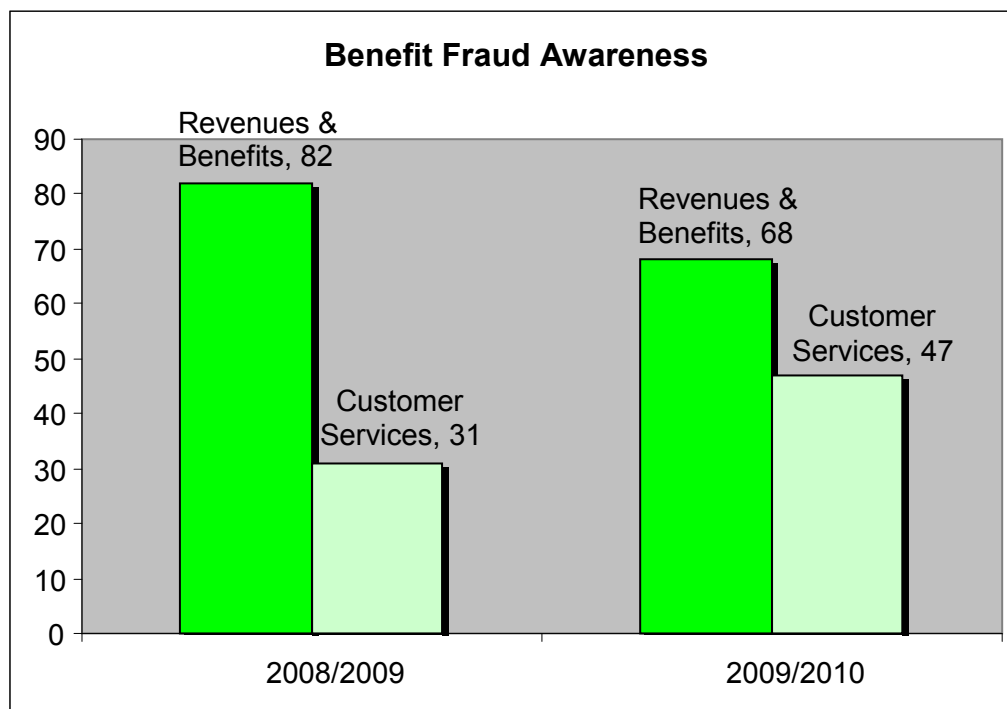
An innovative approach to fraud training was developed during 2008/2009 with delivery continuing to take place during 2009/2010. 'Focus on Fraud and Corruption' is an e-learning solution that quickly and cost effectively raises the awareness of Local Authority staff to the threats of fraud and corruption. This product was jointly developed by a project group of eight Local Authorities, including Peterborough, who worked alongside the lead private sector company, Meritec. The end product is a training module, which contains several chapters of generic content plus specific references to local issues and is securely hosted by Meritec's web server.

Although 645 individuals undertook the above training; it has been decided not to update this software for 2009/2010 and instead, training will be focussed on specific risks to service areas and will be delivered at Department Management Team meetings and disseminated accordingly. Members will also receive appropriate training in this area.

Results of the e-learning training can be seen in the table below.



The Benefit Fraud team will continue to deliver e-learning training to all staff involved in front-line benefit delivery. Take-up is 100% as the table outlines below:



### 3 Quantity of Fraud

According to the newly established National Fraud Authority, fraud costs the UK £30 billion a year – twice as much as previously thought. Tax evasion has risen to £15.2 billion a year with Benefit Fraud costing £1.1 billion annually. The public sector is the worst hit, suffering 58% of all fraud. With this vital information, the Government can develop clearer priorities to prevent, detect and deter fraudsters.

## Compliance and Ethical Standards Team Annual Report 2009-2010

In terms of local issues which have affected Peterborough City Council, an example is outlined below:

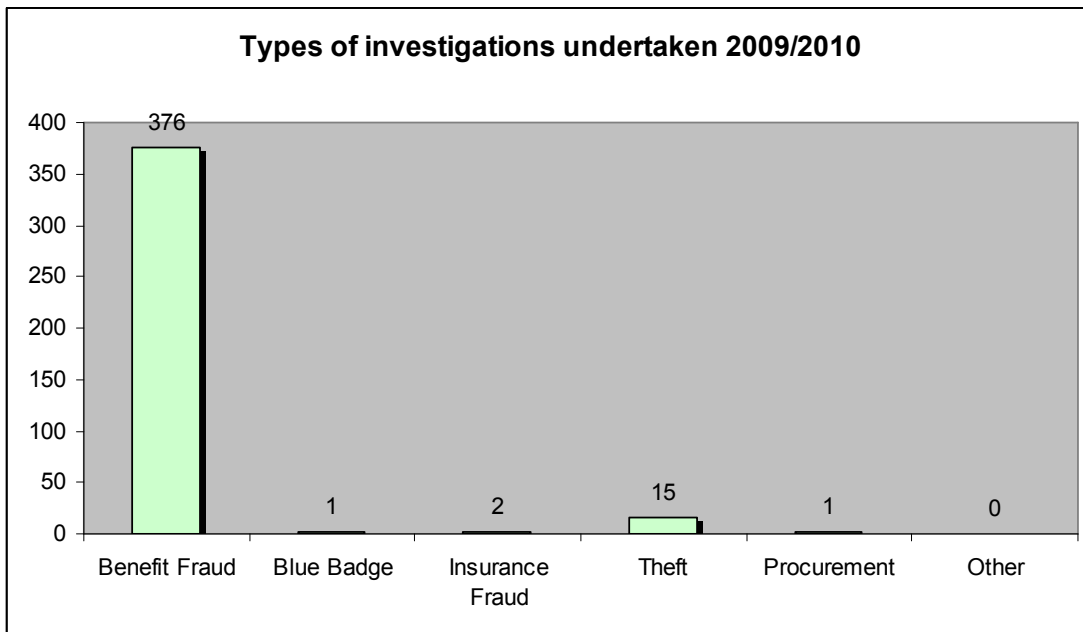


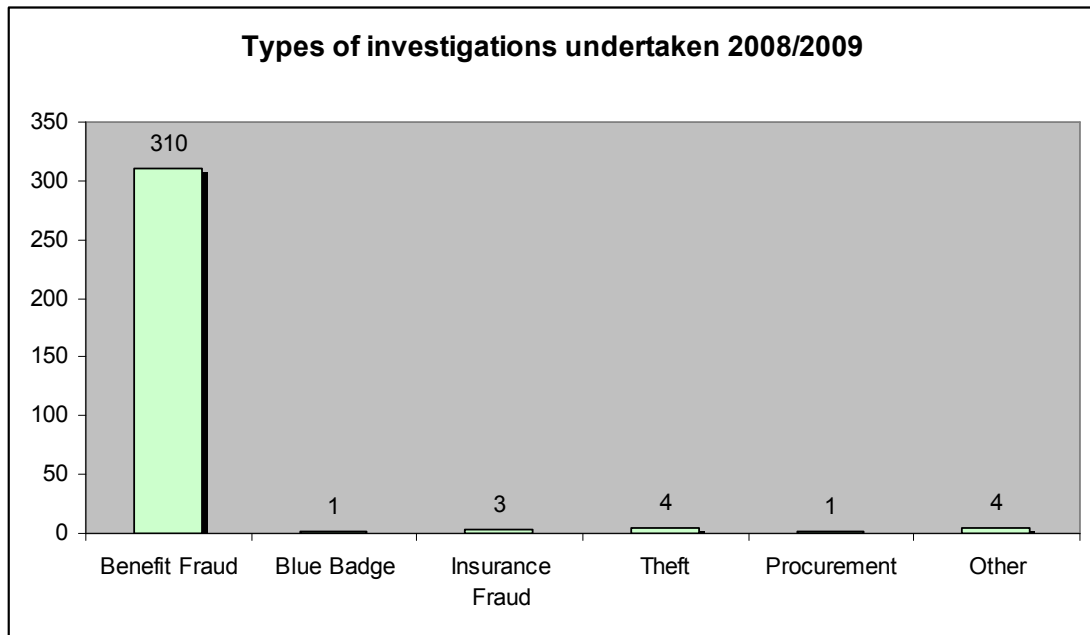
*A taxi driver and owner of one of the City's biggest cab firms <sup>1</sup>was prosecuted for using his dead father's Blue Badge to park in a disabled bay in the City centre. The Compliance and Ethical Standards Team investigated this allegation as a result of a referral from a Civil Enforcement Officer, who believed the driver was abusing the Blue Badge scheme. The driver was subsequently fined £300, ordered to pay costs of £991.21 and disqualified for driving for six months.*

As Blue Badge fraud is seen as an emerging threat, a decision has been taken to move the entire Blue Badge service to the Compliance and Ethical Standards Team from 1<sup>st</sup> April 2010. This move will ensure a robust approach is adopted not only at the enforcement stage of the process but during the award stage of a Blue Badge, when fraud is often perpetrated.

During 2009/2010, the Compliance and Ethical Standards Team received details of 19 potential fraud or financial irregularities for investigation, all 19 cases proceeded to a full investigation. This represents a slight decrease in referrals from 23 in 2008/2009. Additionally, 909 allegations of benefit fraud were received as opposed to 824 in 2008/2009. 376 were investigated following a strict risk assessment, which allows priority to be given to the most serious cases.

Types of investigations undertaken during 2009/2010 are detailed in the chart below:

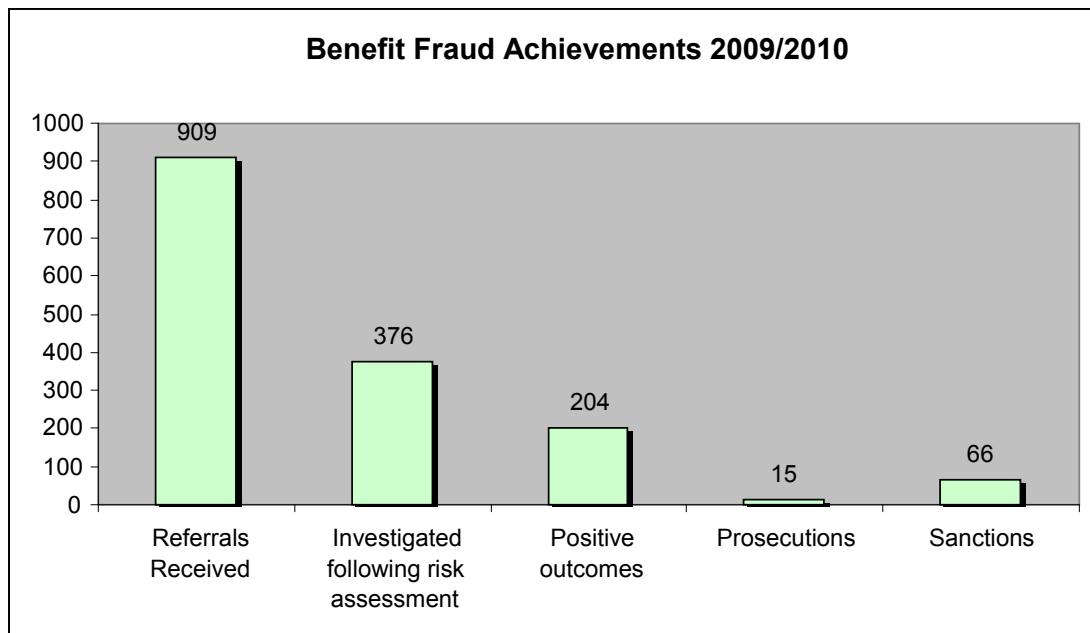


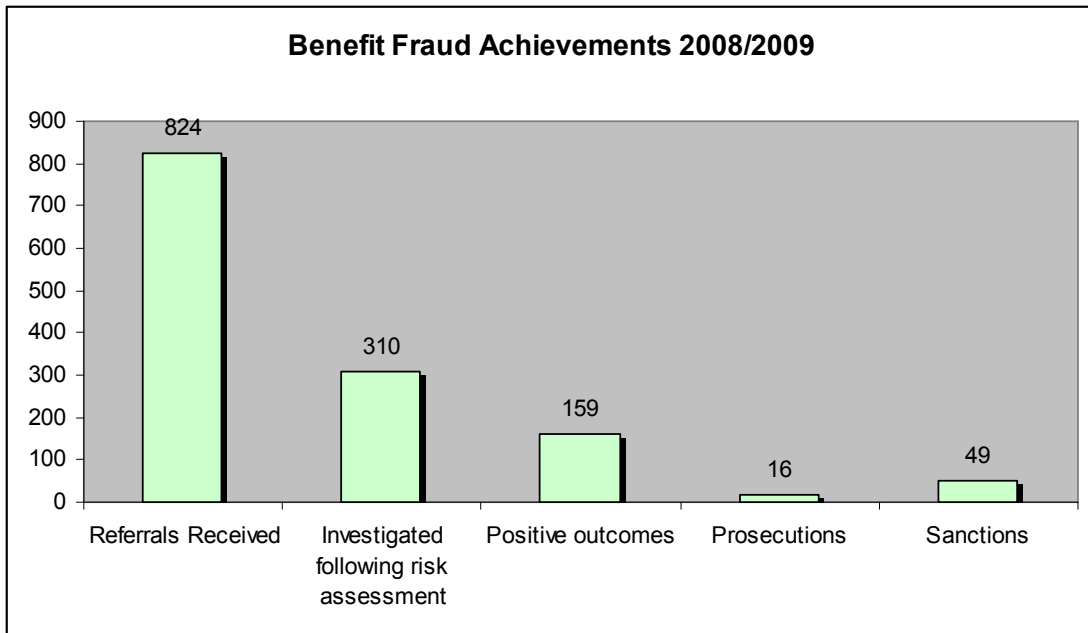


Note: 10 fraud cases involving staff members and Housing Benefit are incorporated into the overall figure for Benefit Fraud.

#### 4 Housing and Council Tax Benefit

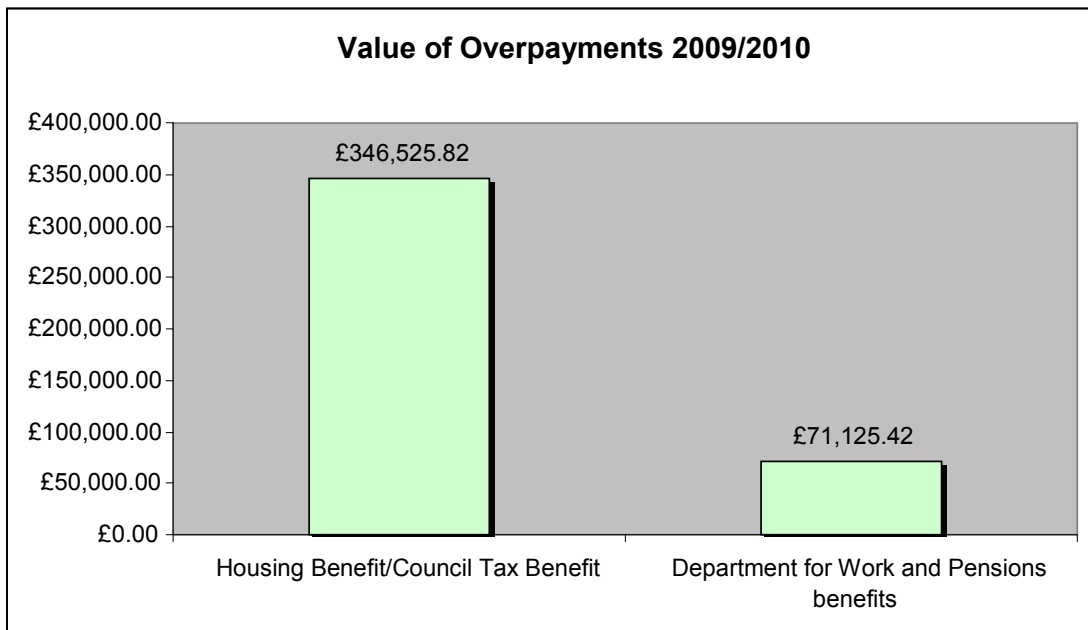
Benefit fraud will always be the greatest risk faced by local authorities owing to the high volumes of payments and complexities of legislation. The Compliance and Ethical Standards Team work closely with the Benefits Service to reduce the incidence of fraud and error entering the system. The chart below highlights the success of the team in 2009/2010:



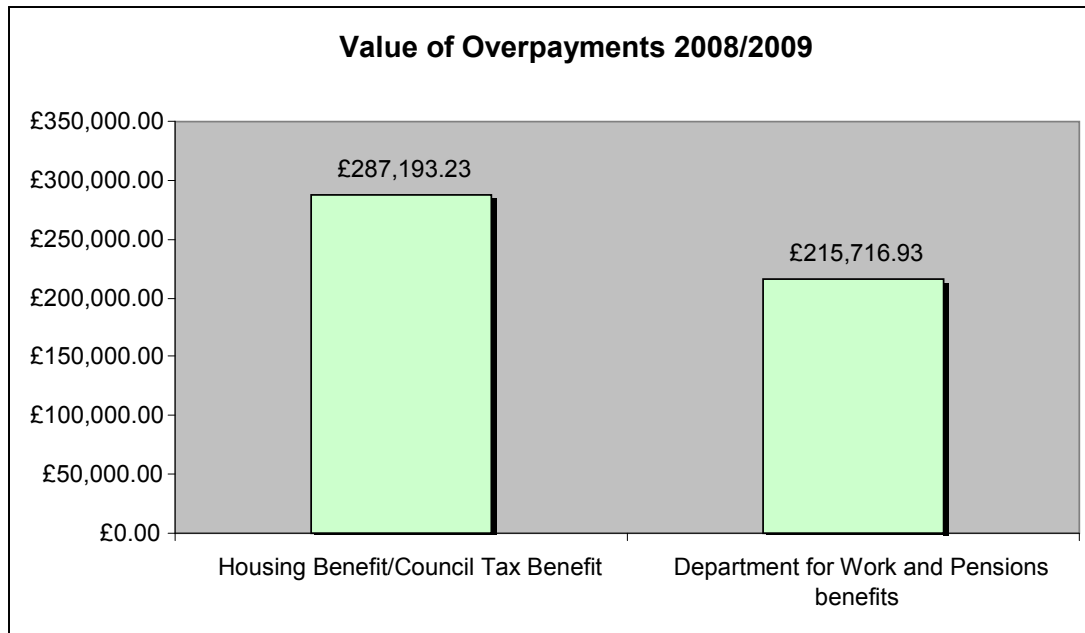


It is important to note that any referrals that do not qualify for investigation after the risk assessment process are not ignored; these cases are either referred to our colleagues at the Department for Work and Pensions or referred internally for a visit to be undertaken by Officers within the Benefits Service.

The value of fraudulent benefit uncovered by the team is shown below:







During 2009/2010, there was a rise in the value of the Housing Benefit and/or Council Tax Benefit overpayments. However there has been a drop in the value of the overpayments relating to the Department for Work and Pensions benefits. This is largely due to the increase in the number of investigations which only affect Housing Benefit and/or Council Tax Benefit claims.

An example of a successful investigation is outlined below:



*A customer obtained over £5000 in Housing and Council Tax Benefit and over £3700 in Income Support by failing to notify the authorities that her partner had moved in with her. A joint investigation, which was carried out by Peterborough City Council and the Department for Work and Pensions established that the partner had been living with her for 15 months. The case was referred for prosecution with the customer pleading guilty to charges of failing to declare a change of circumstances. She was sentenced to a 12 week curfew order, which stipulated that she must remain in her property between the hours of 7pm and 7am on Mondays, Wednesdays and Fridays. She also received a six month supervision order. The overpayments are being recovered by both organisations.*

## 5 National Fraud Initiative

In March 2010, the Audit Commission released their latest matches in respect of Council Tax data, which had been matched against the Council's Electoral Register. Work is currently underway to review the matches that have identified irregularities. This may ultimately lead to formal Council Tax Single Person Discount fraud investigations.

The Audit Commission's latest report entitled 'Protecting the Public Purse – Local Government Fighting Fraud' was published in September 2009. The Commission found that Council taxpayers could be losing almost £2 million pound a week to fraudsters claiming 25% Single Person Discount on their Council Tax.

## 6. Electoral Anti Fraud Initiative

The Chief Executive has continued to make it a priority to take strong and effective action to counter electoral fraud in Peterborough. The Compliance and Ethical Standards Manager is a member of the Council's Election Working Group and joins other key officers and stake-holders to maintain a robust stance against abuse of the system. This approach includes the introduction of a new Register of Electors on an annual basis with no carry forward of names; the use of identify checks for all persons seeking to be added to the Register after the annual canvass; recording of unique reference numbers and a publicity campaign to alert the public to potential abuse and Internal databases continue to be matched to provide a list of properties where occupancy is high. (These properties are visited and details verified. Occupants who are not available during visits are invited to attend Review Hearings where they can tender documentary evidence to support their registration details). A strong partnership approach between Peterborough City Council and Cambridgeshire Constabulary has also continued to thrive. This approach to electoral fraud is also considered to be good practice under the Comprehensive Area Assessment framework.

## 7. Publicity

The Compliance and Ethical Standards Team is maintaining the publication of all cases where prosecution has been the appropriate outcome. This approach sends out a strong message of assurance to the residents of Peterborough and encourages reports of alleged abuse to be made to the Council's fraud hotline and dedicated fraud email address.

