

## AUDIT COMMITTEE

MONDAY 1 NOVEMBER 2010

7.00 PM

Bourges/Viersen Rooms - Town Hall

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

### AGENDA

Page No

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

At this point Members must declare whether they have an interest, whether personal or prejudicial, in any of the items on the agenda. Members must also declare if they are subject to their party group whip in relation to any items under consideration.
3. **Minutes of the Meeting Held on 6 September 2010** 1 - 10
4. **Minutes of the Meeting Held on 27 September 2010** 11 - 14
5. **Regulation of Investigatory Powers Act (2000) (RIPA) Quarterly Report July - September 2010 / 2011** 15 - 32  

To receive the revised RIPA Policy and the use of the policy during the 3 months to 30 September 2010.
6. **Internal Audit: Quarterly Report 2010/2011 (To 30 September 2010)** 33 - 52  

To receive details of Internal Audit activity and performance during the 3 months to 30 September 2010.
7. **Annual Governance Statement: Update** 53 - 56  

To receive a progress report on the actions taken to address governance issues identified in the Annual Governance Statement.
8. **Feedback Report** 57 - 62  

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

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



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

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

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

Committee Members:

Councillors: Collins (Chairman), Newton (Vice-Chairman), Kreling, Simons, Stokes, Harrington and Goldspink

Substitutes: Councillors: Nash, Swift and Murphy

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

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT THE TOWN HALL, PETERBOROUGH ON 6 SEPTEMBER 2010**

Present: Councillors Collins (Chairman), Newton (Vice Chair), Kreling, Stokes, Nash and Harrington

Officers in attendance: Steve Crabtree, Chief Internal Auditor  
Steven Pilsworth, Head of Corporate Services  
Diane Baker, Compliance and Ethical Standards Manager  
Kirsty Nutton, Financial Services Manager – Corporate Accounting  
Stuart Hamilton, Resilience Services Manager  
Kim Sawyer, Head of Legal  
Gemma George, Senior Governance Officer

**1. Apologies for Absence**

Apologies were received from Councillor Simons and Councillor Goldspink.

Councillor Nash attended as substitute.

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

There were no declarations of interest or whipping declarations.

**3. Minutes of the Meeting held on 7 June 2010**

The minutes of the meeting held on 7 June 2010 were approved as an accurate and true record.

**4. Minutes of the Meeting held on 28 June 2010**

The minutes of the meeting held on 28 June 2010 were approved as an accurate and true record.

**5. Risk Management Update**

The Resilience Services Manager presented a report to the Committee which outlined the Council's Risk Management Strategy.

Members were given an update on Risk Management and were advised that the responsibility for Risk Management had moved from the Finance Team to the Resilience Team in May 2009. A new policy and strategy had been produced in September 2009 which incorporated Business Continuity Management and it was due to be refreshed annually.

Risk Management was under review in the Council and the objectives were outlined in the policy and strategy. Directorates were working on a standard risk register and these were to be reviewed on a 3 month basis.

The Resilience Team had ownership of risk management in order to centrally coordinate all registers and risk activity.

A new Corporate Strategic Risk Register was in development and was due to be presented to the Corporate Management Team (CMT) during September 2010. Once it had been agreed, it would then be submitted to the Audit Committee for scrutiny and ownership.

Members were further advised that there had been no further changes to the Risk Management and Business Continuity Strategy.

**ACTION AGREED:**

The Committee:

- (1) Approved the Risk Management & Business Continuity Policy;
- (2) Approved the Risk Management & Business Continuity Strategy; and
- (3) Received an update on risk management review to date.

**6. International Financial Reporting Standards**

The Financial Services Manager – Corporate Accounting, presented a report to the Committee which provided an update on the progress which had been made by the Council in its International Financial Reporting Standards (IFRS) transition, the significant changes that were likely to be brought to the Council's accounts and the resource demand of the transitional task.