## 8. Other Investigations

A number of other investigations have been undertaken by the team during 2009/2010:

- Disciplinary Cases: 77 cases of alleged disciplinary breaches, as opposed to 52 in 2008/2009, were completed.
- Stage III Complaint Investigations: 18 were undertaken; this is the same amount as investigated by the team in 2008/2009.
- Standards Investigations: Six cases were investigated during 2009/2010, including external cases on a fee-earning basis. This is a slight reduction overall as ten cases were investigated during 2008/2009. The team has continued to operate a service to other Councils and is generating a modest income from this work.

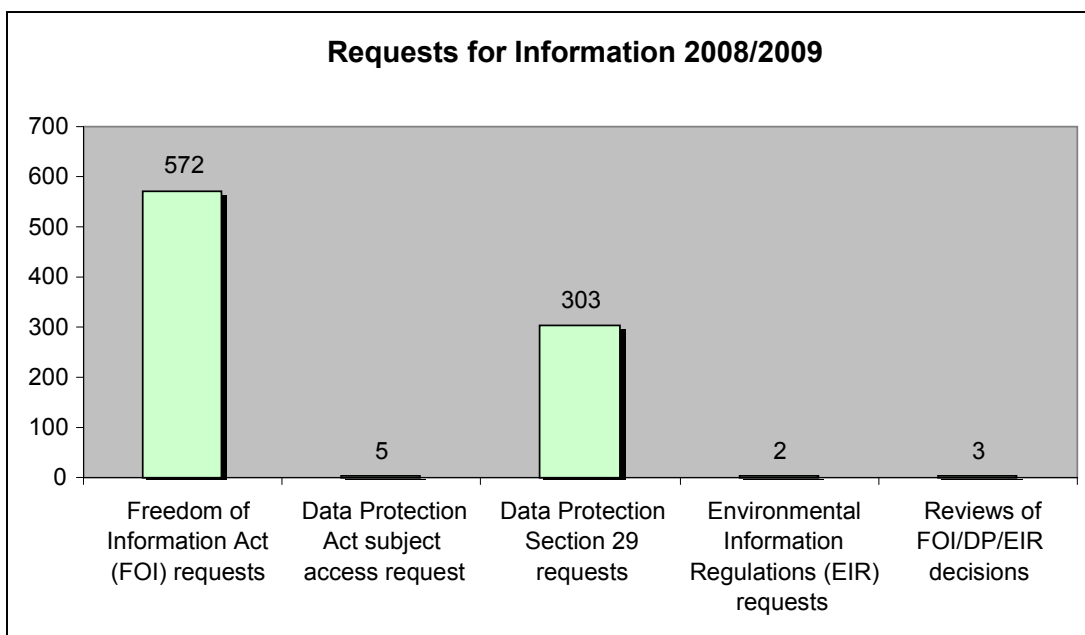
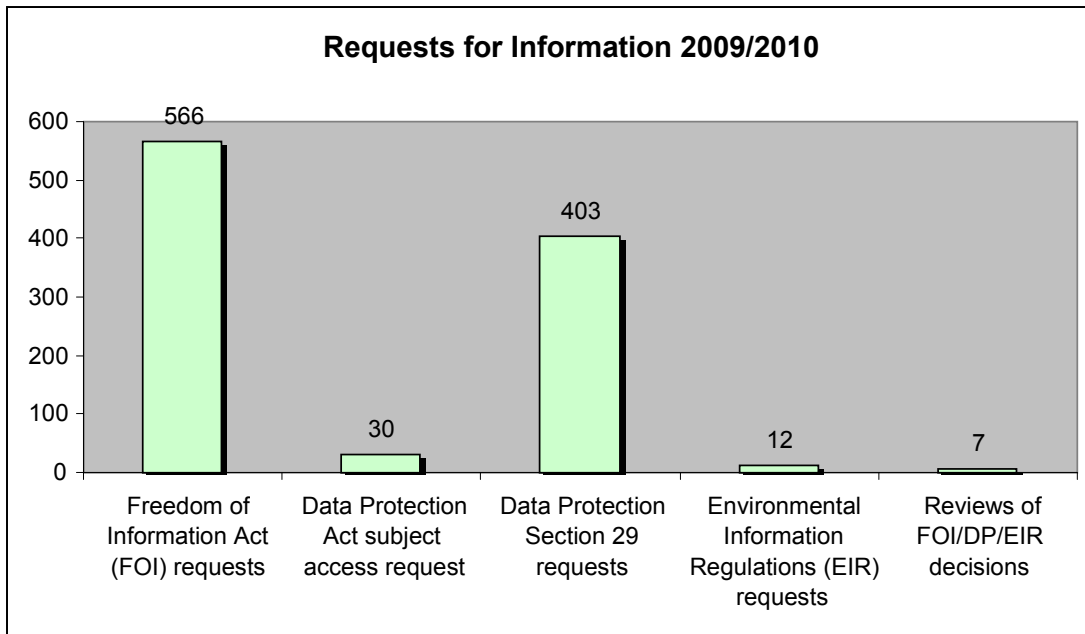
*Compliance and Ethical Standards Team Annual Report 2009-2010*

- Other Investigations: Six miscellaneous cases were investigated by the team; these included complex grievance cases where resources within service areas have been limited.

During 2009/2010 the Team has received numerous compliments on the high standard of their work from Directors, Chairs of Committees and Clients.

## 9. Information Management

The Council (through the Compliance and Ethical Standards Team) received the following requests for information during 2009/2010:



This illustrates a slight decrease in Freedom of Information Act requests but an increase in Data Protection Act Subject Access requests during 2009/2010.

## 8 Conclusion

Counter fraud activity remains a priority for the Council and there continues to be a successful approach to dealing with this risk. The Compliance and Ethical Standards Team has established itself as a centre of professionalism and is recognised as such by external authorities. Invitations to speak at conferences and seminars have been accepted as an opportunity to share good practice and promote the innovative work of the Council in the creation of a centralised investigation function. Frequent commissions to undertake external investigations are also testament to the success of the team.

Benefit fraud continues to be a significant fraud issue facing the Council in terms of both financial value and workload. The team are building upon their excellent status under the former Comprehensive Performance Assessment regime and will review all working practices regularly to ensure optimum efficiency.

The Information Management function experienced set-backs as a result of staffing changes in 2009/2010. However, an investment in IT and the recruitment of a permanent Information Specialist has stabilised the service; this has provided a framework for the delivery of this service to external organisations and discussions are currently underway with a number of key stakeholders.

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 6</b>
<b>7 JUNE 2010</b>	<b>PUBLIC REPORT</b>

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

### **INTERNAL AUDIT ANNUAL REPORT 2009 / 2010**

<b>RECOMMENDATIONS</b>	
<b>FROM :</b> John Harrison, Executive Director (Strategic Resources)	<b>Deadline date :</b> N/A
Audit Committee is asked to	
<ol style="list-style-type: none"> <li>1. Receive, consider and endorse the attached Chief Internal Auditor's annual report (Appendix A) for the year ended 31 March 2010; and</li> <li>2. Note the report of Internal Audit's performance.</li> </ol>	

#### **1. ORIGIN OF REPORT**

This report provides details of the performance of Internal Audit during 2009 / 2010 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the Council.

#### **2. PURPOSE AND REASON FOR REPORT**

- 2.1 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following "2.2.2 *To consider the Director of Strategic Resources annual audit report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements*".
- 2.2 The report provides an overall opinion on the soundness of the control environment in place to minimise risk to the Council. It is based on the findings of completed internal audits.

#### **3. INTERNAL AUDIT OPINION**

- 3.1 The Internal Audit Opinion is based on review work undertaken during the period April 2009 to March 2010.
- 3.2 Summaries of work carried out by Internal Audit are documented within the opinion, and, overall it is considered that Internal Audit can place **REASONABLE ASSURANCE** on the controls environment. As a result an unqualified opinion is provided. Where systems have fallen below expected standards, details of these have been documented separately within the report. Furthermore, ongoing internal

performance indicators are monitored and their level of achievement, or otherwise, are included for information purposes.

#### **4. CONSULTATION**

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

#### **5. ANTICIPATED OUTCOMES**

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

#### **6. REASONS FOR RECOMMENDATIONS**

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

#### **7. ALTERNATIVE OPTIONS CONSIDERED**

No other options appropriate.

#### **8. IMPLICATIONS**

None.

#### **9. BACKGROUND DOCUMENTS**

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

Accounts and Audit Regulations 2006.

CIPFA Code of Practice for Internal Audit in Local Government 2006

# **ANNUAL INTERNAL AUDIT REPORT FOR THE YEAR ENDED 31 MARCH 2010**

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- B Audit Reports Issued: Opinion of Limited or No Assurance
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## **EXECUTIVE SUMMARY**

### **Introduction**

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

- a) Include an opinion on the overall adequacy and effectiveness of the organisation's internal control environment;
- b) Disclose any qualifications to that opinion, together with the reasons for the qualification;
- c) Present a summary of the audit work undertaken to formulate that opinion, including reliance placed on work by other assurance bodies;
- d) Draw attention to any issues the Head of Internal Audit (or equivalent) judges particularly relevant to the preparation of the Annual Governance Statement;
- e) Compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria; and
- f) Comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

The Code of Practice also states at Paragraph 10.4.1 that:

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

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

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

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

### **Chief Internal Auditor: Opinion on the Effectiveness of Internal Control 2009 / 2010**

This opinion statement is provided for the use of Peterborough City Council (the Council) in support of its Annual Governance Statement that is included in the statement of accounts for the year ended 31 March 2010.

### **Scope of Responsibility**

The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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

### **The Purpose of the System of Internal Control**

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

### **The Internal Control Environment**

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

- Internal control;
- Governance; and
- Risk management processes.

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

### **Review of Effectiveness**

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

### **Chief Internal Auditor Annual Opinion**

Our opinion is derived from work carried out by Internal Audit during the year as part of the agreed internal audit plan for 2009 / 2010, including our assessment of the Council's corporate governance and risk management processes.

The internal audit plan for 2009 / 2010 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control.

## **Basis of Assurance**

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

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

The audit work that was completed for the year to 31 March 2010 is listed at **Appendix A**, which lists all the audits and their results in terms of the audit assurance levels provided and the number of recommendations made. The level of assurance achieved on the systems audited is detailed below. This shows that 51.5% of the systems audited achieved an assurance level of significant or higher, compared to 57% last year. Although there appears to be a drop in assurance levels, our prioritisation of special investigations (which usually result in *limited* or *no assurance* gradings) has resulted in this area becoming a higher proportion of our work. This is especially so given the continuing reduction in Internal Audit staff numbers and the concomitant reduction in reports produced.

<b>AUDIT ASSURANCE</b>					<b>RECOMMENDATIONS MADE</b>		
<b>Assurance Levels</b>	<b>Issued</b>		<b>%</b>		<b>Numbers</b>		
	<b>2009/10</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2008/09</b>	
Full	2	5	4	8	Critical	5	8
Significant	27	30	47.5	49	High	140	129
Limited	23	17	40	27	Medium	209	189
No	5	10	8.5	16	Low	103	116
	<b>57</b>	<b>62</b>	<b>100</b>	<b>100</b>		<b>457</b>	<b>442</b>

A complete list of all audits and assurance against them can be found within **Appendix A**. Recommendations to take corrective action were agreed with management and we will continue to undertake follow up work in 2010 / 2011 to confirm that they have been effectively implemented.

## **2009 / 2010 Year Opinion**

From the Internal Audit work undertaken in 2009 / 2010 it is our opinion that we can provide **REASONABLE ASSURANCE** on the systems of internal control. Internal controls are fundamentally sound and accord with proper practice, subject to the implementation of any agreed recommendations.

The Assurance - Financial Systems



Our overall opinion is that internal controls within financial systems operating throughout the year are fundamentally sound, other than those reviews assigned "Limited Assurance".

The Assurance - Non-Financial



Our overall opinion is that internal controls within operational systems operating throughout the year are fundamentally sound, other than those reviews assigned "Limited Assurance".

In reaching this opinion, the whole programme of internal audit work undertaken was considered, together with arrangements for corporate governance and risk management. In addition, the year end review of Internal Audit as part of the Annual Governance Statement (AGS) process in April 2010, and the external auditor's review of Internal Audit, has provided a positive result.

As a result an **unqualified opinion** is provided.

### **The Systems of Internal Financial Control**

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

- Codes of practice and financial regulations;
- Standing Orders, financial regulations and schemes of delegation;
- Comprehensive budget systems;
- Regular reviews of periodic and annual financial reports which indicates financial performance against the forecast;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports which indicate actual expenditure against the forecasts;
- Clearly defined capital expenditure guidelines; and
- Appropriate, formal project management discipline.

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

### **Corporate Governance**

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

- External audit judgements within the Corporate Area Assessment and Use of Resources;
- Internal audit work documented within **Appendix A**; and
- Our analysis provided to Audit Committee with the Annual Governance Statement on 7 June 2010.

## **Risk Management**

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

- The work of Internal Audit as described in **Appendix A**;
- Ongoing discussions held with the Resilience Team who are now responsible for the administration and management of the risk register; and
- Our analysis provided to Audit Committee with the Annual Governance Statement on 7 June 2010.

Chief Internal Auditor  
18 May 2010

## **DETAILED REPORT**

### **Introduction**

This section is a report from Internal Audit detailing:

- Any significant control failures or risk issues that have arisen and been addressed through the work of Internal Audit;
- Any qualifications to the Chief Internal Auditor opinion on the authority's systems of internal control, with the reasons for each qualification;
- The identification of work undertaken by other assurance bodies upon which Internal Audit has placed an assurance to help formulate an opinion;
- Comparison of the work undertaken during the 2009 / 2010 year against the original audit plans; and
- A brief summary of the audit service performance against agreed performance measures.

### **Significant Control Weaknesses**

Internal Audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise. During the financial year 2009 / 2010, whilst no new significant weaknesses were identified for inclusion within the Annual Governance Statement, 5 critical recommendations were made in audit reports (compared to 8 in the previous year) which required immediate attention. These related to the audits of:

- Energy Payments;
- City Services SI (Con3195-03);
- Childrens Services SI (Chi2154-04);
- Jack Hunt Pool Refurbishment; and
- Purchasing Cards.

### **Key Issues**

There is a range of key issues that are likely to be of significance for the 2010 / 2011 year and beyond, which Internal Audit need to be aware of. These include:

- The current economic climate, which adds to the financial pressures already on the council. This is impacting on income and expenditure, as well the public's need for council services;
- The possible impact on funding (DSG settlement) resulting from the recent change in Government;
- The management and governance arrangements with regards to the managed ICT service;
- The planned partnership arrangements of City Services;
- Other governance arrangements relating to partnerships and grants to include the recently created Leisure Trust;
- The ongoing planned changes to the delivery of some services to generate financial savings or income; and
- The reassessment of Primary schools to ensure FMSiS is embedded.

**Qualifications to the Opinion**

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

**Other Assurance Bodies**

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

- The annual letter from the authority's external auditors; and
- The auditors judgement by the Audit Commission (Use of Resources).

**Internal Audit Assurance Levels and Recommendations**

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

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

<b>AUDIT ASSURANCE LEVELS</b>	
<b>FULL</b>	The system is designed to meet objectives and controls are consistently applied that protect the Authority from foreseeable risks.
<b>SIGNIFICANT</b>	The system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.
<b>LIMITED</b>	There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
<b>NO</b>	Controls are weak and/or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.
<b>RECOMMENDATIONS</b>	
<b>CRITICAL</b>	Extreme control weakness that jeopardises the complete operation of the service. TO BE IMPLEMENTED IMMEDIATELY.
<b>HIGH</b>	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency. To be implemented as a matter of priority.
<b>MEDIUM</b>	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority. To be implemented at the first opportunity.
<b>LOW</b>	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust. To be implemented as soon as reasonably practical.

### **Summary of Audit Work Undertaken To Formulate the Opinion**

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

Audit Committee has received quarterly reports throughout the year, and these have provided regular snapshots of the control environment. Where limited or no assurance was awarded on an audit, the Audit Committee have been provided with the Executive Summary of the audit report. **Appendix B** contains the summaries in relation to those audits not previously presented (those audits completed between January and March 2010).

Key points to note include:

- All departments have received audit coverage during the year, so as to establish the control environment across the whole organisation.
- A major investment of our time involves undertaking work on behalf of Children's Services to ensure that all schools meet the new Financial Management Standards in Schools. All schools need to comply with these standards and there is a three year rolling programme in place to deliver this. In 2009 /2010, 9 Secondary Schools were reassessed, and with the exception of one school, all have provided appropriate evidence to support the standards which we have verified. Of the remaining secondary school it will be further assessed once structure changes are embedded. It is therefore not classified as failed at this point in time. In addition to the secondary schools, 12 Primary and 2 Special Schools have been assessed for the first time. These results have been referred to the Department for Children, Schools and Families and the schools will be accredited.
- Liaison between the Corporate Investigations Team and Internal Audit has continued. Where fraud and mis-management has occurred, Internal Audit have reviewed the relevant procedures, highlighted the control weaknesses that have lead to the fraud, and recommended improvements. This area of work is treated as a high priority and, by its nature, can be time-consuming.
- Major financial systems have been reviewed and, in the main, assurance levels have remained at the *significant* level. The new Purchasing Cards system review which rolled forward from 2008 / 2009 was awarded a *no assurance* grade. The lack of a defined owner has contributed significantly to a poor control environment. However, significant progress has been made during 2009 / 10 with regards to the implementation of the audit report recommendations which has provided some assurance that processes have and continue to improve. A further review of Purchasing Cards is programmed for 20010 / 2011 during quarter 1.
- Arrangements for risk management across the council changed during the year and now forms part of the Resilience Team. A strategy has been developed and this was presented to Audit Committee on 7 September 2009. Internal Audit will review the risk management process during 2010 / 2011 once the strategy has been embedded within the organisation. Regular refreshes of the corporate risks are made against the assurance framework to ensure that steps / processes are in place to mitigate risks.



## **Internal Audit Performance**

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

### *Better than target*

- Feedback for each audit is collected via Post Audit Questionnaires (PAQ). Our average score was 4.34 against a target of 3.75 (the highest score being 5), reflecting the high opinion our audit clients have of auditor conduct and the quality and usefulness of reports. This score is consistent with 2008 / 09 results.
- An average of 5.8 days training has been provided to each auditor, compared to a target of 5 days. This includes 'on the job' training, training for professional qualifications, audit technical update seminars and internal training such as the Leadership Programme. In addition, Chief Internal Auditors from each local authority in Cambridgeshire staged an 'Away Day' for all auditors in November. This was to share ideas and best practice across the county.
- The proportion of direct days to the revised audit plan is 103%, slightly higher than the target of 100%. This primarily due to the revision of the audit plan in September where direct days were amended for one officer who was long term sick. The individual returned during quarter 4 enabling more days to be delivered than planned. This additional time was utilised to undertake some external work for Cambridgeshire County Council Schools in undertaking FMSiS assessments. This resulted in the generation of income for the authority.
- 100% of critical and high recommendations made were agreed, reflecting the high quality of audit reports.

### *On Target*

- The length of time from completion of field work to issue of a draft report is on target at 10 days. This target reduced in 2009 / 2010 from 15 days and therefore shows good improvement in reducing the amount of time to issue draft reports.

### *Areas for improvement*

- 91% of critical and high recommendations were implemented, against a target of 100%. This has increased slightly from 89% last year. The lack of 100% implementation may reflect differing priorities of staff during a time of change, especially where service delivery methods are being altered, or where staff reductions have occurred as the recommendations had been originally accepted..
- The average figure for the proportion of audits completed to timescale is 84.6%, below our target of 93% but an increase on the previous year of 82%. However, performance has improved each quarter from 72% to 100%.
- An average of 37.34 days sickness per person was lost during the year, compared to a target of 5 days. There have been two officers on long term sickness (LTS) within the team which has been actively managed in accordance with the Council's Attendance Policy and through Occupational Health. Both officers have now returned to work and are working to contracted hours. Sickness levels per person excluding the LTS cases equate to 4.68 days per person which is within target range.

**ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 31 MARCH 2010**

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

(\*) denotes additional works to the original audit plan.