The move to IFRS would be extremely complex and would have wide reaching implications that were not limited to the Council's finance function alone but throughout the Council's business activities.

Since the last update on IFRS in November 2009, the Council had progressed with the work required for the production of the Statement of Accounts in 2010 / 2011 on an IFRS basis.

With regard to fixed asset accounting, the current valuation policies of the Council's fixed assets had been reviewed and meetings had taken place between finance and property officers in order to discuss the requirements of the new IFRS code.

A new asset management system, which integrated all of the Council's property information into a single data source, had been purchased from Technology Forge. The asset management system would be the Council's fixed asset register and would replace the spreadsheet system that was currently in use.

With regard to infrastructure assets, at the current time the IFRS code required local authorities to report infrastructure assets (highways, footways, cycle-ways, structures and lighting) on a historical cost basis, which was the cost of purchase or construction less depreciation charged to date. However, HM Treasury had set a timetable for a gradual transition to reporting on a Direct Replacement Cost basis starting with the whole Government accounts return in 2011 / 2012.

All leasing arrangements, both property and plant and equipment, had been or were in the process of being reviewed as to whether they were deemed

operating or finance leases under IFRS, as the classification of lease may have switched from that used under UKGAAP (United Kingdom Generally Accepted Accounting Principles).

The way in which the grants and contributions for capital purposes were recognised in the accounts of the Council, were to change. Under IFRS the grants were recognised in the Income and Expenditure Account once any condition of the grant had been satisfied. The statement of recommended practice (SORP) treated the grant as deferred income and then recognised this income in the Income and Expenditure Account over the life of the asset for which the grant or contribution was received.

The new IFRS code required local government bodies to accrue for the costs of staff holiday entitlements and flexi leave that had not been taken in the year and was carried forward to the next financial year.

IFRS 8 required that the reporting of income and expenditure and assets were reported in the segments that were reported to the 'Chief Operating Decision Maker'. The overall aim was to enable the reader of the accounts to see the 'business' through the eyes of management. The 2009 / 2010 accounts were currently being reviewed for the change in the way this was to be reported and the work was scheduled to be completed by October 2010.

Focused training sessions had been highlighted for members of the Corporate Accounting teams to attend. These would be primarily provided by PwC, the Audit Commission or CIPFA through their associated training arm or through their Financial Advisory Network to which the Council subscribed. The sessions would provide useful hints and tips and Members of the team attending such sessions would then disseminate the knowledge gained to the wider finance community.

Members were invited to comment on the report and clarification was sought on why the accounting principles for annual leave etc., showed a large figure in relation to schools. Members were advised that this was a skewed figure as the figures were based upon a financial year rather than an academic year.

Members queried whether with all the changes that would need to be made to the accounts, would this show major anomalies in future, such as larger overspends. Members were informed that, in essence, it would not highlight different levels of spend, but would show a different treatment which would allow for more meaningful comparisons with other bodies.

Clarification was required as to the exact nature of the changes to the normal accounting system and whether there were likely to be anomalies. Members were advised that there would be changes and a relevant training session would be provided for Members in due course.

**ACTION AGREED:**

The Committee:

- (1) Noted the accounting changes required;
- (2) Reviewed the progress made so far in the transition; and
- (3) Supported the transition to IFRS based accounts.

## **7. Treasury Management Performance**

The Head of Strategic Finance presented a report to the Committee which provided an update on Treasury Management Performance.

The Treasury Management in the Public Services: Code of Practice 2009, recommended that Members received reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

The annual strategy was approved by Council as part of the Medium Term Financial Strategy (MTFS) and the final performance against the strategy was reported to the Audit Committee in June 2009 alongside the Statement of Accounts. Members were advised that the report was the mid-year review.

Members were further advised that the change in the accounting treatment for Private Finance Initiative (PFI) had resulted in the Prudential Indicators, included in the Prudential Code and Treasury Management Strategy 2010 – 2015 being revised. The report set out these amendments.