AUDIT ASSIGNMENT	ASSURANCE LEVEL			RECOMMENDATIONS MADE					Status	
	Full	Signif	Limit	No	Critical	High	Med	Low		Total
<b>CHIEF EXECUTIVES DEPARTMENT</b>										
Economic Participation Programme Review			x		-	4	4	-	8	Final
Economic Participation Programme 2007 / 2008 Follow Up					n/a	n/a	n/a	n/a	n/a	Final
Economic Participation Programme 2008 / 2008 Consultancy / Training *		x			-	-	-	1	1	Memo
SI (Cex1006-08) *					n/a	n/a	n/a	n/a	n/a	Final
Mayoral Allowances *					n/a	n/a	n/a	n/a	n/a	Memo
Private Sector Housing Grants *					n/a	n/a	n/a	n/a	n/a	Final

## APPENDIX A (continued)

## ASSURANCE LEVELS AND RECOMMENDATIONS

AUDIT ASSIGNMENT	ASSURANCE LEVEL			RECOMMENDATIONS MADE					Status	
	Full	Signif	Limit	No	Critical	High	Med	Low		Total
<b>CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS 2009 / 2010</b>										
FMSiS CFO FMSiS Assurance Statement 2008 / 2009					n/a	n/a	n/a	n/a	n/a	Final
AMVC FMSiS 2009 / 2010		x			-	-	3	3	6	Draft
Hampton College FMSiS 2009 / 2010		x			-	-	2	2	4	Draft Review
Jack Hunt FMSiS 2009 / 2010		x			-	1	2	-	3	Draft Review
Ken Stimpson FMSiS 2009 / 2010		x			-	-	5	2	7	Draft Review
Kings School FMSiS 2009 / 2010		x			-	-	2	2	4	Draft
Orton Longueville FMSiS 2009 / 2010					n/a	n/a	n/a	n/a	n/a	To be re-assessed during 2010 / 2011
St John Fisher FMSiS 2009 / 10		x			-	-	3	1	4	Draft
Stanground College FMSiS 2009 / 2010		x			-	1	3	1	5	Draft
The Voyager FMSiS 2009 / 2010										Draft Review
Barnack Primary FMSiS 2009 / 10										In progress
Castor Primary	x				-	-	-	2	2	Final
Dogsthorpe Infants FMSiS 2009 / 2010										Draft Review
Hampton Vale FMSiS 2009 / 2010										Draft Review

APPENDIX A (continued)

ASSURANCE LEVELS AND RECOMMENDATIONS

AUDIT ASSIGNMENT	ASSURANCE LEVEL			Critical	RECOMMENDATIONS MADE				Status
	Full	Signif	Limit		No	High	Med	Low	
<b>CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS 2009 / 2010 Continued</b>									
Southfield Infants FMSIS 2009 / 2010									Draft Review
St Augustines Primary FMSIS 2009 / 2010		x			-	4	4	8	Draft
St Johns (Orton) Primary FMSIS 2009 / 2010		x			-	7	-	7	Final
The Beeches FMSIS 2009 / 2010									Draft Review
Watergall Primary FMSIS 2009 / 2010			x		-	4	1	8	Draft Report
Welbourne Primary FMSIS 2009 / 2010									Draft Review
Winyates Primary FMSIS 2009 / 2010									Draft Review
Woodston Primary FMSIS 2009/ 2010		x			-	2	3	7	Final
Heltwate FMSIS 2009 / 10									Draft Review Stage
NeneGate FMSIS 2009 / 2010									Draft Review

APPENDIX A (continued)

ASSURANCE LEVELS AND RECOMMENDATIONS

AUDIT ASSIGNMENT	ASSURANCE LEVEL			RECOMMENDATIONS MADE					Status	
	Full	Signif	Limit	No	Critical	High	Med	Low		Total
<b>CHILDRENS SERVICES: OTHER ACTIVITIES</b>										
Bushfield School Closure		x			-	1	-	-	1	Final
The Voyager			x		-	11	4	4	19	Final
SI (Chi2325-02) *			x		-	-	3	-	3	Final
SI (Chi2154-04) *				x	-	13	3	3	19	Final
SI (Chi2084-05) *										Draft Review
Heltwate Financial Controls*					n/a	n/a	n/a	n/a	n/a	Final memo
Building Schools for the Future*		x			-	-	1	-	1	Final
CRB policy in schools *					n/a	n/a	n/a	n/a	n/a	Final
Retrospective Orders *										In progress
Contact Point Accreditation										In progress
PCAE			x		-	10	9	1	20	Finalised during April

APPENDIX A (continued)

ASSURANCE LEVELS AND RECOMMENDATIONS

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status	
	Full	Signif	Limit	No	Critical	High	Med	Low	Total		
<b>CHILDRENS SERVICES: FOLLOW UPS</b>											
Abbotsmeade FMSIS 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
All Saints FMSIS 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
Eyrescroft FMSIS 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
Gladstone FMSIS 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
John Clare FMSIS 2008 / 2009					-	-	-	-	-	-	In progress
Longthorpe FMSIS 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
Matley FMSIS 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
Middleton Primary 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
Nene Valley 2008 / 2009					-	-	-	-	-	-	Review Stage
Newark Hill 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
Newborough 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final

APPENDIX A (continued)

ASSURANCE LEVELS AND RECOMMENDATIONS

AUDIT ASSIGNMENT	ASSURANCE LEVEL			RECOMMENDATIONS MADE					Status		
	Full	Signif	Limit	No	Critical	High	Med	Low		Total	
<b>CHILDRENS SERVICES: FOLLOW UPS Continued</b>											
Norwood 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
Northborough 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
Parnwell 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
Peakirk cum Glington 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
Sacred Heart 2008/ 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
The Pheonix 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
St Thomas More 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
Stanground St Johns 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
West Town FMSIS 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
Wittering FMSIS 2008 / 2009					-	-	-	-	-	-	In progress
Bushfield School Closure					n/a	n/a	n/a	n/a	n/a	n/a	Final
The Voyager					n/a	n/a	n/a	n/a	n/a	n/a	Final
Orton Longueville – Cashless System					n/a	n/a	n/a	n/a	n/a	n/a	Final
Education Psychology					n/a	n/a	n/a	n/a	n/a	n/a	No further action

APPENDIX A (continued)

ASSURANCE LEVELS AND RECOMMENDATIONS

AUDIT ASSIGNMENT	ASSURANCE LEVEL			RECOMMENDATIONS MADE					Status	
	Full	Signif	Limit	No	Critical	High	Med	Low		Total
<b>CHILDRENS SERVICES: FOLLOW UPS Continued</b>										
St John Fisher Compliance Follow up					n/a	n/a	n/a	n/a	n/a	Final
Old Fletton FMSIS					n/a	n/a	n/a	n/a	n/a	Final
SI (Chi2154-04) Follow up					n/a	n/a	n/a	n/a	n/a	Final
Oakdale FMSIS					n/a	n/a	n/a	n/a	n/a	Final
<b>CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS</b>										
<b>Rolled Forward from 2008 / 2009</b>										
Bishop Creighton			x		-	2	6	6	14	Final
Discovery			x		-	2	7	2	11	Final
John Clare			x		-	1	6	4	11	Final
Longthorpe Primary		x			-	1	2	2	5	Final
Middleton			x		-	3	3	2	8	Final
Nene Valley		x			-	-	3	2	5	Final
Newark Hill		x			-	1	3	2	6	Final
Northborough			x		-	3	1	1	5	Final
Norwood		x			-	3	2	1	6	Final



APPENDIX A (continued)

ASSURANCE LEVELS AND RECOMMENDATIONS

AUDIT ASSIGNMENT	ASSURANCE LEVEL			Critical	RECOMMENDATIONS MADE				Status
	Full	Signif	Limit		No	High	Med	Low	
<b>CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS</b>									
<b>Rolled Forward from 2008 / 2009 Continued</b>									
Parnwell Primary		x			-	2	2	4	Final
Peakirk-cum-Glinton			x		-	8	2	11	Final
Sacred Heart RC Primary			x		-	5	-	10	Final
Stanground St Johns			x		-	4	-	6	Final
St Thomas More		x			-	1	4	5	Final
The Phoenix			x		-	3	2	10	Final
Wittering			x		-	7	2	11	Final

APPENDIX A (continued)

ASSURANCE LEVELS AND RECOMMENDATIONS

AUDIT ASSIGNMENT	ASSURANCE LEVEL			RECOMMENDATIONS MADE					Status	
	Full	Signif	Limit	No	Critical	High	Med	Low		Total
<b>CITY SERVICES</b>										
Procurement *		x			-	-	1	1	2	Final
Energy Payments *				x	1	11	3	2	17	Final
SI (Con3195-03) *				x	2	1	-	-	3	Final. Deferral – The report will be issued to Audit Committee following the completion of a number of internal procedures.
Property Design and Maintenance Contracts					-	-	-	-	-	In progress
<b>CITY SERVICES</b>										
<b>Rolled forward 2008 / 2009</b>										
Budgetary Control			x		-	4	6	2	12	Final

APPENDIX A (continued)

ASSURANCE LEVELS AND RECOMMENDATIONS

AUDIT ASSIGNMENT	ASSURANCE LEVEL			RECOMMENDATIONS MADE					Status	
	Full	Signif	Limit	No	Critical	High	Med	Low		Total
<b>OPERATIONS</b>										
Central Library Follow Up					n/a	n/a	n/a	n/a	n/a	Final
SI (Env4396-01) *			x		-	7	-	-	7	Final
Blue Badges *			x		-	3	3	-	6	Final
Key Theatre		x			-	2	6	9	17	Final
Climate Change			x		-	6	4	2	12	Final
SI (Con3325-01) *			x		-	-	2	2	4	Final
Walton Community Association Consultancy*					n/a	n/a	n/a	n/a	n/a	n/a
Leisure Trust Creation *					n/a	n/a	n/a	n/a	n/a	Final
Museum Follow up					n/a	n/a	n/a	n/a	n/a	Final
Street Lighting Follow Up					n/a	n/a	n/a	n/a	n/a	Final
<b>OPERATIONS</b>										
<b>Rolled Forward 2008 / 2009</b>										
Jack Hunt Pool Refurbishment *				x	1	12	9	2	24	Final

## APPENDIX A (continued)

## ASSURANCE LEVELS AND RECOMMENDATIONS

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE						Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total		
<b>STRATEGIC RESOURCES</b>											
LSVT VAT Shelter Usage *		x			-	-	2	-	2	Final	
Invoice Fraud - Insurance Claim Recovery *					n/a	n/a	n/a	n/a	n/a	No further action	
Teachers Pensions Arrangements 2008 / 2009					n/a	n/a	n/a	n/a	n/a	Final	
National Fraud Initiative					n/a	n/a	n/a	n/a	n/a	Final – Results provided to Audit Commission via online portal	
CIPFA Benchmarking 2009					n/a	n/a	n/a	n/a	n/a	Analysis used to develop Audit Strategy 2010 agreed by Audit Committee March 2010	
SI (Con3325-01) *			x		-	1	-	-	1	Draft memo	
Benefits 2009/10		x			-	-	2	1	3	Draft Review	
Main Accounting System 2009/10		x			-	-	2	2	4	In progress	
Treasury 2009/10					-	-	-	-	-	In progress	
SI (Str5470-19) *					n/a	n/a	n/a	n/a	n/a	Final memo	
SI (Str5470-20) *					n/a	n/a	n/a	n/a	n/a	Final memo	
BACS Processing - Payroll*			x		-	2	4	-	6	Final	

APPENDIX A (continued)

ASSURANCE LEVELS AND RECOMMENDATIONS

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE						Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total		
<b>STRATEGIC RESOURCES (Continued)</b>											
Taxation Systems - Bailiff Interface*					n/a	n/a	n/a	n/a	n/a	n/a	Final memo
Bank Imprest F/Up					n/a	n/a	n/a	n/a	n/a	n/a	Final memo
Creditor Payments*					n/a	n/a	n/a	n/a	n/a	n/a	Final memo
Purchasing Card Procedures					n/a	n/a	n/a	n/a	n/a	n/a	Final
Council Tax 2009 / 10		x			-	-	3	-	-	3	Final
NNDR 2009 / 10		x			-	-	1	-	-	1	Final
Cash and Banking		x									Draft Review
Accounts Payable – Central Controls											Draft Review
Central Security *					n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Rolled Forward 2008 / 2009</b>											
Payroll					-	-	16	6	-	22	Final
Purchasing Cards				x	1	3	9	4		17	Final
Debtors			x		-	3	6	1		10	Final

## APPENDIX A (continued)

## ASSURANCE LEVELS AND RECOMMENDATIONS

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE						Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total		
<b>ICT</b>											
ECAF (Children's Services IT systems) *					-	-	-	-	-	-	NFA
IT Governance – CIA consultancy					-	-	-	-	-	-	Complete
ICT Managed Service – CIA consultancy					n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>CORPORATE ACTIVITY / CROSS CUTTING REVIEWS</b>											
Assurance Framework – half year review					n/a	n/a	n/a	n/a	n/a	n/a	Committee Report
Assurance Framework – annual review					n/a	n/a	n/a	n/a	n/a	n/a	Committee Report
Audit Charter					n/a	n/a	n/a	n/a	n/a	n/a	Committee Report
Audit Committee Handbook - revision					n/a	n/a	n/a	n/a	n/a	n/a	Committee Report
Strategic Governance Board – CIA Consultancy					n/a	n/a	n/a	n/a	n/a	n/a	Final
Risk Management - Consultancy					n/a	n/a	n/a	n/a	n/a	n/a	Final
Recruitment / CRB			x		-	8	1	1	1	10	Final

APPENDIX A (continued)

ASSURANCE LEVELS AND RECOMMENDATIONS

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status	
	Full	Signif	Limit	No	Critical	High	Med	Low	Total		
Grants:											
DoH Stroke Care	x				n/a	n/a	n/a	n/a	n/a	n/a	Final
GAF Opportunity Peterborough 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Final
Final Account Statements 2009 / 2010:											
Annual Governance Statement 2009 / 2010					n/a	n/a	n/a	n/a	n/a	n/a	In progress
CAA / Use of Resources					n/a	n/a	n/a	n/a	n/a	n/a	CIA strategic co-ordination
Audit Opinion 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Committee report
Final Account Statements 2008 / 2009:											
Annual Governance Statement 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Committee report
CAA / Use of Resources					n/a	n/a	n/a	n/a	n/a	n/a	CIA strategic co-ordination
Audit Opinion 2008 / 2009					n/a	n/a	n/a	n/a	n/a	n/a	Committee report

**APPENDIX A (continued)**

**ASSURANCE LEVELS AND RECOMMENDATIONS**

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status	
	Full	Signif	Limit	No	Critical	High	Med	Low	Total		
External Work:											
FMSIS Cambridgeshire County Council 8 Primary Schools					n/a	n/a	n/a	n/a	n/a	n/a	Final
					n/a	n/a	n/a	n/a	n/a	n/a	

**TOTAL RECOMMENDATIONS MADE 2009 / 2010**

<b>5</b>	<b>140</b>	<b>209</b>	<b>103</b>	<b>457</b>
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**AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE**

<b>NO ASSURANCE</b>		<b>Date To Audit Committee</b>
Con3115-01	Energy Payments	07 June 2010

<b>LIMITED ASSURANCE</b>		<b>Date To Audit Committee</b>
Env4030-02	Climate Change	07 June 2010
Chi2410-04	PCAE	07 June 2010

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

## Report 1: Energy Payments

### Introduction

The payment and monitoring of energy and other utility bills is managed by Facilities Management, within the Property, Design and Maintenance division of Peterborough City Services. From 1 February 2010 responsibility has transferred to Asset Management, part of the Strategic Property section within Strategic Resources.

Following discovery of large duplicate payments to the electricity supplier E.on, Internal Audit were asked to review the processes for paying and recording energy bills, and establish why PCC failed to identify the duplicate payments to E.on before they were made, and whether any other significant duplicate payments had been made.

### Background

In May 2009 PCC received a series of invoices from the electricity supplier E.on to cover electricity supply charges owed for the Regional Pool from December 2005 to October 2006, and from October 2007 onwards. These totalled £602,673.08. Invoices covering December 2005 to October 2006 were paid, totalling £112,301.57 in June 2009. However the remainder of the debt was disputed due to the rates charged by E.on. Business Support (Operations) established, despite categorical assurances from E.on to the contrary, that the £112,301.57 paid in June 2009 duplicated payments made to E.on in 2005 and 2006 under the old bulk billing system. In November 2009 E.on gave PCC 48 hours notice of disconnection of electricity supply to the Regional Pool unless payment of the remaining £490,371.51 was forthcoming. Immediate payment was made to secure supply. E.on have confirmed that that they have received the original and duplicate payments, and therefore the account is substantially in credit. This credit remains to be repaid.

It was discovered that notice was given to Eastern Shires Purchasing Organisation (ESPO) in February 2007 that PCC wished to withdraw the Regional Pool's electricity supply from the corporate supply contract with E.on effective from October 2007. However a replacement contract was not put in place at the time and E.on continued to supply electricity to the Regional Pool. Comparison of the Regional Pool's average monthly electricity charges paid immediately before cessation of the contract and the retrospective bills received in May 2009 shows the non-contract bills on average 119.4% higher. A new supply contract for the Regional Pool has been negotiated with E.on, backdated to October 2007. It is understood that this should see a substantial refund to PCC. Prior to this agreement, losses on the Regional Pool's electricity bills were estimated at £330,000.

### Major Findings

During the audit it was found that:

- There is no up to date central record of utility bills that can be consulted to ensure that bills have not already been paid. The TEAM database where Facilities Management record utility bills has not been updated on a regular basis for at least three years.
- Checks conducted on invoices received are inadequate prior to approval for payment
- Other duplicate payments have been made to E.on although the amounts involved are not significant. Nonetheless these highlight weaknesses in processes.
- All invoices are now individually processed. A bulk billing system was in place at one stage with E.on, although this later failed. No bulk billing system was introduced when the corporate electricity supply contract moved to Scottish & Southern Electric.

- As billing records are incomplete insufficient readily accessible data exists for most of those customer-facing sites above 1000m<sup>2</sup> in size to achieve anything other the lowest possible energy efficiency rating on the Display Energy Certificates that are now a statutory requirement. This presents a significant reputational risk to PCC's aspiration to be the Environment Capital.
- Details of gas and electricity consumption for PCC's sites has not been readily available to the Climate Change Team which has meant that in order to prepare for the Carbon Reduction Commitment they have had to approach ESPO to obtain the required data rather than obtain it in-house.
- Little faith can be placed in E.on's own practices since evidence has been found of inappropriate duplicate billing, billing for sites for which it knows PCC is not liable (e.g. Landlords Lighting Accounts), overestimating meter readings, and failure to record payments to the correct accounts in a timely manner.

Further details of these and other findings relating to utility billing can be found in the main body of this report, along with recommendations to address the substantial weaknesses identified.

### **Audit Opinion**

**The audit opinion is No Assurance.**

### **Conclusion**

Failure to keep complete, accurate and up-to-date records of paid utility bills has led to a number of duplicate payments, with the duplicates relating to the Regional Pool being an extreme example. Unless satisfactory actions are taken it is possible that similar situations will arise in future. It is noted that responsibility for logging paid utility bills has now transferred from the Facilities Management team to the Asset Management team, although the issues raised in this report pre-date the transfer. It is imperative that adequate resources are provided to tackle the backlog of paid invoices, and to ensure that records can be kept up-to-date.

Although this review has looked solely at electricity billing, there are a number of issues that could equally apply to gas and water billing. The current utility bill processes are labour-intensive, requiring a lot of manual input by the Transactional Services team, and by the Facilities Technician. More efficient ways of dealing with utility bills must be found, along with a more robust checking system to ensure that all utility payments made are appropriate.

## **REPORT 2: Climate Change**

### **Executive Summary**

Reducing Greenhouse Gas emissions is a global issue, and Peterborough City Council (PCC) has demonstrated its commitment to a low carbon economy in order to address Climate Change in a number of ways. For example, PCC has set the strategic priority of 'Creating the UK's Environment Capital,' signed up to the Nottingham Declaration on Climate Change, developed a Climate Change Strategy and recruited a Climate Change Team. However, Climate Change is a fast paced environment, as legislation and the requirements to demonstrate progress evolve. In light of this, Climate Change is likely to remain on the Corporate Risk Register.

Addressing Climate Change has the commitment and support of officers with appropriate seniority within PCC, which will assist in encouraging and developing initiatives, and driving forward change. A Carbon Management Project Board has been put in place and the Executive Director of Operations is the Chair. This is a Director level group and meetings are held monthly. In addition there is also a Carbon Management Team.

Good progress is being made by the Climate Change Team in respect of managing compilation and submission of NI 185 & 186, raising awareness amongst PCC employees, local businesses and residents and identifying future initiatives to reduce emissions throughout business and the community. There was also evidence of effective partnership working. This momentum should be maintained to establish Peterborough as the UK's Environment Capital.

Key issues arising from this review were that PCC needs to establish an accurate baseline Carbon (C) footprint in order to be able to effectively monitor emissions, implement initiatives for the greatest return and participate in the Carbon Reduction Commitment, (CRC).

### **Scope & Objectives**

The purpose of the review was to assess the extent of the arrangements in relation to Climate Change, as highlighted on the Corporate Risk Register.

The risks associated with Climate Change were highlighted as:-

- Insufficient commitment to Climate Change
- Action taken does not mitigate / minimise impacts of Peterborough City Council, and the Local Authority Area (to include local businesses and residents)
- Significant social and environmental impacts, affecting reputational and credibility issues
- Political and legal requirements in relation to Climate Change are not met

### **Conclusion**

Following discussion and review of PCC's approach to Climate Change, it has been established that actions are still required in order to record and monitor C emissions appropriately in order to report against NI 185 and participate effectively in CRC.

It should be noted that throughout the review the commitment and enthusiasm of the Climate Change Team in ensuring that the city of Peterborough achieves its targets for Climate Change, and aspirations of becoming the UK's Environment Capital, was evident. The Climate Change Team should be commended for their hard work and achievements in the short time period they have existed.

The following risk was highlighted and discussed with the Climate Change Team Manager, however this has not been examined as part of this review, and as such is not detailed separately in the body of the report:

- Planning to adapt to Climate Change, NI 188, is currently led by Opportunity Peterborough. Risk assessments are being undertaken, and these will be incorporated into PCC's Risk Management process.

Climate Change is likely to remain on the Corporate Risk Register, and as such an annual Internal Audit review against progress will be considered in the annual planning process, which will include a review of the framework of measures implemented by the local partnership Opportunity Peterborough.

### **Audit Opinion**

The audit opinion is Limited Assurance.

## REPORT 3: PCAE

### Executive Summary

The relationship between Peterborough City Council (PCC) and the College needs to be more robust from both sides.

No evidence has been supplied to show that terms of reference for sub-committees have been approved by the Governing Board. [Evidence has subsequently been received that sub-committee terms of reference were approved in December 2007.]

No evidence has been supplied to demonstrate that the delegated powers exercised by the Principal have been authorised by the Governing Board.

PCC's Contract Regulations are sometimes breached when appointing contractors to undertake minor works at the College because an in-house quotation is not always requested as well as the external quotation.

The final budget for 2008/09 was not submitted for approval to the Finance Sub-Committee or the Governing Board and the final budget for 2009/2010 has not yet been approved, although the draft budget was agreed in principle by the Finance Sub-Committee in September 2009 (for the year starting at the beginning of August 2009 and ending at the end of July 2010).

The College is in breach of HMRC's regulations because VAT has not been paid on the catering element of external room hire bookings. The VAT underpayment since April 2006 will have to be calculated and paid to HMRC.

At the time the audit work was conducted, the Finance Manager had the login details for some members of her staff for operational purposes, contrary to PCC's Password Policy. This specific issue has now been addressed.

### Scope & Objectives

To review the governance arrangements and systems of financial administration in place at the College.  
To evaluate if these controls are in accordance with the appropriate regulations.

### Conclusion

Governance arrangements in general need to be improved by having the necessary authorisations in place, which is the reason for the limited assurance rating being awarded. The fact that the College has a Governing Board that meets regularly and relies on its sub-committees for decision making demonstrates that there are protocols, albeit that they have not been formally documented and agreed by the Governing Board.

Exception reporting is used in audit reports, so areas of good practice are not commented upon in the main body of the report. However, it is pleasing to report that the systems and controls within the Finance Team have greatly improved overall since the last full audit was undertaken in 2007.

### Audit Opinion

The audit opinion is **limited assurance**.

**PERFORMANCE INDICATORS 2009 / 2010**

Performance Indicator	Annual Target	Actual	Comments
<b>Customers Opinion</b>			
Average rating Post Audit Questionnaire rating	> 3.75	4.34	PAQ issued to all clients on completion of an audit. Maximum score 5
Does the external auditor place reliance on the work of Internal Audit?	Yes	Yes	There are no adverse comments within the Annual External Audit report regarding internal audit
Number of complaints received in relation to the service	Nil	Nil	Standard target of Nil.
Number of compliments received about the service	4	2	Standard set at one per quarter
<b>Process Related</b>			
Percentage of audit days delivered compared with the original audit plan	100 %	103 %	The use of annualised hours and the return of an officer from long term sick has enabled the number of days to be delivered as higher than target.
Average number of days between fieldwork completion and issue of draft audit report	10 days	10 days	This target level reduced during 2009 / 2010 and therefore demonstrates an improvement in the issuing of draft reports.
Percentage of planned audits completed to timescale	93 %	84.6 %	There has been an improvement each quarter from 72% to 100%, but the figure reported here is an average.
Percentage of Internal Audit work for joint / external business	7 %	7.2 %	There is a potential to expand coverage to other organisations.

**PERFORMANCE INDICATORS 2009 / 2010**

Performance Indicator	Annual Target	Actual	Comments
<b>Process Related (continued)</b>			
Does IA comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006?	Yes	Yes	Based on an annual benchmarking exercise utilising 192 questions. Full compliance on 186 areas.
Does the council comply with CIPFA best practice for Audit Committees and meet CAA standards?	Yes	Yes	Annual assessment from CAA
Has the Council established an effective assurance framework?	Yes	Yes	Annual assessment from CAA
Percentage of critical / high priority recommendations agreed	97 %	100 %	Managers reserve the right to accept the risks within their service
Percentage of critical / high priority recommendations implemented	100 %	91 %	Based on the follow-ups carried out in the year.
Percentage of critical / high priority recommendations followed up within 6 months of final report issued	70 %	78.2 %	Above target and an increase from 55% in 2008 / 2009.
<b>Organisational Development</b>			
Number of audit training days per auditor	> 5 days	5.8	Commitment to ongoing training
Working days lost to sickness per FTE	5 days	37.4	Use of Occupational Health to manage long term sickness of two officers.
Proportion of staff qualified (IIA/CIPFA)	25%	37.5 %	Three fully qualified. Two other officers registered with the IIA.



<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 7</b>
<b>7 JUNE 2010</b>	<b>PUBLIC REPORT</b>

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

## ANNUAL GOVERNANCE STATEMENT 2009 / 2010

<b>RECOMMENDATIONS</b>	
<b>FROM</b> : John Harrison, Executive Director (Strategic Resources)	<b>Deadline date</b> : N/a
Committee is asked to:	
<ol style="list-style-type: none"> <li>1. Review and comment on the supporting appendices (A - I) used to establish assurance on the governance arrangements within the Council;</li> <li>2. Review and comment on the Annual Governance Statement (Appendix J), including any areas which should be amended; and</li> <li>3. Subject to changes identified in 2 above, agree and approve the draft statement for inclusion in the statement of accounts.</li> </ol>	

### 1. ORIGIN OF REPORT

This report is submitted as part of the annual closure of accounts process and is included in the Audit Committee work programme for 2010 / 2011.

### 2. PURPOSE AND REASON FOR REPORT

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

### 3. BACKGROUND

3.1 The purpose of this report is to provide details of the findings of the annual review of the internal control arrangements and to seek approval to the draft Annual Governance Statement (AGS), prior to its incorporation in the Statement of Accounts.

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

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

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

3.4 The guidance highlights the links and overlaps between the production of the AGS and the annual governance review. There is a need to involve Executive Directors / Heads of Service and managers assigned with the ownership of risks and delivery of services in both the annual review of governance and the production of the Council's AGS. Set out in **Appendix A** is the overall framework for its production, together with the various constituent parts which are separately recorded in the appendices below to support the statement.

<b>Appendix</b>	<b>Description</b>
<b>B</b>	Effectiveness of Internal Audit
<b>C</b>	External Audit Opinion
<b>D</b>	Executive Directors / Heads of Service Assurance Statement
<b>E</b>	Members Assurance Questionnaire
<b>F</b>	Performance Management and Data Quality
<b>G</b>	Assurance Framework and Risk Management
<b>H</b>	Corporate Governance
<b>I</b>	Partnerships

3.5 The draft statement has then been established (**Appendix J**) and represents a true and fair reflection of the corporate responsibility within the Council. Once completed and approved, the AGS is submitted to the Leader of the Council and Chief Executive for signing.

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

#### **4. METHODOLOGY**

##### **4.1 Internal Audit**

4.1.1 There is a separate report on the Audit Committee agenda which has set out the Annual Internal Audit Opinion.

4.1.2 Internal Audit activities are quarterly reported through Audit Committee and any significant control and governance issues or material to the overall control environment of the Council are highlighted. The annual opinion is produced and submitted to Members highlighting the works delivered, together with key governance / control issues which need to be addressed.

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

4.1.4 The Internal Audit overview concludes that, based on the services' cumulative knowledge and experience of the systems and controls in place, previous audit work and findings of audits in 2009 / 2010, overall throughout the Council there remains a sound internal control environment. Reasonable assurance is provided and an unqualified opinion put in place.

#### 4.2 Review of the Effectiveness of Internal Audit (Appendix B)

4.2.1 An assessment of the effectiveness of Internal Audit was undertaken against the CIPFA Code of Practice self assessment toolkit. From a series of 192 questions, analysis established that there were 6 potential areas which could be improved (both for Internal Audit and corporately for the authority) and the recommendations are documented. Internal Audit recommendations will be addressed and reported through Audit Committee as part of the quarterly update reports.

4.2.2 Further reference is made to Internal Audit within the Annual Audit Letter from PwC which was discussed at Audit Committee on 8 February 2010. PwC were able to place reliance on our work during the year.

4.2.3 Overall, positive assurance can be provided that the Council has an effective Internal Audit Service.

#### 4.3 External Audit Opinion (Appendix C)

4.3.1 Throughout the year, PwC have been commissioned to undertake various reviews which have all been circulated and discussed / approved at Audit Committee. PwC provides an Annual Audit Letter providing an overall evaluation of the Council's progress having regard to the Council's core performance assessment, its financial and service performance and consideration of its strengths and areas for improvement. The content of the letter was reported to Cabinet and Audit Committee on 8 February 2010, and overall is positive and states that the Council is performing well. Improvements have been made in a number of areas and further areas of change identified.

#### 4.4 Executive Directors / Heads of Service Assurance Statement (Appendix D)

4.4.1 Each Directorate provided an Assurance Statement having reviewed its key control checklists to come to an opinion on the governance arrangements and internal control environment within their service.

4.4.2 No adverse comments were received from departments. Question 9 in relation to staffing identified the ongoing development of staff reviews. A new "Performance Development Review" process was introduced in February / March 2010 which would have not had time to cascade through the organisation. In terms of Action Planning, this was identified in one area - contracting - and this is being addressed by the current review of Contract Regulations. Items of a financial nature which could impact on the overall accounts position have been separately referred to Strategic Finance.

#### 4.5 Members Assurance Questionnaire (Appendix E)

4.5.1 In order to gauge member views on governance issues which impact on fulfilling their role, a brief questionnaire was issued by Democratic Services to all Members on 31 March 2010. As at mid-May, 21 questionnaires had been returned. From the analysis, which is documented in the Appendix, it can be concluded that there is general satisfaction around the support provided to members.

4.5.2 In order to develop, while training and development was identified as strong by the majority of responses, a few expressed the view that it could be improved further. There was an overall perception that consultation with the public should be enhanced, particularly in relation to financial planning. This was also referred to in the External Audit Annual Letter in relation to the Neighbourhood Councils and is reflected as a key action with the draft Annual Governance Statement.

#### 4.6 Performance Management and Data Quality (Appendix F)

4.6.1 Regular reporting of performance is in evidence across the Council. Monthly reports are produced using the corporate system, Performance Plus, and quarterly reports are produced for members. Regular discussions are held at CMT and various scrutiny panels / boards. Any areas of concern identified are tackled through CMT and appropriate decisions taken to reduce or prevent any deterioration in performance.

4.6.2 Following the External Audit review of data quality during the year, it has been established that there is a need for the quality of performance data to be improved - both in terms of its collation and also its verification. This has been included as a key action to be addressed within the Annual Governance Statement.

#### 4.7 Assurance Framework and Risk Management (Appendix G)

4.7.1 There have been ongoing improvements in risk management across the Council in 2009 / 2010. Training has been cascaded through departments and there has been a continuing emphasis on covering partnership and project risks together with cross cutting issues. Project risks are embedded in the managed arrangements around projects and these are reported in a dashboard format as part of the Business Transformation agenda.

4.7.2 The Risk Management Strategy has been fully reviewed and agreed by Audit Committee in September 2009 and now incorporates business continuity for the first time. As a result of this further enhancement, it has continued to improve the corporate ownership of the managing and monitoring of corporate risk across the Council.

4.7.3 The Council's key objectives, risks, controls and available assurances (and any gaps) have been mapped to provide assurance that there is an effective Assurance Framework. The Assurance Framework has been documented in the Audit Committee Handbook (2<sup>nd</sup> Edition approved by Members February 2010). The framework is refreshed twice yearly so that relevant changes can be reported to Audit Committee, the last being in March 2010. There have been no material changes since then.

#### 4.8 Corporate Governance (Appendix H)

4.8.1 Regular updates on governance arrangements are reported through Corporate Management Team, Cabinet, Scrutiny Commissions, Standards Board, Audit Committee and ultimately to Full Council. This covers all aspects of governance - from constitutional changes, operational procedures, standards issues and audit and fraud related matters. Significant governance issues established in the Annual Governance Statement are reported to Audit Committee, together with the progress made to address them.

#### 4.9 Partnerships (Appendix I)

The Council has established its significant partnerships. Internal Audit has developed an overall partnership toolkit and this has been initially used to ensure that there are appropriate governance arrangements in place for partnerships. Separate working groups were set up to ensure appropriate governance was in place for the recently established Leisure Trust.

### 5. **ANNUAL GOVERNANCE STATEMENT**

5.1 The CIPFA Financial Advisory Network produced a "*Rough Guide to the Annual Governance Statement*" in 2008 which provides a framework for reviewing the adequacy and effectiveness of the Council's key controls. The draft AGS follows recommended best practice and pulls together the various sources of assurance in to one document, and is a statutory document to be included in the final accounts.

## **6. CONSULTATION**

- 6.1 This draft AGS has been issued to Executive Director (Strategic Resources), Solicitor to the Council, Head of Corporate Services and the Head of Legal Services for consideration, together with the external auditors, PricewaterhouseCoopers.

## **7. ANTICIPATED OUTCOMES**

- 7.1 Approval of the documents for inclusion in the draft accounts for 2009 / 2010.
- 7.2 It is reasonable from all the assurances now available to the Council to conclude that a sound system of internal control operated throughout 2009 / 2010.

## **8. REASONS FOR RECOMMENDATIONS**

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

## **9. ALTERNATIVE OPTIONS CONSIDERED**

- 9.1 None required at this stage.

## **10. IMPLICATIONS**

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

## **BACKGROUND DOCUMENTS**

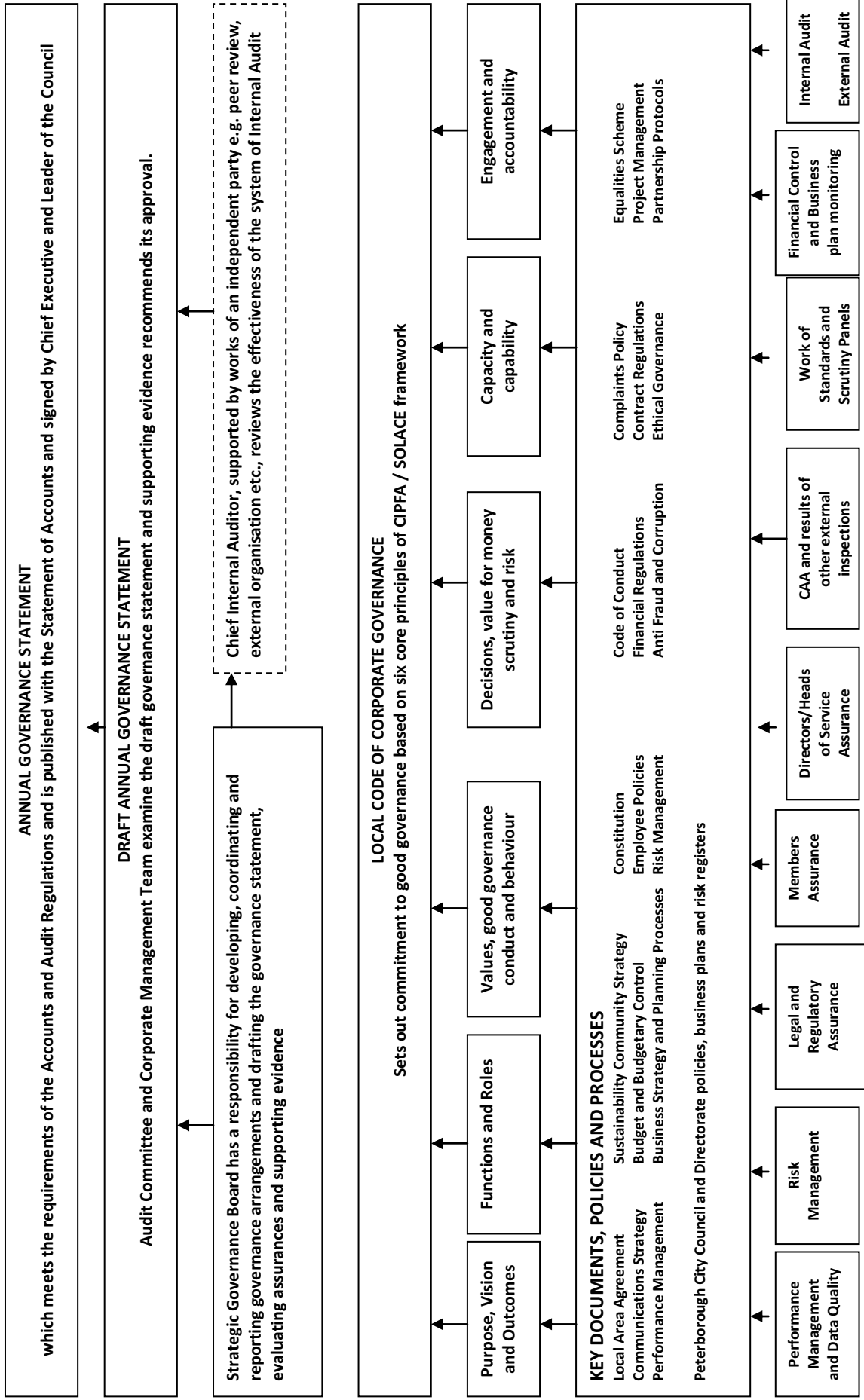
Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

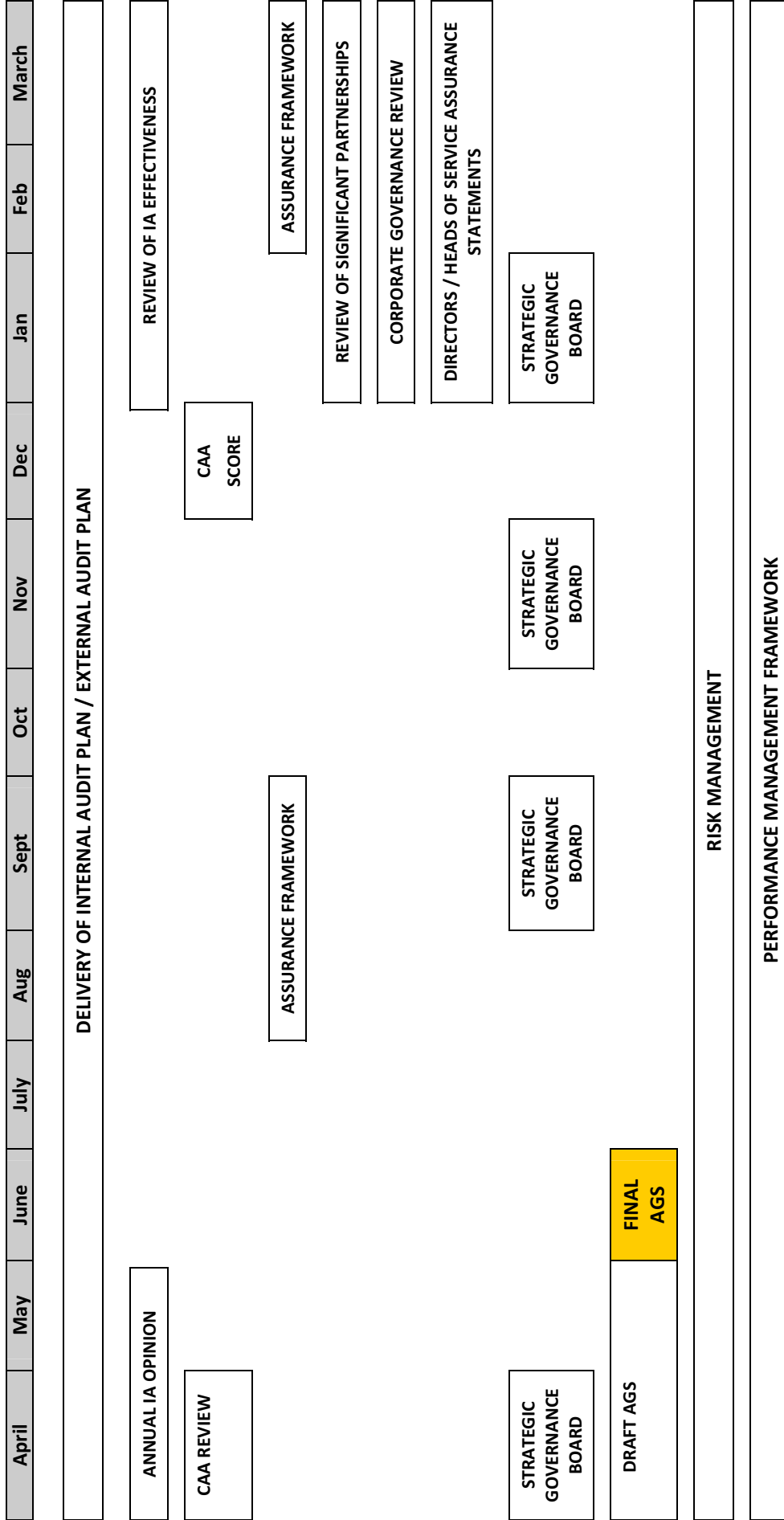
CIPFA / SOLACE Framework - Delivering Good Governance in Local Government

CIPFA Finance Advisory Network - The Annual Governance Statement

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PETERBOROUGH CITY COUNCIL FRAMEWORK FOR THE ANNUAL GOVERNANCE STATEMENT







## REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2009 / 2010

### Introduction

As part of the Council's assurance process for the Annual Governance Statement, and in accordance with the requirements of the Accounts and Audit Regulations 2003 as amended in 2006, this report reviews the effectiveness of the system of internal audit undertaken by the Council.

This report outlines the statutory requirements for the review, the methodology used, and the overall findings and conclusions. The focus of this report is primarily on the role of the Internal Audit Team; whilst the system of Internal Audit is wider than that of just the Internal Audit Team, it is encompassed within the overall Annual Governance Framework that is separately considered by the Audit Committee.

### Background

The Accounts and Audit (Amendment) (England) Regulations 2006 came into force on 1st April 2006:

**Regulation 6** requires bodies to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 4.

The Department for Communities and Local Government (DCLG) issued guidance on Regulation 6:

**Review of internal audit:** On the requirement for an annual review of the effectiveness of the system of internal audit and for a committee of the body to consider the findings the guidance says that this process is also part of the wider annual review of the effectiveness of the system of internal control.

In January 2009, the CIPFA Audit Panel produced further guidance on reviewing the System of Internal Audit, suggesting the following areas should be reviewed:

- The process by which the control environment and key controls have been identified - the organisation's risk management system;
- The process by which assurance has been gained over controls – its coverage of the key controls and key assurance providers;
- The adequacy and effectiveness of the remedial action taken where there are deficits in controls, which will be led by the audit committee or its equivalent and implemented by management; and
- The operation of the audit committee and the internal audit function to current codes and standards.

There is duplication with the Council's Annual Governance Statement process and the Use of Resources assessment, in particular relating to assurance on the risk management system, and the operation of the Audit Committee. As a result, the focus of the annual review of the effectiveness of the system of internal audit should focus on looking at the Internal Audit Service only.

### Methodology

The review has been conducted using a self assessment toolkit against the CIPFA Code of Practice for Internal Audit 2006 (attached).

### **Summary of Findings**

The internal self assessment and sources of evidence provided, established the following areas which could be improved, or considered for improvement.

<b>Code Ref</b>	<b>Recommendations</b>
3.1.1	The Code of Ethics established for Internal Audit in March 2007 should be reviewed and then submitted to Audit Committee.
6.1.2	Internal Audit should develop a strategy to take forward specialist auditing areas.
8.3.4	There is a need for the corporate document retention policy to be reviewed and reissued to ensure compliance across the Council.
10.2.8	Internal Audit to incorporate into their processes a mechanism to ensure that risk registers are updated following audit reviews.
10.3.3	Consideration should be given to reviewing the opinions made on a specific audit if it does not comply with implementation of previously agreed recommendations.
11.3.4	Internal Audit to issue a survey to senior management to establish the extent to which audit is adding value to their services.

### **Conclusions**

Based on the assessment against 192 questions, the evidence collected demonstrates the Council operates in compliance with professional standards, and initiates change where improvements to the internal control environment is required. The review has identified a number of areas where ongoing improvements could be made (within internal audit and also corporately).

In conclusion, there are no material weaknesses which impact on the overall effectiveness of the internal control environment.

**REVIEW OF SYSTEM OF INTERNAL AUDIT 2009 / 2010**

**1. SCOPE OF INTERNAL AUDIT**

The code says that to achieve full effectiveness the terms of reference of internal audit should be formally defined and should establish responsibilities and objectives, reporting lines and rights of access. The scope of internal audit should be dependent upon the results of the organisations risk management process. Arrangements should be in place to ensure all cases of suspected fraud and corruption are referred to Internal Audit who will then investigate them

Ref	Standard	Review	Evidence	Recommendation
<b>1.1</b>	<b>Terms of Reference</b>			
1.1.1	Do terms of reference:			
	(a) Establish the responsibilities and objectives of Internal Audit?	Yes	This has been set out in the:	
	(b) Establish the organisational independence of Internal Audit?	Yes	<ul style="list-style-type: none"> <li>Internal Audit Strategy which is approved on an annual basis (Audit Committee 29 March 2010);</li> </ul>	
	(c.1) Establish the accountability, reporting lines and relationships between the Head of Internal Audit and those charged with governance?	Yes	<ul style="list-style-type: none"> <li>Internal Audit Charter (approved Audit Committee 8 February 2010);</li> </ul>	
	(c.2) Establish the accountability, reporting lines and relationships between the Head of Internal Audit and those parties to whom the Head of Internal Audit may report?	Yes	<ul style="list-style-type: none"> <li>Audit Committee Handbook (approved Audit Committee 8 February 2010)</li> </ul>	
	(d) Recognise that Internal Audit's remit extends to the entire control environment of the organisation?	Yes	<ul style="list-style-type: none"> <li>Financial Regulations;</li> </ul>	
	(e) Identify Internal Audit's contribution to the review of the effectiveness of the control environment?	Yes	<ul style="list-style-type: none"> <li>Annual Governance Statement; and</li> </ul>	
	(f) Require and enable the Head of Internal Audit to deliver an annual audit opinion?	Yes	<ul style="list-style-type: none"> <li>Internal Audit Manual</li> </ul>	
	(g) Define the role of Internal Audit in any fraud-related or consultancy work [see also 1.3.2]?	Yes		
	(h) Explain how Internal Audit's resource requirements will be assessed?	Yes		
	(i) Establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?	Yes		
1.1.2	Does the Head of Internal Audit advise the organisation on the content and the need for subsequent review of the terms of reference?	Yes	Detailed within Internal Audit Strategy and Internal Audit Charter. Built in to the annual work programme for the Committee.	

1. SCOPE OF INTERNAL AUDIT (continued)				
Ref	Standard	Review	Evidence	Recommendation
1.1.3	Have the terms of reference been formally approved by the organisations?	Yes	Annual review of the terms of reference and are approved at the March committee cycle each year.	
1.1.4	Are terms of reference regularly reviewed?	Yes		
<b>1.2</b>	<b>Scope of Work</b>			
1.2.1	Are the organisation's assurance, risk management arrangements and monitoring mechanisms taken into account when determining Internal Audit's work and where effort should be concentrated?	Yes	Has been built into the planning process which is identified within the Internal Audit Strategy. Includes reviews of the authorities risk register(s), the assurance framework and other areas identified (demonstrated on Annual Governance Statement diagram within the Handbook).	
1.2.2	a) Where services are provided in partnership has the Head of Internal Audit identified how assurance will be sought? b) Where services are provided in partnership has the Head of Internal Audit identified agreed access rights where appropriate?	N / A N / A	Not applicable - all services are provided in house.	
<b>1.3</b>	<b>Other Work</b>			
1.3.1	Where Internal Audit undertakes consultancy and/or fraud and corruption work, does it have the: [a] Skills, and [b] Resources to do this?	Yes Yes	Fraud investigations are conducted on the whole within the Compliance and Ethical Standards Team within Chief Executives Department who are trained specialists in fraud. Where there is a breakdown in controls within the systems, Internal Audit work alongside this team to identify the gap(s) and put measures in place to resolve.	
1.3.2	Do the terms of reference define Internal Audit's role in: [a] Fraud and corruption? [b] Consultancy work?	Yes Yes	Within the Audit Charter and Internal Audit Strategy	
<b>1.4</b>	<b>Fraud and Corruption</b>			
1.4.1	Has the Head of Internal Audit made arrangements, within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	Yes	Within the Audit Charter and Internal Audit Strategy, together with the Whistleblowing Policy.	

Ref	Standard	Review	Evidence	Recommendation
<b>2. INDEPENDENCE</b>				
Internal audit should be sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitate impartial and effective professional judgements and recommendations. Internal Auditors should have no operational responsibilities. The status of internal audit and the Head of Internal Audit and the rights of access to records, assets, personnel and premises have significant impact on the ability of internal audit to maintain its independence.				
<b>2.1</b>	<b>Principles of Independence</b>			
2.1.1	Is Internal Audit:			
	[a] Independent of the activities it audits?	Yes	No operational duties are undertaken within the section	
	[b] Free from any non-audit [operational] duties?	Yes		
2.1.2	Where internal audit staff have been consulted during system, policy or procedure development, are they precluded from reviewing and making comments during routine or future audits?	Yes	Audit activity is rotated between staff so as to prevent anyone undertaking the same role	
<b>2.2 Organisational Independence</b>				
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	Yes	Clearly specified in the Audit Charter	
2.2.2	Does the Head of Internal Audit have direct access to:			
	[a] officers?	Yes		
	[b] members?	Yes		
2.2.3	Does the Head of Internal Audit report in his or her own name to members and officers?	Yes	Audit Committee agendas/reports	
2.2.4	[a] Is there an assessment that the budget for Internal Audit is adequate?	Yes	Resources are finite in terms of budget and staff	
	[b] Does any budget delegated to service areas ensure that Internal audit adherence to the Code is not compromised?	Yes	No issues raised and the Annual Plan is discussed with the s151 officer, Corporate Management Team and External Audit prior to its approval.	
	[b] Does any budget delegated to service areas ensure that the scope of Internal Audit is not affected?	Yes	The audit plan is risk based and takes in to consideration budgetary issues.	
	[c] Does any budget delegated to service areas ensure that Internal Audit can continue to provide assurance for the Annual Governance Statement?	Yes	No issues raised	
<b>2.3 Status of the Head of Internal Audit</b>				
2.3.1	Is the Head of Internal Audit managed by a member of the corporate management team?	Yes	Direct reports to s151 officer, Chief Executive, Monitoring Officer, and Head of Corporate Services.	

<b>2. INDEPENDENCE (continued)</b>				
<b>Ref</b>	<b>Standard</b>	<b>Review</b>	<b>Evidence</b>	<b>Recommendation</b>
<b>2.4</b>	<b>Independence of Internal Audit Contractors</b>			
2.4.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?	N / A	<p>The audit service is provided by an in-house team.</p> <p>The planning process is done in full consultation with all departmental management teams and councillors on the Audit Committee.</p> <p>Any matters of this nature would be dealt with separately.</p>	
<b>2.5</b>	<b>Declaration of Interest</b>			
2.5.1	Do audit staff make formal declarations of interest?	Yes	A declaration of interest form is issued to all audit staff every six months for updating. All records are held by the Chief Internal Auditor.	
2.5.2	Does the planning process take account of the declarations of interest registered by staff?	Yes	Conflicts identified above are taken into account when compiling and issuing the audit plan. These include issues such as School Governor or family relationships within the organisation(s) being audited.	

<b>3. ETHICS FOR INTERNAL AUDITORS</b>				
<b>All internal auditors should observe four main principles; integrity, objectivity, competence and confidentiality.</b>				
Ref	Standard	Review	Evidence	Recommendation
<b>3.1</b>	<b>Purpose</b>			
3.1.1	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	Yes	A Code of Ethics was approved by Audit Committee on 5 March 2007	The Code of Ethics should be reviewed and then submitted to Audit Committee.
<b>3.2</b>	<b>Integrity</b>			
3.2.1	Has the internal audit team established an environment of trust and confidence?	Yes	Identified separately in the Audit Charter.	
3.2.2	Do internal auditors demonstrate integrity in all aspects of their work?	Yes		
<b>3.3</b>	<b>Objectivity</b>			
3.3.1	Are internal auditors perceived as being objective and free from conflicts of interest?	Yes	There is a rolling audit programme which precludes auditors from undertaking reviews they have previously undertaken where practical.	
3.3.2	Is a time period set by the Head of Internal Audit for staff where they do not undertake an audit in an area where they have had previous operational roles?	Yes	As a general principle, this equates to a 2 year cycle.	
3.3.3	Are staff rotated on regular/annually audited areas?	Yes	Rotation is identified within the Audit Charter	
<b>3.4</b>	<b>Competence</b>			
3.4.1	Does the Head of Internal Audit ensure that staff have sufficient knowledge of:			
	[a] The organisation's aims, objectives, risks and governance arrangements?	Yes	The section is reflected within the departments overall Departmental Delivery Contract which sets out the overall objectives. Regular team meetings are held.	
	[b] The purpose, risks and issues of the service area?	Yes		
	[c] The scope of each audit assignment?	Yes		
	[d] Relevant legislation and other regulatory arrangements that relate to the audit?	Yes	Group Auditors approve scope of each audit with the auditor prior to works starting. Reference is made to any information provided when the audit plans where being compiled.	
<b>3.5</b>	<b>Confidentiality</b>			
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	Yes	This is intrinsic to the Code of Ethics and the Audit Charter.	

4. AUDIT COMMITTEES				
The purpose of an audit committee is to provide; independent assurance of the adequacy of the risk management framework and associated control environment, to provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.				
Ref	Standard	Review	Evidence	Recommendation
4.1	<b>Purpose of the Audit Committee</b>			
4.1.1	Does the organisation have an independent audit committee?	Yes	Terms of reference identified in the Constitution and has been reaffirmed within the Audit Committee Handbook.	
4.2	<b>Internal Audit's Relationship with the Audit Committee</b>			
4.2.1	Is there an effective working relationship between the audit committee and Internal Audit?	Yes		
4.2.2	Does the committee approve the internal audit strategy and monitor progress?	Yes	Annually, March committee cycle	
4.2.3	Does the committee approve the annual internal audit plan and monitor progress?	Yes	Annually, March committee cycle. Quarterly progress reports are produced	
4.2.4	Does the Head of Internal Audit:			
	[a] Attend the committee and contribute to its agenda?	Yes	Chief Internal Auditor coordinates all works taken through the Audit Committee, including feedback reports and the work programme.	
	[b] Participate in the committee's review of its own remit and effectiveness?	Yes		
	[c] Ensure that the committee receives and understands documents that describe how Internal Audit will fulfil its objectives?	Yes	Training is provided to all members of the Committee when required and an Audit Committee Handbook has been produced to assist in the challenge and scrutiny role.	
	[d] Report on the outcomes of internal audit work to the committee?	Yes		
	[e] Establish if anything arising from the work of the committee requires consideration of changes to the audit plan, or vice versa?	Yes	Quarterly internal progress reports are produced which highlight the work covered and raises any weaknesses in governance processes. An overall annual opinion is produced in June each year.	
	[f] Present the annual internal audit report to the committee?	Yes	This option is available if needed.	
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the audit committee?	Yes		



<b>5. RELATIONSHIPS</b>				
Relationships exist with management at all levels, with other internal auditors, with the external auditors who rely upon internal audit's judgement with other regulators and inspectors and Elected Members. The Head of Internal Audit must manage these relationships to ensure there is clarity on issues such as; the nature of the relationship and its objectives and the responsibilities, expectations and objectives of each party.				
Ref	Standard	Review	Evidence	Recommendation
<b>5.1</b>	<b>Principles of Good Relationships</b>			
5.1.1	Is there a protocol that defines the working relationship for Internal Audit with:			
	[a] Management?	Yes	This is made clear in the Audit Charter which was approved in February 2010, and is re-emphasised in the Audit Strategy.	
	[b] Other internal auditors?	Yes		
	[c] External auditors?	Yes		
	[d] Other regulators and inspectors?	Yes		
	[e] Elected members?	Yes		
<b>5.2</b>	<b>Relationships with Management</b>			
5.2.1	Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers?	Yes	Building good relationships is very important to the successful delivery of the service	
5.2.2	Is the timing of audit work planned in conjunction with management?	Yes	Auditors consult with the auditees to agree a mutually convenient time to commence the audits. However, this is not always the case e.g. specific activities which require immediate intervention.	
<b>5.3</b>	<b>Relationships with Other Internal Auditors</b>			
5.3.1	Do arrangements exist with other internal auditors that include joint working, access to working papers, respective roles and confidentiality?	Yes	Extranet arrangements in place with other Cambridgeshire Authorities to share best practice and also as a forum to discuss common issues.  Other sources of information from CIPFA Better Governance Forum, and TIS Online.	

5. RELATIONSHIPS (continued)			
Ref	Standard	Review	Evidence
<b>5.4 Relationships with External Auditors</b>			
5.4.1	Is it possible for Internal Audit and External Audit to rely on each other's work?	Yes	Formal meetings between Internal Audit and External Audit throughout the year - usually every 2 months.
5.4.2	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	Yes	Progress against jobs on both sides are discussed together with any issues arising from the works.
5.4.3	Are the internal and external audit plans co-ordinated?	Yes	External Audit are consulted on the internal audit plan so as to avoid duplication and ensure the best use of resources.  Annual Audit Letter from External Audit submitted to Audit Committee in February 2010 identified that reliance could be placed on IA work and that some aspects of joint working was in place (page 17, paragraph 21)
<b>5.5 Relationships with Other Regulators and Inspectors</b>			
5.5.1	Has the Head of Internal Audit sought to establish a dialogue with the regulatory and inspection agencies that interact with the organisation?	N / A	This work has been coordinated through the Strategic Improvement Team.
<b>5.6 Relationships with Elected Members</b>			
5.6.1	Do terms of reference for Internal Audit define the channels of communication with members and describe how such relationships should operate?	Yes	Evidenced within the Audit Strategy and the Audit Charter.
5.6.2	Does the Head of Internal Audit maintain good working relationships with members	Yes	Regular briefing meetings are held with the Audit Chair prior to each Audit Committee.  Separate meetings have been held with the Resources Portfolio Holder as appropriate.

**6. STAFFING TRAINING AND CONTINUAL PROFESSIONAL DEVELOPMENT**

Internal audit should be appropriately staffed in terms of numbers, grades, qualification levels and experience having regard to its objectives and to CIPFA standards. Internal Auditors should be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

Ref	Standard	Review	Evidence	Recommendation
<b>6.1</b>	<b>Staffing Internal Audit</b>			
6.1.1	Is Internal Audit appropriately staffed [numbers, grades, qualifications, personal attributes and experience] to achieve its objectives and comply with these standards?	Yes	Budget is in place to fund the team and regular reviews are undertaken throughout the year to ensure that skill levels are maintained.	
6.1.2	Does the Head of Internal Audit have access to appropriate resources where the necessary skills and expertise are not available within the internal audit team?	Partial	Specialist areas, such as IT Audit, come at a premium and it is not cost efficient to employ one in the organisation. Previous arrangements have allowed for temporary recruitment of specialists. However, with budgetary issues being under scrutiny across all the public sector, this may not be possible in future.	Develop an overall strategy to take forward specialist auditing areas
6.1.3	Is the Head of Internal Audit professionally qualified and experienced?	Yes	CIPFA	
6.1.4	Does the Head of Internal Audit have wide experience of internal audit and management?	Yes	15 years audit experience (8 years of which at Chief Internal Auditor level)	
6.1.5	[a] Do all internal audit staff have up-to-date job descriptions? [b] Are there person specifications that define the required qualifications, competencies, skills, experience and personal attributes for internal audit staff?	Yes Yes	Verified as part of job evaluation	
<b>6.2</b>	<b>Training and Continuing Professional Development</b>			
6.2.1	[a] Has the Head of Internal Audit defined the skills and competencies for each level of auditor? [b] Are individual auditors periodically assessed against these predetermined skills and competencies? [c] Are training or development needs identified and included in an appropriate ongoing development programme? [d] Is the development programme recorded, regularly reviewed and monitored?	Yes Yes Yes Yes	Internal Audit make use of the CIPFA publication "Excellent Auditor" to monitor skills and competencies. Informs regular review against activities undertaken to enable feeding into the appraisal process as well as any gaps in training. There is a Training Strategy for the section which is reviewed on an annual basis. All officers have a professional qualification (whether CIPFA, IIA or AAT), and there is a requirement for continuing professional development. Training records are maintained.	
6.2.2	Do individual auditors maintain a record of their professional Training and development activities?	Yes		

7. AUDIT STRATEGY AND PLANNING			
The audit strategy is the high level statement of how the internal audit service will be delivered and developed. It can be presented as a document in its own right or integrated into an existing document such as a business plan. To implement the audit strategy internal audit should prepare a risk based audit plan.			
Ref	Standard	Review	Evidence
7.1	<b>Audit Strategy</b>		
7.1.1	[a] Is there an <i>internal audit</i> strategy for delivering the service? [b] Is it kept up to date with the organisation and its changing priorities?	Yes Yes	The Audit Strategy is annual approved by Audit Committee. It was last submitted in March 2010 together with the Audit Plan.
7.1.2	Does the strategy include: [a] Internal Audit objectives and outcomes? [b] How the Head of Internal Audit will form and evidence of his or her opinion on the control environment? [c] How Internal Audit's work will identify and address local and national issues and risks? [d] How the service will be provided, i.e. internally, externally, or a mix of the two? [e] The resources and skills required to deliver the strategy?	Yes Yes Yes Yes Yes	
7.1.3	Has the strategy been approved by the audit committee?	Yes	
7.2	<b>Audit Planning</b>		
7.2.1	Is there a risk-based plan that is informed by the organisation's risk management, performance management and other assurance processes? Where the risk management process is not fully developed or reliable, does the Head of Internal Audit undertake his or her own risk assessment process?	Yes Yes	Audit Plan approved in March 2010 and is driven by risks, from internal audit analysis, strategic risks registers and also managers. Consultation takes place annually and covers all service areas.
7.2.3	Are stakeholders consulted on the audit plan?	Yes	
7.2.4	Does the plan demonstrate a clear understanding of the organisation's functions?	Yes	
7.2.5	Does the plan: [a] Cover a fixed period of no longer than one year? [b] Outline the assignments to be carried out? [c] Prioritise assignments? [d] Estimate the resources required? [e] Differentiate between assurance and other work? [f] Allow a degree of flexibility?	Yes Yes Yes Yes Yes Yes	Audit Plan - March 2010

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<b>7. AUDIT STRATEGY AND PLANNING (continued)</b>				
<b>Ref</b>	<b>Standard</b>	<b>Review</b>	<b>Evidence</b>	<b>Recommendation</b>
7.2.6	If there is an imbalance between the resources available and resources needed to deliver the plan, is the audit committee informed of proposed solutions?	Yes	Any shortfall in resources, whether due to reduced staff levels or an increased level of coverage required are raised within the annual Audit Plan report.	
7.2.7	Has the plan been approved by the audit committee?	Yes	March 2010	
7.2.8	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	Yes	Quarterly reports to Audit Committee highlight any significant issues to be addressed, together with the proposed solutions.	

<b>8. UNDERTAKING AUDIT WORK</b>					
Each audit should have a brief agreed with relevant managers. Audit work should be undertaken using a risk based audit approach and auditors should consider what specific work needs to be conducted to support an independent and objective audit opinion. All audit work should be subject to an appropriate internal quality review process.					
Ref	Standard	Review	Evidence	Recommendation	
<b>8.1</b>	<b>Planning</b>				
8.1.1	[a] Is a brief prepared for each audit? [b] Is the brief discussed and agreed with the relevant managers?	Yes Yes	A brief is produced for each audit activity and is approved by the appropriate manager - whether Group Auditor or Chief Internal Auditor.		
8.1.2	Does the brief set out:				
	[a] Objectives?	Yes	Full agreement is required before work commences, and all aspects are in accordance with the Audit Manual and Audit Charter.		
	[b] Scope?	Yes			
	[c] Timing?	Yes			
	[d] Resources?	Yes			
	[e] Reporting requirements?	Yes			
<b>8.2</b>	<b>Approach</b>				
8.2.1	Is a risk-based audit approach used?	Yes	Risk based auditing is fully adopted.		
8.2.2	Does the audit approach shown when management should be informed of interim findings where key [serious] issues have arisen?	Yes	Built into the process.		
8.2.2	Does the audit approach include a quality review process for each audit?	Yes	Quality review processes are in place throughout the audit. All working papers are reviewed by senior audit staff and any matters arising addressed prior to the issuing of a draft audit report. All reports are authorised by senior managers before being issued.		
<b>8.3</b>	<b>Recording Audit Assignments</b>				
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	Yes	The audit team make use of a software package called PAWS (Pentana). All audits are now held electronically for ease of review.		
8.3.2	Do quality reviews ensure that the standard is followed consistently for all audit work?	Yes			

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<b>8. UNDERTAKING AUDIT WORK (continued)</b>				
<b>Ref</b>	<b>Standard</b>	<b>Review</b>	<b>Evidence</b>	<b>Recommendation</b>
8.3.3	Are working papers such that an experienced Auditor can easily: (a) Identify the work that has been performed? (b) Re-perform if necessary? [c] See how the work supports the conclusions reached?	Yes Yes Yes	All working papers are now held on PAWS. A standard review process is in place.	
8.3.4	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	Yes	A formal policy was established in 2004 for the whole Council. There is specific requirements for the retention and disposal of audit files etc.  Access to records are maintained.	There is a need for the corporate document retention policy to be reviewed and reissued to ensure compliance across the Council.
8.3.5	Do all retention and access policies confirm to appropriate legislation i.e. Data Protection Act, Freedom of Information Act, etc. and any organisational requirements?	Yes		
8.3.6	Is there an access policy for audit files and records?	Yes		

<b>9. DUE PROFESSIONAL CARE</b>				
Due professional care is: - Working with competence and diligence - the use of audit skills, knowledge and judgement based on appropriate experience, training, ability, integrity and objectivity - respecting and understanding confidentiality				
Ref	Standard	Review	Evidence	Recommendation
<b>9.1</b>	<b>Responsibilities of the Individual Auditor</b>			
9.1.1	Are there documents that set out the requirements on all audit staff in terms of:			
	[a] Being fair and not allowing prejudice or bias to override objectivity?	Yes	Documents include:	
	[b] Declaring interests that could be perceived to be conflicting or could potentially lead to conflict?	Yes	<ul style="list-style-type: none"> <li>Code of Practice for Internal Audit;</li> <li>Code of Ethics;</li> </ul>	
	[c] Receiving and giving gifts and hospitality from employees, clients, suppliers or third parties?	Yes	<ul style="list-style-type: none"> <li>Declaration of Interests register;</li> <li>Gifts and hospitality (corporate policy);</li> </ul>	
	[d] Using all reasonable care in obtaining sufficient, relevant, and reliable evidence on which to base conclusions?	Yes	<ul style="list-style-type: none"> <li>Audit best practice and review processes.</li> </ul>	
	[e] Being alert to the possibility of intentional wrongdoing, errors or omissions, poor value for money, failure to comply with management policy or conflict of interest?	Yes		
	[f] Having sufficient knowledge to identify indicators that fraud or corruption may have been committed?	Yes		
	[g] Disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice?	Yes		
	[h] Disclosing any non-compliance with these standards?	Yes		
	[i] Not using information they gain in the course of their duties for personal use?	Yes		
<b>9.2</b>	<b>Responsibilities of the Head of Internal Audit</b>			
9.2.1	Has the Head of Internal Audit established a monitoring and review programme to ensure that due professional care is achieved and maintained?	Yes	Supervision of all staff through senior managers. Quality control checks in place at all stages of the audit process.	
9.2.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	Yes	Staff have access to a manager at all times.	



<b>10. REPORTING</b>			
The aim of every internal audit report should be: - to give an opinion on the risks and controls of the area under review - to prompt management to implement agreed actions for change - to provide a formal record of points arising from the audit with appropriate timescales agreed with managers for improvement			
Ref	Standard	Review	Evidence
<b>10.1</b>	<b>Principles of Reporting</b>		
10.1.1	Is an opinion on the control environment and risk exposure given in each audit report?	Yes	4 assurance levels in place - Full; Significant; Limited and No.
10.1.2	Has the Head of Internal Audit determined the way in which internal audit will report?	Yes	Standard reports are utilised and these are agreed with staff and held on the software package. Regular internal reviews are in place to ensure that changes proposed can be incorporated if appropriate
10.1.3	Has the Head of Internal Audit set out the standards for internal audit reporting?	Yes	Timetables for the production of reports are laid down in the Audit Charter which has been issued to all managers. It is also covered in the Audit Manual.
10.1.4	Are there laid-down timescales for reports to be issued?	Yes	
<b>10.2</b>	<b>Reporting on Audit Work</b>		
10.2.1	Do the reporting standards include:		
	[a] Format of the reports?	Yes	Standard process in place and specified in the Audit Charter and Audit Manual.
	[b] Quality assurance of reports?	Yes	
	[c] The need to state the scope and purpose of the audit?	Yes	
	[d] The requirement to give an opinion?	Yes	Actions plans are held within the software package.
	[e] Process for agreeing reports with the recipient?	Yes	
	[f] An action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	Yes	
10.2.2	Does the audit reporting process include discussion and agreement of reports?	Yes	Meetings held with auditee to discuss reports, agree recommendations, together with the timescales and actions to address them.
10.2.3	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	Yes	Recommendations are ranked - Critical, High, Medium and Low.
10.2.4	Are areas of disagreement recorded appropriately?	Yes	Management responses are recorded on the final report.

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10. REPORTING (continued)				
Ref	Standard	Review	Evidence	Recommendation
10.2.5	Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention to senior management?	Yes	All final reports which fall into the "Limited" or "No" assurance categories are taken through Audit Committee.	
10.2.6	Is the circulation of each audit report determined when preparing the audit brief?	Yes	Circulation list is evidenced on the front sheet of each audit report issued	
10.2.7	[a] Does the reporting process include details of circulation of that particular audit report? [b] Is this included in the brief for each individual audit?	Yes Yes		
10.2.8	Does the Head of Internal Audit have mechanisms in place to ensure that: [a] Recommendations that have a wider impact are reported to the appropriate forums? [b] Risk registers are updated?	Yes Partial	All final reports which fall into the "Limited" or "No" assurance categories are taken through Audit Committee.  The onus is on managers to update their risk registers, should audit reports identify a material weakness in the systems in place.	Audit will verify that these have been actioned.
<b>10.3 Follow-up Audits and Reporting</b>				
10.3.1	Has the Head of Internal Audit defined the need for and the form of any follow-up action?	Yes	Identified within the Audit Charter. Post audit reviews / follow ups are actioned six months after issue of the final report. Any ongoing issues, such as none actioning of recommendations etc. are reported through the quarterly reports to Audit Committee.	
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures of internal audit recommendations not implemented by the agreed date?	Yes		
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	No	It would be inappropriate to revise the audit opinion as the original audit report would have been issued at a specific time which could be materially different at the follow up stage. Our review concentrates on the recommendations made / agreed to ensure that they have been implemented.	Consideration to reviewing the opinions made on a specific audit if it does not comply with implementing agreed actions
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	Yes	Reassessment of risks	

10. REPORTING (continued)				
Ref	Standard	Review	Evidence	Recommendation
10.4	<b>Annual Reporting and Presentation of Audit Opinion</b>			
10.4.1	Does the Head of Internal Audit provide an annual report to support the Governance Statement?	Yes	Annual Audit Opinion is presented in the June committee cycle.	
10.4.2	Does the Head of Internal Audit's annual report:			
	[a] Include an opinion on the overall adequacy and effectiveness of the organisation's control environment?	Yes	Included in the Annual Audit Opinion report to committee.	
	[b] Disclose any qualifications to that opinion, together with the reasons for the qualification?	Yes		
	[c] Present as summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies?	Yes		
	[d] Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Statement on Internal Control?	Yes		
	[e] Compare the actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance measures and targets?	Yes		
	[f] Comment on compliance with the standards of the Code?	Yes		
	[g] Communicate the results of the internal audit quality assurance programme?	Yes		
10.4.3	Has the Head of Internal Audit made provision for interim reporting to the organisation during the year?	Yes	Quarterly progress reports are presented.	

<b>11. PERFORMANCE, QUALITY AND EFFECTIVENESS</b>				
<b>The work of internal audit should be controlled at each level of operation to ensure that a continuously effective level of performance compliant with CIPFA standards is maintained. Internal Audit should develop a quality assurance programme designed to gain assurance by both internal and external review that the work of internal audit is compliant with CIPFA standards and achieves its objectives and to sustain a commentary on compliance with these standards in the annual audit report.</b>				
Ref	Standard	Review	Evidence	Recommendation
<b>11.1</b>	<b>Principles of Performance, Quality and Effectiveness</b>			
11.1.1	Is there an audit manual?	Yes	An Audit Manual has been established for the internal audit service, which sets out our processes and quality checks etc. This is supplemented by the CIPFA Internal Audit Manual.	
11.1.2	Does the audit manual provide guidance on: [a] Carrying out day-to-day audit work? [b] Complying with the Code?	Yes Yes	In addition, use of the Code of Audit Practice is made. Set processes are in place to regularly review progress in all audits. These include quality checks, performance indicators and post audit questionnaires.	
11.1.3	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	Yes	Set item on Team meeting agenda to review our processes and any changes are then reflected in our auditing practices and manual.	
11.1.4	Does the Head of Internal Audit have arrangements in place to assess the performance and effectiveness of: [a] Each individual audit? [b] The internal audit service as a whole?	Yes Yes		
<b>11.2</b>	<b>Quality Assurance of Audit Work</b>			
11.2.1	Does the Head of Internal Audit have a process in place to ensure that work is allocated to auditors who have the appropriate skills, experience and competence?	Yes	Work is allocated to all staff by the Group Auditors. This takes into account staff rotation, known knowledge etc.	
11.2.2	Does the Head of Internal Audit have a process in place to ensure that all staff are supervised appropriately throughout all audits?	Yes	Quality review process throughout, together with post audit assessment of performance.	
11.2.3	Does the supervisory process cover: [a] Monitoring progress? [b] Assessing quality of audit work? [c] Coaching staff?	Yes Yes Yes		

11. PERFORMANCE, QUALITY AND EFFECTIVENESS (continued)				
Ref	Standard	Review	Evidence	Recommendation
11.3	<b>Performance and Effectiveness of the Internal Audit Service</b>			
11.3.1	Does the Head of Internal Audit have a performance management and quality assurance programme in place?	Yes		
11.3.2	Does the performance management and quality assurance framework include as a minimum:		Performance indicators are reported through on a quarterly basis and then into the Annual Audit Opinion.	
	[a] A comprehensive set of targets to measure performance	Yes		
	[i] Which are developed in consultation with appropriate parties?	Yes		
	[ii] Which are included in service level agreements, where appropriate?	Yes	Post audit questionnaires are sent to all managers and any adverse comments are acted upon.	
	[iii] Against which the Head of Internal Audit measures monitors and reports appropriately on progress?	Yes	As part of the production of the Annual Governance Statement, the audit service is assessed against the Code of Practice.	
	[b] User feedback obtained for each individual audit and periodically for the whole service?	Yes		
	[c] A periodic review of the service against the strategy and the achievement of its aims and objectives, the results of which are used to inform the future strategy?	Yes		
	[d] Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual?	Yes		
	[e] An action plan to implement improvements?	Yes		
11.3.3	Does the Head of Internal Audit compare the performance and the effectiveness of the service over time, in terms of both the achievement of targets and the quality of the service provided to the user?	Yes	Comparisons are made against plan coverage, and also to other council audit teams via benchmarking exercises.	
11.3.4	Do the results of the performance management and quality assurance programme evidence that the internal audit service is:			
	[a] Meeting its aims and objectives?	Yes	On the basis that the service receives far more requests each year from managers wanting audits undertaken than can be accommodated suggests that the service is valued.	
	[b] Compliant with the Code?	Yes		
	[c] Meeting internal quality standards?	Yes		
	[d] Effective, efficient, continuously improving?	Yes		
	[e] Adding value and assisting the organisation in achieving its objectives?	Yes		Issue a survey to senior managers to establish the extent to which audit is adding value

**APPENDIX B**

<b>11. PERFORMANCE, QUALITY AND EFFECTIVENESS (continued)</b>				
<b>Ref</b>	<b>Standard</b>	<b>Review</b>	<b>Evidence</b>	<b>Recommendation</b>
11.3.5	Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?	Yes	Annual Audit Opinion	
11.3.6	Does the Head of Internal Audit provide evidence from his or her review of the performance and quality of the internal audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of internal audit?	Yes	Annual Governance Statement report	

**EXTERNAL AUDIT OPINION**

External Audit Reports discussed at Audit Committee during 2009 / 2010 have included:

28 September 2009	External Audit Report to those charged with Governance
2 November 2009	Interim Audit Report to Management
2 November 2009	Use of Resources Assessment
8 February 2010	Annual Audit and Inspection Letter
8 February 2010	Audit Plan
29 March 2010	Grant Claim Certification Work

The Annual Audit and Inspection Letter outlined the overall judgement that Peterborough is performing well.

It also issued an unqualified opinion on the Council's 2008 / 2009 Accounts. This was discussed at Cabinet and Audit Committee on 8 February 2010.

For all other reports produced, detailed action plans have been established to resolve any weaknesses identified and assurance met by regular reviews against those plans. Key messages identified from the Annual Audit Letter (8 February 2010) are:

**Financial Statements**

- *PwC was pleased with the quality of the draft accounts and the working papers provided to support them. This ensured that the audit process itself was efficient.*
- *The Council recorded an under spend of £141k, which was transferred to reserves, against its net revised revenue budget for the year (net of Dedicated Schools Grant passed to schools) of £154.6m. As reported in the Statement of Accounts, the overall position was underpinned by net under spends in Strategic Resources of £2.0m, overspends of £0.7m in City Services and Environment and Community Services, and other over spends totalling £1.2m.*
- *As in the prior year, the Council has continued its policy of operating with a General Fund balance of £6.0m, representing 3.9 per cent of the net 2008/09 budget.*

**Value for money and Use of resources**

- *From April 2009, the Audit Commission has been implementing the comprehensive area assessment (CAA), jointly with the other public service inspectorates. The audit year 2008/09 is a year of transition to CAA. The use of resources judgements in 2008/09 were input into the first results of CAA which the Audit Commission reported on in October 2009, as well as acting as the basis for PwC's value for money conclusion. PwC issued an unqualified value for money conclusion on 29 September 2009.*
- *PwC assessed the Council as performing well against the Use of Resources themes of 'Managing Finances' and 'Governing the Business', and as performing adequately against the theme of 'Managing Resources'.*

## Key Messages

- *The Council has been assessed by the Audit Commission as performing adequately against the 'Managing Performance' element of the Comprehensive Area Assessment.*
- *The overall Organisational Assessment for the Council is that it is performing adequately. The Council tackles issues that matter most to local people. In many areas performance is good. But services need to improve in some important areas.*
- *The Council has many significant challenges in future years, including:*
  - *the impact of the global economic downturn on future grant settlement from Central Government is likely to require the Council to identify further efficiencies in the way services are delivered;*
  - *the Council's role on the Peterborough Delivery Partnership, and the funding mechanisms that are put in place for significant infrastructure projects, will be crucial in ensuring that the city's ambitious growth agenda is achieved;*
  - *improving performance in key areas; and*
  - *the adoption from 2010/11 of International Financial Reporting Standards (IFRS) in local government, with comparative data required for 2009/10.*

## Recommendations

- 1) *The Council should introduce procedures to ensure that user access rights to the ORACLE financials applications are reviewed at least annually.*
- 2) *The Council should address the issues for improvement noted in its Annual Governance Statement.*
- 3) *The Council should review the reason for qualifications in its grant claims, and take steps to ensure relevant matters are addressed in future years.*
- 4) *Further engagement with local communities is required with regard to determining strategic priorities and financial planning.*
- 5) *The Strategic Improvement Division should ensure that key data and performance information is reviewed and that action is taken to address weaknesses.*
- 6) *The Council needs to achieve clear reductions in its main resource use areas when measured using the same basis for calculation year-on-year.*



**EXECUTIVE DIRECTORS / HEADS OF SERVICE ASSURANCE STATEMENT****Background**

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

**A reminder... why this is important...**

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

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

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

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

**What does signing the document mean?**

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

## Statement made by:

## Responsible for Service Areas/Functions:

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

AREA OF ASSURANCE		Compliant?		If YES-How is this demonstrated / evidenced to support this? If NO-describe the issue
		Yes	No	
8	There are well defined reporting arrangements to Members and senior management, including a clear reporting structure with adequate, accurate and timely information provided, to enable effective decision taking, including seeking appropriate professional advice on legal and financial matters			
9	<p>Management and staffing structures are clearly defined, responsibilities including job descriptions are clearly established and there is a workforce of adequate competence and number to deliver the service.</p> <p>New staff have been properly inducted, and have been introduced to the ambitions, focus and priorities of the Council, and understand their role as part of the team.</p> <p>Performance Development Reviews are conducted effectively and on time and the results provided to Human Resources to develop the corporate training needs analysis.</p> <p>Employees receive face to face briefings and team meetings are planned, well organised and effectively managed</p>			
10	Standards of conduct within the services are in accordance with written codes and controls are in place to deter, prevent, detect, and therefore reduce the risk, of fraud and corruption.			
11	There are effective financial planning and budgetary control procedures in place.			
12	All expenditure transactions by the services are properly authorised and properly and accurately recorded on a timely basis.			
13	The services can demonstrate that value for money in the use of resources has been pursued			
14	All income is properly collected, recorded, banked and monitored, with fees and charges etc. reviewed for appropriateness on a regular basis with levels properly approved			

AREA OF ASSURANCE		Compliant?		If YES-How is this demonstrated / evidenced to support this? If NO-describe the issue
		Yes	No	
15	Assets are adequately recorded and safeguarded to protect against loss or unauthorised use  Inventories are properly maintained and stock is adequately recorded.			
16	Partnership arrangements are strategically justified, well founded, clearly defined and adequately monitored for effectiveness			
17	ICT systems used by the service are secure and satisfactory for their purpose and adequate business continuity arrangements are in place  Information is appropriately secured			
18	Recommendations from relevant external Inspectorate or Internal Audit Reports are reviewed and acted upon			
19	Decisions are taken with due regard to insurance, health and safety, community safety, sustainability, human rights and other risk implications			
20	There are business / service continuity plans, which are subject to regular testing and review			

**Action Planning**

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

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

**Executive Director Statement:**

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

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

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

SIGNED: .....

Date .....

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## MEMBERS ASSURANCE QUESTIONNAIRE

### Governance Arrangements

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

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

### How Can You Help?

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

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

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

### Next Steps

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

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



## Summary Results

21 questionnaires were completed.

	Question	Documents/actions etc that support this					
			Not at all	A little	Sometimes	Frequently	Always
1	Are you clear about the overall aims and objectives of the authority?	Ambition, focus and priorities in our Strategic Plan	-	-	-	12	9
2	Are you clear about your role as a Councillor?	Constitution – is it clear	-	-	-	13	8
		As ward Councillor	-	-	-	8	13
		In your particular role (Chair or Vice Chairman of a Committee) – are you supported adequately?	-	-	-	5	4
		When you're carrying out the business of the Council on external bodies / partner organisation – are you briefed well enough, are there the right feed back opportunities?	-	-	-	5	4
3	Does the Council support you as a Member in developing your abilities to be an effective Councillor?	Through the Members development programme?	1	1	9	9	-
		Through advice and support from officers?	-	-	-	12	9
		Through opportunities for training and development?	-	-	11	10	-
4	As a Council do you think we listen to our community and partners?	In dealing with competing demands and priorities from different sections of the community?	-	-	9	12	-
		Are results of consultation appropriately used to inform decisions?	-	2	5	14	-
		Does the Council work well with partners to solve mutual problems?	-	-	8	13	-
		Does the Council use and share evidence to shape what is done?	-	-	5	16	-

## Improvements

- Improve public consultation. For example, our budget consultation appears to be 2 dimensional with leading questions on selected topics circulated to a very limited audience i.e. a waste of time and unreliable. Give people choices, and then heed them.
- Communication needs to be better, although the monthly Members Bulletins are well received.
- Further development is required of training arrangements.

Majority of responses praised / pleased with the level of support received to fulfil their role.

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## PERFORMANCE MANAGEMENT AND DATA QUALITY

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

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

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

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

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

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

External audit have reviewed the data quality arrangements, which includes the collection and monitoring of indicators. This has identified a number of areas for improvement and this has been reported in the Annual Audit Letter. There is a requirement to improve the data collection and verification and this is reported as a key governance improvement in the Annual Governance Statement.

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## ASSURANCE FRAMEWORK AND RISK MANAGEMENT

The Assurance Framework provides a simple but comprehensive method to implement effective and focused management of the principal risks to the objectives of the Council, its Partners, and Stakeholders.

It also provides a structure for the evidence to support the Annual Governance Statement. This helps facilitate effective performance management by simplified reporting and enables prioritisation of actions to maximise opportunities and ensure effective management of risks.

The Assurance Framework utilises the current risk register (1 - 43 strategic risks) and is then analysed against committee reports, internal and external audit reviews and other council publications in order to establish whether or not mitigating factors are in place to reduce their impact. The report was issued and discussed at Audit Committee 2 November 2009 and refreshed for the meeting on 29 March 2010.

Although 40 strategic risks have been mapped out (from the corporate risk register and a further 3 deleted or merged), a further 22 areas of operational activity or control assurance requirements have been identified where suitable assurance is needed. All have been used to establish a coordinated Internal Audit Plan to ensure full assurance can be provided to the organisation.

The Risk Management Strategy has been annually reviewed and agreed, the last being at Audit Committee in September 2009. This has had a major change this year in that for the first time it now incorporates business continuity. Ongoing training has been provided to senior managers and there has been an emphasis on exploring partnership risks, project risks and cross-cutting themes.

Project risks are incorporated within the overall framework and these are reported through dashboards to the various boards as part of the Business Transformation agenda.

The management of, and updating of the strategic risk register and operational risks are coordinated through the Resilience Manager. As at mid May, Corporate Management Team was due to sign off the latest registers and this will be brought to the attention of the Audit Committee as soon as practical.

A full description of the risks are identified in the Audit Committee agenda (2 November 2009)

Department / Risk Owner	RISK REGISTER / ASSURANCE FRAMEWORK SUMMARY				
	Risk Ref. No.	Assurance Framework Ref.	High	Medium	Low
<b>COUNCIL WIDE</b>					
Staff capacity and skills	1.01	01			
Staff retention in key areas	1.02	02			
Financial considerations with 3 <sup>rd</sup> party funded schemes	1.03	03			
Local Area Agreements	1.05	05			
Partnership working with PCT	1.06	06			
Delivery Master Plan	1.07	07			
Flu pandemic or other major illness	1.08	08			
Business continuity and community resilience	1.09	09			
Investing to save bids	1.10	10			
Governance arrangements	1.11	11			
Credit crunch	1.12	12			
Special purpose vehicles / shared services	1.13	13			
<b>DEPUTY CHIEF EXECUTIVE</b>					
Diversity agenda	2.01	14			
Disability agenda	2.02	15			
Harmonisation process	2.03	16			
<b>CHIEF EXECUTIVE</b>					
Limited community cohesion	3.01	17			
<b>CHILDRENS SERVICES</b>					
Schools Phase 2 and Building Schools for the Future	4.01	18			
Improvement in educational standards - Key Stage 1, 2	4.02	19			
Improvement in educational standards - Key Stage 3, 4	4.03	20			
Children staying safe / child protection	4.04	21			
Teenage conception rates	4.05	22			
Integrated services for children with disability	4.06	23			
Children's Trust	4.07	24			
Workforce development	4.08	25			
Integrated front line service delivery	4.10	27			
Equality and diversity	4.11	28			
Children Services national indicators (Adult Learning)	4.12	29			
<b>CITY SERVICES</b>					
Arms Length Management Organisation	5.02	31			
<b>OPERATIONS</b>					
Highways infrastructure conditions	6.01	32			
Environmental capital aspirations	6.02	33			
Climate change	6.03	34			
<b>PCT</b>					
Social demographic change	7.01	35			
<b>STRATEGIC RESOURCES</b>					
Financial management strategy	8.01	36			
Procurement	8.02	37			
Comprehensive Area Assessment	8.03	38			
Estate utilisation	8.04	39			
Waste management and recycling	8.05	40			
Democratic processes	8.06	41			
Corporate manslaughter	8.07	42			
Investments	8.08	43			

Department / Risk Owner	RISK REGISTER / ASSURANCE FRAMEWORK SUMMARY				
	Risk Ref. No.	Assurance Framework Ref.	High	Medium	Low
<b>OTHER ASSURANCES REQUIRED</b>					
Vision and outcomes		44			
Working protocols		45			
Value promotion		46			
Transparent decisions		47			
Member capacity and capability		48			
Local engagement		49			
Statutory obligations		50			
Corporate objectives		51			
Corporate Governance		52			
Performance management		53			
Risk to objectives		54			
Controls to manage risk		55			
Control effectiveness		56			
Governance effectiveness		57			
Management of PFI		58			
Safeguarding electronic data		59			
Data quality		60			
Implementation of Audit recommendations		61			
New ways of working		62			
Customer satisfaction		63			
Housing strategy		64			
Safe recruitment		65			

Risks deleted / mitigated during year:

- 04 Growth (combined with 07)
- 26 Childrens Services change programme (combined with others)
- 30 Maintaining services within City Services

High	The risk has been identified as an area where ongoing monitoring is required in order to ensure that Council objectives are met.
Medium	The risk is being regularly monitored and a number of mitigating factors / plans have been put in place to reduce the impact
Low	Assurance can be placed on the steps put in place

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## CORPORATE GOVERNANCE

### Introduction

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

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

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

### Findings

Peterborough has adopted a Local Code of Governance in March 2008.

Regular refreshes of the governance arrangements are made, including:

- Constitutional issues - which are reported through to Cabinet and Full Council;
- Standards issues - which are reported through to the Standards Board and ultimately Standards for England if appropriate;
- Internal procedural changes through scrutiny and audit. With regard to Scrutiny - various committees are in place and an overarching Annual Scrutiny report is now produced. For audit, the council has an Audit Committee. An annual report is produced and regular updates are provided on financial probity, risk management, internal control internal audit and fraud issues. There is a self assessment toolkit within the Audit Committee Handbook, and this will be used to benchmark the service during July 2010 for reporting to members in September 2010.
- Fraud related issues are identified in a separate Annual report which is sent to Audit Committee.

All key changes as a result of the above have been documented in the year end Annual Governance Statement.

A separate Strategic Governance Board has been established, chaired by the Solicitor to the Council, which includes key officers from across the organisation (from Democratic Services, Internal Audit, Legal Services, Compliance and Ethics and Finance) and also elected Members. This has improved the focus of governance across the council.

Self assessment arrangements are made through Directors and Heads of Service cover the various attributes for governance (see **Appendix D**). Sample checks are undertaken to ensure genuine compliance. Following assessment of the data available, the Chief Internal Auditor was able to conclude that there is Full Assurance in the current arrangements and the Council complies in all material aspects with these principles. Where issues have been identified; action is being taken, or is planned to address these. Similarly, Members have been canvassed on a number of governance issues which will assist them in their role. Gaps identified have been reflected in **Appendix E**.

Governance issues established in the Annual Governance Statement for 2008 / 2009 have been reported through the Audit Committee, highlighting the progress made to address them. Further updates are included in the 2009 / 2010 statement.

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## PARTNERSHIPS

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

### Background

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

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

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

### Partnerships in Peterborough

Overall, it is considered that there are five significant partnerships within Peterborough, these being:

- Opportunity Peterborough;
- Peterborough Culture and Leisure Trust;
- Peterborough Primary Care Trust;
- The Children and Young Peoples Trust; and
- Building Schools for the Future.

Accountability agreements are in place for the various governance arrangements adopted. These cover such areas as responsibilities, reporting lines, how services will be provided, arrangements regarding funding, how decisions will be made, regularity of meetings, how openness and transparency is to be achieved, audit requirements, arrangements in relation to the secondment of staff and holding and sharing information. Other areas covered include performance management, financial budgeting, planning and management, accountable body responsibilities and risk management.

Risk registers have been established for each of the significant partnerships it is involved in and is contributing to the monitoring, or production of each Partnership's own risk register. A Partnership Toolkit established by Internal Audit has assisted in the review and governance arrangements for all current and future partnerships.

The recently created Leisure Trust (or Vivacity) involved officers from all disciplines across the organisation in order to establish a coordinated framework to ensure robust governance was established. Regular reviews will be set up to ensure compliance during 2010 / 2011.

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**PETERBOROUGH CITY COUNCIL  
(DRAFT) ANNUAL GOVERNANCE STATEMENT 2010**

### **1. SCOPE OF RESPONSIBILITY**

Peterborough City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

This statement explains how the City Council endeavours to deliver good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, which requires the City Council to publish a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement.

### **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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

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

### **3. THE GOVERNANCE FRAMEWORK**

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

- Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;

- Promoting the values of the Authority and demonstrating the values of good governance through behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members to be effective and ensuring that officers (including the statutory officers) also have the capability and capacity to deliver effectively; and
- Engaging with local people and other stakeholders to ensure robust local public accountability.

In March 2008, the City Council approved and adopted a Local Code of Corporate Governance, which provided in-depth details of the framework the City Council has in place to meet the six core principles of effective governance, as prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) guidance "*Delivering Good Governance in Local Government*". The following paragraphs summarise the City Council's Governance Framework which has been in place for the year ended 31<sup>st</sup> March 2010 and up to the date of approval of this Statement and the Statement of Accounts.

The key elements of each of these core principles are as follows:

### **3.1: Creating and Implementing a Vision**

Good governance means focusing on the purpose of the City Council, on outcomes for the community and creating and implementing a vision for the local area. The following describe how the City Council achieves this:

- The Council has a clear statement of its purpose and vision as set out in the Corporate Plan which is published on an annual basis. The Corporate Plan sets out the overarching strategy for the Council including its priorities and the outcomes that it is seeking to achieve. The Plan provides a clear basis for corporate and service planning which is carried out in accordance with the Corporate Planning Cycle. The Council Plan has clear links to the Sustainable Community Strategy and Local Area Agreement.
- The Sustainable Community Strategy for Peterborough was agreed by the Greater Peterborough Partnership in 2005 and fully refreshed to set out vision for Peterborough covering 2008 - 2021. It sets out a vision and overall strategy for the future of the city and the surrounding villages and rural areas. It reflects both the agenda for growth and the clear desire to ensure that Peterborough grows the right way, so that economic and population growth leads to genuine improvements in key areas, particularly those where Peterborough currently has specific problems or issues. It recognises that in order to create a bigger and better Peterborough, then the city will have to deal quickly and effectively with the pressing issues of today as well as the plans for tomorrow.
- The SCS vision is to create:
  - *A bigger and better Peterborough that grows the right way, and through truly sustainable development and growth;*
  - *Improves the quality of life of all its people and communities, and ensure that all communities benefit from growth and the opportunities it brings;*
  - *Creates a truly sustainable Peterborough, the urban centre of a thriving sub-regional community of villages and market towns, a healthy, safe and exciting place to live, work and visit, famous as the environment capital of the UK.*
- There are four priorities for areas of work which are needed in order to achieve the vision and each of these is supported by four high level outcomes that form the basis of the Local Area Agreement. The four priorities are:
  - Creating Opportunities - Tackling Inequalities
  - Creating Strong and Supportive Communities
  - Creating the UK's Environment Capital

- Delivering Substantial and Truly Sustainable Growth
- Led by the City Council, the Sustainable Community Strategy is a shared view across partners and the community about what needs to be done to improve the economic, social and environmental wellbeing of the local area. Partner organisations are expected to take account of the Sustainable Community Strategy when they prepare their own organisation's business plan.
- The Vision is reviewed through a variety of means including ongoing analysis of performance information; a review of national and local drivers for change; consultation with stakeholders, including residents, businesses and partner organisations. This is structured around the Corporate Planning Cycle, so that any changes made are cascading through the organisation to inform and amend departmental delivery contracts, service plans and business plans.
- The annually updated Corporate Plan contains a statement of objectives within each corporate priority. This describes the areas where we are focussing our activities over a three year period. This document also records information about the Council's services and finances, and lists targets for the next three years together with planned improvements. Performance is reported to Cabinet on a quarterly basis and is monitored through various Scrutiny Committees. Performance information is available across the council and partnership through the council's corporate performance management system, Performance Plus, which is used to report against National Indicators to senior management.
- The Council has a medium term financial plan (MTFP) and capital programme to ensure that resources are aligned to priorities. The budget process incorporate consideration of the allocation of resources to the Corporate Plan aims. The MTFP allows annual strategic review in the context of performance against Corporate Plan aims and sets targets of efficiency improvement to release resources for deployment. Monitoring reports are submitted to the Corporate Management Team, (CMT) and to Cabinet and issues are referred to other Scrutiny Commissions as appropriate. The council established "critical issues" which are reported regularly through the CMT. These reports use a *traffic light system* to make interpreting results easier. This provides a focus on key areas which may require more attention or resource in order for the Council to achieve its objectives.
- Value for money is embedded in the Council's culture, and underpins the strategic priorities. Through reviews by External Audit, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which functions are exercised. The council has an ambitious business transformation programme to take the council forward. Rated "3" under the Comprehensive Area Assessment, the city council performance has improved over recent years.
- There are two work streams for the transformation programme.
  - Focus on procurement - aiming to deliver ongoing annualised savings. A range of corporately negotiated contracts mean that purchasing across the organisation is consistent and offers best value for money for the council as a whole. These achievements have resulted in the Council being nominated for, and also winning a number of national awards.
  - Driving efficiency – with the successes of the procurement strand providing funding for the efficiency agenda. The efficiency focus is on the use of ICT to simplify processes; reducing the cost of business support; and rationalising current ICT-related supplies and service contracts. The organisation will become smaller and there will be a number of restructures to equip the council for its future activity. During the year the council entered into an ICT Managed Service contract with Serco. Other councils are visiting Peterborough to learn about some of the best practice generated within the "Manor Drive Initiative" on back office service provision.

- Regular revisions are made to the Constitution to ensure continuing improvement and simplification, whilst maintain appropriate governance checks. The Council continues to develop and refine systems for identifying and evaluating all significant risks, via CMT. Council approved a Risk Management Strategy in October 2004 and this has been annually refreshed through the Audit Committee. Changes to the overall risk profile of the council are reported through to members on the Audit Committee on a periodic basis.
- When the Council works in partnerships, it has a methodology which ensures that there is a common vision underpinning the work of the partnership that is understood and agreed by all partners. The Council works in many different partnerships, ranging from the strategic to the operational. The overarching vision for partnership working is set out in the Sustainable Community Strategy supported by the Local Area Agreement which articulates it.
- The Council has a comprehensive comments, compliments and complaints scheme. This is used to identify areas where service quality is not satisfactory and to take action to improve. As an organisation, the Council is committed to meeting the service needs of a very diverse community, and looks to meet the "*Equality Framework for Local Government*".

### **3.2: Roles and Responsibilities of Members and Officers**

Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles. The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions are clear.

- The Council is governed by a constitution which sets out the main control mechanisms. The Council appoints a Cabinet. Made up of the Leader, Deputy Leader and 7 other members, who are responsible for proposing budgets and policies and taking key decisions in relation to their various portfolios. In addition, the Cabinet have appointed 3 other members to act as Cabinet Advisors on strategic portfolio activities. The manner in which Cabinet business is transacted is governed by written procedures and principles contained in the Executive Decisions within and outside the Policy Framework within the Constitution. Individual Cabinet members receive regular feedback from the senior officers within their portfolios on the progress of objectives. Issues of strategic and corporate importance are referred to Cabinet.
- The Council has 6 Scrutiny Committees which can hold the Cabinet to account by reviewing decisions, undertaking reviews of the Council's functions, and consider any relevant matters affecting the city or its residents. Although they have no decision making powers, the Commissions/Committees are able to "Call In" and review certain decisions of Cabinet. Until the call-in process is completed the decision cannot be implemented. These non-executive members also serve on 8 Regulatory Committees which consider a variety of non-executive functions.
- All Committees have clear terms of reference and work programmes to set out their roles and responsibilities. An Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment. The Council's Constitution contains a Code of Conduct for Councillors, protocols advising on the Code of Conduct of Officers and a specific protocol on Member / Officer Relations.
- Information bulletins are circulated to councillors on current local government issues and publications and regular briefings are provided on their role. Notices of all key decisions to be taken are published in the Council's Forward Plan in which the community is advised firstly that the decision is to be taken and secondly to whom representations can be made. In this was the public interest in major decisions to be taken by the Council is stimulated. Agendas, reports and published decisions are available to councillors and the general public via the Council's web pages.



- The Council ensures that effective management arrangements are in place at the top of the organisation. The Council's Chief Executive (and Head of Paid Service) leads the Council's officers and Chairs the Corporate Management Team.
- The Executive Director (Strategic Resources) as the s.151 Officer appointed under the 1972 Local Government Act carries overall responsibility for the financial administration of the City Council. The Executive Director is also responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control.
- The Solicitor to the Council, as Monitoring Officer, carries overall responsibility for legal compliance and the maintenance of high standards of conduct by providing advice and support to Members and Officers.
- Regular CMT meetings are held. In addition, Executive Directors meet their respective Cabinet Members on a regular basis. A Heads of Service Forum supports the work of CMT on a number of issues. In addition, there are a series of officer working groups who meet to deal with a range of specific service as well as cross cutting issues.
- All staff, including senior management, have clear conditions of employment and job descriptions which set out their roles and responsibilities. Terms and conditions of employment are in line with the harmonisation agreement implemented in 2008. The terms and conditions of members are clearly set out in the Members' Allowances Scheme within the Council's Constitution. The Scheme covers basic and special responsibility allowances, and pensions. The Scheme is approved by the Council following preparation and review by an independent Panel.
- The council maintains an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

### **3.3: Standards of Conduct and Behaviour**

Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the Council achieves this:

- The Solicitor to the Council, after consultation with the Chief Executive and Executive Director (Resources) can report to Full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- The Council has developed and adopted a number of codes and protocols that govern both Member and officer activities defining the standards of behaviour such as:
  - Members Code of Conduct
  - Officers' Code of Conduct
  - Member / Officer Protocol
  - Planning Code of Conduct
  - Member declarations of interest
  - Gifts and hospitality
  - Grievance procedures
- The Council takes fraud, corruption and maladministration very seriously and has the following policies which aim to prevent or deal with such occurrences:
  - Anti Fraud and Corruption Policy and Fraud Response Plan

- Confidential Reporting Code (Whistleblowing Policy);
  - Human Resources policies regarding disciplinary of staff involved in such incidents.
- Member and Officer behaviour is governed by separate Codes of Conduct. These include a requirement for declarations of interest to be completed. Conduct of Members is monitored by a Standards Committee, independently chaired, which also investigates allegations of misconduct of Members. The Standards Committee has a defined work programme which it reviews at each meeting which includes planned reviews of relevant codes and protocols within the Constitution.
  - The Corporate Complaints procedures enables the Council to receive and investigate any complaint made against it, a Member or a member of staff.
  - Many services across the organisation abide by, or have achieved various accredited status of excellence, as well as being shortlisted for and winning a number of national awards. These include:
    - The Council has maintained Investors in People accreditation throughout the organisation on an individual departmental basis. A full Council accreditation is planned for September 2010.
    - Legal Services has achieved Lexcel accreditation, which is the Law Society's practice management standard, only awarded to solicitors who meet the highest management and customer care standards.
    - Customer Service excellence award has been retained by Strategic Resources and is due for reaccreditation in July 2010 within Planning Services.
    - Strategic Resources achieved a number of successes with the LGS Awards, Government Business Awards, and Municipal Journal Awards. It was the LGC Finance Winner for Efficiency 2009 for Manor Drive and Customer Services and shortlisted for the LGC Main Award for Efficiency and Transformational Government in March 2010. From the Government Business Awards in March 2010 it was winners for Procurement and Waste, and shortlisted for Finance. Finally, it has been nominated through MJ for Waste 2010.
  - The Council's financial management is conducted in accordance with the financial rules set out in the Constitution, the Budget Framework, Financial Regulations, Contract Regulations and Procurement Strategy. These rules set out the framework within which the Council conducts its financial affairs and ensures proper financial arrangements are in place.
  - Full Council approves a balanced budget before the start of each financial year. This includes a Medium Term Financial Strategy, annual reviewed, under which it plans its finances, target efficiency savings required and potential council tax implications over a three year rolling period. During the year, budget monitoring reports are taken to Management Teams and Members on a regular basis.
  - In 2009 / 2010, the Council identified savings totally £6.2m in order to deliver a balanced budget that provided for investment in key customer outcomes and a target for 2010 / 2011 of £6.4m.

### **3.4: Decision Making, Scrutiny and Risk**

Good governance means taking informed and transparent decisions that are effectively scrutinised and managing risk. The following describes how the Council achieves this:

- The Leader and Cabinet are responsible for all Executive Decisions. Operational matters requiring decision are delegated to Council Officers under the Scheme of Delegations.
- Forthcoming key decisions by Cabinet (including decisions by individual Cabinet Members), are published in the Cabinet's Forward Plan in so far as they can be anticipated. This is reviewed at each Cabinet Meeting.

- The Cabinet has power to make decisions that are in accordance with the Council's policy framework and approved budget. Decisions that fall outside the policy framework or approved budget must be referred to the Full Council.
- The Council has several committees which carry out regulatory or scrutiny functions which encourages constructive challenge and enhances the Authority's performance overall. Scrutiny Committees have power to review the decisions of Cabinet and Cabinet Members, through the "call-in" process, to determine whether decisions have followed the agreed process and are in accordance with the Council's policy framework and approved budget.
- The Council's Internal Audit service complies with the Accounts and Audit Regulations 2003 (amended 2006) and operates in accordance with the "*CIPFA Code of Practice for Internal Audit in Local Government in UK 2006*". Responsibility for Internal Audit rests with the Chief Internal Auditor. Reporting lines are within the Strategic Resources Directorate, with reporting lines to the Head of Corporate Services, Executive Director (Strategic Resources) as well as access to the Chief Executive, Monitoring Officer and members as required.
- The Internal Audit division plans and priorities its work around risk based auditing approach and seeks to programme in work based on risk, strength of control and materiality. Internal Audit makes recommendations for improving the internal control environment and part of their work includes monitoring agreed action plans. This ensures compliance with established policies and procedures, particularly financial and contract procedures. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted to Members (through the Audit Committee), the Chief Executive, Executive Directors and management as appropriate.
- The Council maintains both Strategic and Operational Risk Registers. During 2009 / 2010, the Council undertook a fundamental review of its risk management approach, culminating in a revised strategy in September 2009.

### **3.5: Developing Capacity and Capability of Members and Officers**

Good governance means developing the capacity and capability of members and officers to be effective. The following describes how the Council achieves this:

- The Council's structure gives clear accountability for the performance management of services, both within departments and corporately.
- The Council aims to ensure that Members and managers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises value of well trained and competent people in effective service delivery. In developing Members' skills, the Council has an overall development strategy in place. The Chair and Vice Chair of Standards Committee and the Deputy Monitoring Officers attend the annual Standards Conference.
- Members of the Audit Committee are provided with training specific to its responsibilities before every Committee meeting. The focus is on key governance issues such as risk management and internal control, together with scrutiny arrangements for the accounts. Individual briefings are enhanced by the Audit Committee Handbook.
- The Council also provides induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis. All new and transferring employees will receive an effective induction tailored to their needs, although there are key messages given to all: such as freedom of information and data security, procurement and financial regulations.

- Senior Managers have been through the Vision 2010: Building Managers for the Future programme, the purpose being to provide the necessary tools to support managers in delivering improved services linked explicitly to business outcomes and to enable them to display the expected leadership behaviours. Further acknowledgement of the Council's commitment to ensuring that staff are equipped with the appropriate skills and capabilities to perform comes in the form of the Investors in People accreditation.
- All officers have comprehensive job descriptions and person specifications. The Council has a comprehensive process in place to review performance for all staff. The scheme was recognised as needing review and a new system of Performance Development Review has been introduced. Where capability issues are identified, appropriate processes are in place to try to resolve these.

### **3.6: Engaging with Local People and Stakeholders**

Good governance means engaging with local people and other stakeholders to ensure robust public accountability. The following describes how the Council achieves this:

- The Council's planning and decision making processes are designed to include consultation with stakeholders and the submission of views of local people.
- Every year, together with our partners, we carry out many consultation exercises. The Council has in place arrangements to enable it engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands. These have included Citizens Panel; Focus groups (face to face and on-line) - with, for example, refugees and asylum seekers, disabled people, young people, older people; Employee forums / Joint consultative forum; Voluntary and community sector network; One-off consultation events; and Public meetings.
- All consultation is carried out for purpose and is not generic so that it deals with specific issues. The Council recognises that different sections of the community have different priorities and is able to analyse consultation results on this basis. Varied channels of communication are used to reach all sections of the community and other stakeholders. Communication channels include: newspapers, MORI Surveys, press releases, internet, public question time at committee meetings, public speaking on planning applications, open forums, member surgeries etc.
- Our commitment to partnership working is demonstrated in our approach to community leadership. To give local citizens a greater say in local decision making, the Council established 7 Neighbourhood Councils to cover the city and its surrounds. Neighbourhood Councils are open public meetings that are held at a local venue every two or three months. The meetings are an opportunity for residents to find out what is happening in their area and to discuss the big issues and priorities. Residents meet with local ward Members and representatives from the Police, Health and Council. The Neighbourhood Councils are local leadership groups which agree priorities, decide where community grants are to be spent where available, monitor performance and decide upon the vision for the neighbourhood. In addition to neighbourhood councils, ongoing work in the community is also facilitated through the Parish Council Liaison Committee.
- On an annual basis publishes the Corporate Plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period. The forward looking section of the plan which sets out the authority's vision, strategy and plans, and medium term financial plans for the coming period is published in March / April each year. The backward looking section of the plan outlining information on outcomes, achievements, financial outturn and Performance Indicators, including satisfaction of

service users, is published by 30 June annually. A summary of this information is published as an annual report for public consumption.

- When working in partnership the Council ensures that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes. Existing mechanisms and groups are used where appropriate.
- The Council has identified a number of significant partnerships. These are:
  - Peterborough PCT - an integrated NHS body delivering integrated health and adult social care services. A Section 31 Partnership Agreement between the Council and the PCT delegates delivery of adult social care services to the Trust. The partnership is governed by an Annual Agreement that details performance and financial matters. The Care Trust produces its own internal assurances about the effectiveness of its internal control environment that are monitored by the Executive Management Team, the Audit Committee (chaired by a Non Executive Director) and the full Board.
  - The Children and Young Peoples Trust - a partnership between the Council and the organisations that have a duty to cooperate under the Children's Act 2004 to deliver integrated and coordinated services to children, young people and their families.
  - Building Schools for the Future programme - a national programme, bringing together investment in new school buildings, leading edge ICT, and significant educational reform.
  - Peterborough Culture and Leisure Trust - partnership set up to secure new and improved facilities. Following agreement in Spring 2010, this is due to commence from May 2010.
  - Opportunity Peterborough - a partnership between the Council, the East of England Development Agency (EEDA), Homes and Communities Agency (HCA) and the Government's Department for Communities and Local Government to drive the sustainable growth of the city. It is also working alongside other partner organisations such as Greater Peterborough Partnership to deliver the city's community strategy and meet Peterborough's objective of becoming the nation's 'environment capital'.

#### 4. REVIEW OF EFFECTIVENESS

The Council annual reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors, and also by comments made by the external auditors and other inspection agencies.

Both in year and year end review processes have taken place. In year review mechanisms include:

- The Cabinet is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.
- There is a well resourced scrutiny function which holds the Cabinet to account, which include an overview of service and financial performance, efficiency and effectiveness.
- The Standards Committee has met regularly throughout the year to consider and review issues relating to the conduct of Members. Service standards have been agreed with the Monitoring Officer and a report on the number and progress of complaints against members is received at each meeting. It has developed, and continually monitors, its own work programme and reports annually to Council on its previous year's performance. The Monitoring Officer has consistently met the statutory reporting requirement to Standards for England.
- The Audit Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and the annual statement of accounts. Annually, the Internal and External Audit Plans are approved through the committee. The Committee met 7 times during the year receiving regular reports and training on governance, risk and internal control matters.
- Internal Audit is an independent and objective assurance service to the management of the Council who complete a programme of reviews throughout the year to provide an opinion of the internal control, risk management and governance arrangements. Internal Audit has unrestricted access to all Council records and property, and the organisational independence to form an objective opinion on the adequacy and effectiveness on the whole system of internal control. The work of Internal Audit is planned using risk assessments, assurance from other inspectorates, and discussions with Directors and Heads of Service; and annual plans are formulated and approved by Audit Committee. The work includes not only reviews of financial control, but also of risk management, control over the achievement of organisational policies and objectives, and compliance with laws and regulations. The outcome of all audit reviews are reported to the appropriate Director, and matters of concern are raised with the Chief Executive, Executive Director (Resources), Leader of the Council and the Chair of Audit Committee.
- The Corporate Fraud section undertakes fraud investigations and detection work.
- Risk management is handled through a range of mechanisms. Risk owners are in place for all corporate risks. The risks cascade down to the services, who manage the risks via the service planning process and regular review. Corporate risks are revisited through CMT. Risks are accounted for in all project planning, the creation of the Medium Term Financial Strategy and other Council operations as an inherent part of normal procedure.

- Work undertaken as part of the Strategic Governance Board. Made up of senior officers from across the Council and members, including the Chair of Standards Committee, the Board has been established to consider, review and coordinate improvements in all aspects of the governance framework.
- The actions arising from the significant control issues detailed in last years Annual Governance Statement have been monitored throughout the year and reported through to Audit Committee.
- Assurance from the Audit Commission, other Inspection Agencies and External Audit. On completion of their work, a Joint Audit and Inspection Letter is issued to the Council. The last Joint Audit Letter was issued March 2010 for the financial year 2008 / 2009, and was discussed and endorsed at meetings of the Cabinet and Audit Committee on 8 February 2010. The main conclusions from the Letter are:
  - An unqualified audit opinion on the financial statements;
  - Deadlines for the production and publishing of final accounts by 30 September 2009 were met;
  - An overall underspend of £141,000 was achieved and transferred to reserves;
  - An assessment of the Council as "performing well" in terms of Managing Finances and Governing the Business; "performing adequately" for Managing Resources and Managing Performance. The overall Organisational Assessment for the Council is "performing adequately";
  - Significant challenges for future years include the impact of the global economic downturn on future grant settlements; the Peterborough Delivery Partnership; improving performance and the adoption of International Financial Reporting Standards.

The year end review of the governance arrangements and the control environment included:

- The Chief Internal Auditors' annual opinion on the status of the Council in terms of the governance and overall controls. For this year he has provided an unqualified opinion.
- Assurance from Executive Directors and their management teams on the key elements of the control framework were in place in their departments. A separate annual evaluation questionnaire is circulated to each department and completed through their departmental teams, allowing for overall ownership within the groups. They were also asked to identify areas where control weaknesses had resulted in significant issues arising. The statement itself has been circulated to all Directors for consideration and is supported by them as an accurate reflection on the governance arrangements in place for the year.
- Assurance from Members. A separate questionnaire was issued to all members to seek their views on the governance arrangements in place to support and develop them and to provide suggestions on how any shortfalls or gaps could be addressed.

## **5. SIGNIFICANT GOVERNANCE ISSUES**

The review process has highlighted a number of new significant issues of the effectiveness of the governance and internal control environment. Additionally, there are a number of issues which were highlighted in last years Annual Governance Statement which have not progressed sufficiently to be fully excluded from this years statement. For each issue, detailed action plans have been determined, a responsible officer identified and a summary of the key elements are included in the table below. Conversely, there are a number of items which were included in 2008 / 2009 which have been excluded as significant progress has been made in addressing the issues such that they are no longer considered a threat to the control environment. These items are:

- Credit Crunch - lower income; increase in service requirements; impact on capital disposal.

- In response to the ongoing economic conditions, considerable work has been targeted at the impact the recession has had on the citizens of Peterborough, individual businesses and the Council as a whole.
- Regular monitoring is in place on the Council Tax / NNDR debt levels together with the number of benefit claimants.
- A number of factors were built into the Medium Term Financial Strategy in order to deliver a balanced budget while maintaining services.
- The capital programme has been reappraised and capital disposals have been optimised.
  
- Collapse of Icelandic Banks and loss of investment
  - Following the Icelandic banking crisis, the Council fully scrutinised its position. The Treasury Management Policy was updated and member reporting has been enhanced.
  - A number of payments have been received during the year and have been reported. Further improvements will be made in 2010 with Treasury Management being included in the work programme of the Audit Committee.
  
- Single status agreement
  - Independent reviews have established that an equitable scheme has been adopted and ongoing appeals have been instigated, heard and changes made where appropriate.
  
- Effective governance
  - Regular reviews are in place of the internal structures and the democratic decision making processes. The creation of the Strategic Governance Board has provided a focal point to channel change and evaluate the effectiveness of the governance framework in place.
  
- External Audit / Internal Audit recommendations
  - Challenge and scrutiny is in place via the Audit Committee and officers have on occasion been called to account where service / performance levels have dropped below expected standards and / or recommendations have not been implemented. This deterrent has increased the profile and standing of both Internal and External Audit works within the Council.
  
- Audit Letter March 2009 - service performance improvement in Revenues and Benefits
  - Monthly performance reports are produced and monitored to cover service delivery and collection rates. A series of changes have been made to integrate the service within the Shared Transactional Services division within the Manor Drive Initiative.
  
- Risk Management
  - Risk management has been integrated within the Resilience and CCTV Team, to provide a more coordinated delivery. This has been further enhanced by combining the risk management and business continuity strategies. Risks are embedded into project management processes and the financial planning environment.



ONGOING GOVERNANCE ISSUES IDENTIFIED IN 2008 / 2009		
ISSUE	AREA FOR IMPROVEMENT	PROGRESS / LEAD OFFICER
Sickness absence	With reductions in the workforce, there is the potential for additional pressures on remaining staff to deliver services. If not carefully managed, there could be an increase in sickness levels. The Council has developed revised procedures to tackle sickness throughout the organisation. To monitor enhancements in procedures covering sickness absence to assess the effectiveness of such changes.	Monthly reports to Corporate and Departmental Management Teams. Ongoing use of Occupational Health to coordinate return to works etc. for officers who have been off for longer periods of time.  While there are robust systems in place for managers to follow to monitor, act on and report absences, Internal Audit will undertake a full review of absence management arrangements as part of 2010/11 audit plans.  Lead: Head of Human Resources
Effective recruitment checks	To further enhance procedures covering the area of recruitment to ensure that all appropriate pre-employment checks are completed prior to employees commencing work	Quarterly reports are produced and circulated to all departments. Recent changes have been made to various legislation which impacts on recruitment, for example, UK Border Agency Regulations and the Asylum & Immigration Act. Internal Audit will undertake a compliance review to ensure robust processes have been implemented.  Lead: Head of Human Resources
Shared services	The council is embarking on a programme of shared services and other delivery options which are expected to generate financial savings and other benefits. A controlled programme has been developed which will monitor the implementation and delivery of services through these arrangements.	ICT Managed Service was established October 2009 with Serco. The Manor Drive Initiative established and being developed further together with investigating DEECATS.  There are ongoing developments of partnership arrangements for the Leisure Trust which will be created in May 2010. Effective governance arrangements will be regularly monitored.  Lead: Executive Director (Resources)

NEW GOVERNANCE ISSUES 2009 / 2010	
ISSUE	SOURCE
Grant Claims	Annual Audit Letter: January 2010
	Lead: Head of Corporate Services
Neighbourhood Councils	Annual Audit Letter: January 2010
	Further engagement with local communities is required with regard to determining strategic priorities and financial planning
	Lead: Head of Neighbourhood Services
Data Quality	Annual Audit Letter: January 2010
	The Strategic Improvement Division should ensure that key data and performance information is reviewed and that action is taken to address weaknesses
	Lead: Head of Strategic Improvement and Partnerships
Managing Resources	Annual Audit Letter: January 2010
	The Council needs to achieve clear reductions in its main resource use areas when measured using the same basis for calculation year-on-year
	Lead: Head of Corporate Services

**6. CERTIFICATION**

As Leader and Chief Executive, we have been advised on the implications of the results of the review of effectiveness of the Council's governance framework, by the Audit Committee and Cabinet.

Our overall assessment is that the Annual Governance Statement is a balance reflection of the governance environment and that an adequate framework exists within Peterborough City Council to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

Leader of the Council      Marco Cereste      \_\_\_\_\_      Date      \_\_\_\_\_

Chief Executive      Gillian Beasley      \_\_\_\_\_      Date      \_\_\_\_\_

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<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 8</b>
<b>7 JUNE 2010</b>	<b>PUBLIC REPORT</b>

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

## FEEDBACK REPORT

### 1. ORIGIN OF REPORT

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

### 2. PURPOSE AND REASON FOR REPORT

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

### 3. FEEDBACK RESPONSES

**Appendix A** sets out the feedback items - items shaded have been actioned and agreed at subsequent Audit Committee meetings. Following their approval by Committee the identified actions will be transferred to the record of Actions completed for the municipal year.

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

## MUNICIPAL YEAR: MAY 2009 - APRIL 2010

DATE ISSUE RAISED	SUBJECT / ITEM	AUDIT COMMITTEE COMMENTS	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
1 June 2009	Agenda Item: 5 Internal Audit Annual Report 2008/2009	Follow discussions on follow up arrangements and the levels of implementation, or otherwise, of audit recommendations, it was agreed to provide all Audit Committee Members with a copy of the current Audit Charter. This will be reviewed by the Chief Internal Auditor to : (1) Reflect any changes / improvements now reflected in the performance indicators; (2) Highlight improved protocols to follow up late responses to draft Audit Reports which will include a separate letter of endorsement from the Chief Internal Auditor and Chair of the Audit Committee; and (3) Reiterate the importance of responses by inviting officers to attend future Audit Committees to explain their performance in implementing audit recommendations and the controls in their systems / departments	Steve Crabtree  Cllr M Dalton	The original Audit Charter, approved by Audit Committee on 9 November 2006, has been circulated to Members for information on 16 June 2009.  The Audit Committee Handbook has now been reviewed and a number of sections have been updated.  The Committee Handbook and revised Audit Charter is enclosed within the committee papers for the 8 February 2010 for formal approval.	Audit Committee 8 February 2010
1 June 2009	Agenda Item: 8 Audit Committee Work Programme	Request for the Head of Strategic Finance to provide an appropriate training session before the next Audit Committee meeting on the scrutiny of the final accounts.	John Blair	Scheduled on agenda for 6.00 p.m.	29 June 2009
29 June 2009		<b>THERE WERE NO NEW REQUESTS FROM THIS MEETING</b>			

AUDIT COMMITTEE: RECORD OF ACTION TAKEN (CONTINUATION)

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

## AUDIT COMMITTEE: RECORD OF ACTION TAKEN (CONTINUATION)

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



## AUDIT COMMITTEE: RECORD OF ACTION TAKEN (CONTINUATION)

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

## AUDIT COMMITTEE: RECORD OF ACTION TAKEN (CONTINUATION)

DATE ISSUE RAISED	SUBJECT / ITEM	AUDIT COMMITTEE COMMENTS	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
2 November 2009	Agenda Item: 9 Internal Audit - Quarterly Report 2009 / 2010 (To September 2009)	Members requested further details in relation to the recommendations made on Budgetary Control within City Services.	Steve Crabtree	The Executive Summary is included in the Q3 report to Committee on 8 February 2010	8 February 2010
8 February 2010	Agenda Item:4 External Audit – Annual Audit and Inspection Letter 2008 / 2009	To provide additional information in relation to the key indicators not being supported by the audit trails.	Chris Hughes (PwC)	A separate email has been sent to all Members covering this point.	
	Agenda Item: 5 External Audit – Audit and Inspection Plan 2009 / 2010	To provide additional information in relation to how the audit fee is calculated, specifically a breakdown of the number of hours taken to risk assess the Council.	Chris Hughes (PwC)	A separate email has been sent to all Members covering this point.	
	Agenda Item: 6 Audit Committee – Members Handbook	To recommend to the Scrutiny Team that it would be beneficial if all Scrutiny Committees had a handbook.	Gemma George	Scrutiny have been informed and will look into the logistics of developing it.	
	Agenda Item: 8 Internal Audit Quarterly Report 2009 / 2010 (To December 2009)	To write a letter on behalf of the Chair of the Audit Committee congratulating Castor Primary School on their full assurance.	Steve Crabtree	Letter sent to school 10 February 2010 - attached. (Note, the electronic signature has been removed to prevent any fraudulent use).	
29 March 2010		<b>THERE WERE NO NEW REQUESTS FROM THIS MEETING</b>			

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 9</b>
<b>7 JUNE 2010</b>	<b>PUBLIC REPORT</b>

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

## WORK PROGRAMME 2010 / 2011

### 1. ORIGIN OF REPORT

This is a standard report to Audit Committee which forms part of its agreed work programme. This standard report summarises the proposed Work Programme for the Municipal Year 2010 / 2011 together any training needs identified.

### 2. UPDATE

#### 2.1 Training

Any specific training is normally provided prior to each committee meeting - at the request of the Chair it is proposed that this starts at 18.00. The exception to this rule has been training on scrutinising the Statement of Accounts which is normally organised the week before the accounts are reported to Audit Committee (Monday 28 June 2010).

The current training plans are:

Date	Time	Description	Commentary
7 June	18.00	Overview of the Audit Committee	To provide new and existing Members of the Committee with background information on the workings of the committee
To be agreed, but is usually arranged for the week prior to committee (28 June)		Scrutiny of the Final Accounts	To provide Members with an overview of the accounts closure process, changes made compared with previous years, together with potential areas for scrutiny and challenge.

#### 2.2 Work Programme

The Work Programme was endorsed at the last meeting (29 March 2010), and is refreshed at every Audit Committee meeting. Additional items since the last approval are:

- The Role of the Head of Internal Audit. CIPFA have produced a consultation document on how its sees this role within the public sector (release date 19 May). This document will be internally reviewed and brought to Audit Committee in September for comment.

APPENDIX A

Last Updated: 26 May 2010

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

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

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

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