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

- Members queried whether future financial cuts would have an effect on the Treasury Management Strategy. Members were advised that all of the revised prudential indicators highlighted in the report were in relation to the current year and there were currently no cuts. If there were future cuts, then the indicators would be revisited.
- A query was raised regarding the Council's investments in the two Icelandic owned banks. Would it not have been prudent to terminate the contracts and to have incurred any penalties from the contract terminations? Members were informed that there had been no possibility of withdrawing the fixed term deposit as contractually there had been no option to do so.
- A further query was raised as to why the Council had invested in the Icelandic banks in the first instance. Members were advised that the Council's UK based banks had been based with Icelandic parents and that had been the Council's major problem. However, the banks had previously been rated 'AAA' by the rating service.

### **ACTION AGREED:**

The Committee:

- (1) Reviewed current performance against the Treasury Management Strategy set in the Medium Term Financial Strategy; and
- (2) Approved the revised Prudential Indicators included in the Prudential Code and Treasury Management Strategy 2010 for the change in the PFI accounting policy based on the International Financial Reporting Standards (IFRS).

## **8. Regulation of Investigatory Powers Act 2000 (RIPA) Annual Report 2009/2010**

The Compliance and Ethical Standards Manager presented a report to the Committee which provided an overview of the Council's approach to the Regulation of Investigatory Powers Act 2000 (RIPA) and its use of these powers over the period April 2009 – March 2010 and the first quarter of 2010 / 2011.

RIPA provided a statutory mechanism for authorising covert surveillance and the use of a 'covert human intelligence source' (CHIS). It also permitted Public Authorities to compel telecommunications and postal companies to obtain and release communications data, in certain circumstances. It sought to ensure that any interference with an individual's right under Article 8 was necessary and proportionate. In doing so, RIPA sought to ensure both the public interest and the human rights of individuals were suitably balanced.

Council officers and external agencies working on behalf of Peterborough City Council had to comply with RIPA and any work carried out had to be properly authorised by one of the Council's Authorising Officers. The powers contained within the Act could only be used for the purpose of preventing or detecting a crime or preventing disorder.

Members were advised that a team of RIPA specialists had been established to oversee all RIPA activity and to ensure that the relevant governance arrangements were in place such as policy review and training for practitioners, Authorising Officers and Councillors. The group also incorporated good practice into operational procedures such as the introduction of a toolkit, which contained RIPA guidance.

A thorough review of RIPA had been undertaken by the Home Office during 2009 and as a result certain legislative changes had been made and new Codes of Practice for Covert Surveillance and CHIS's had been published. The summary of legislative changes that affected Peterborough City Council were highlighted in the report.

The use of RIPA had always been minimal at Peterborough City Council, this was attributable to the excellent level of training and awareness available to all staff the use of less intrusive methods to obtain required information and to the robust governance arrangements in place to ensure the Council's integrity was maintained. There had however been an increase in test purchasing activity during 2010. Following the Office of Surveillance Commissioner's inspection of 2009, a decision was taken to authorise test purchasing activity under RIPA as it was considered good practice to do so.

Members questioned whether the release and viewing of CCTV footage was covered by RIPA. Members were advised that overt public CCTV systems were not covered, as members of the public were aware that such systems existed and were in use to deter and detect crime. However pre-planned covert operations following known individuals involving the use of CCTV would need authorisation.

## **ACTION AGREED:**

The Committee received, considered and endorsed the annual report on the Council's use of RIPA for the year ended 31 March 2010 and quarterly review period ended 30 June 2010.

### **9. Strategic Governance Board: Information Governance**

The Chief Internal Auditor presented a report to the Committee which highlighted the progress made to instil sound principles across the organisation in relation to the information governance.

All Members had been informed of the creation of the Strategic Governance Board on 2 November 2009. The Board was created to provide a forum for senior officers and Members of the Council to discuss and develop a coordinated approach to the following:

- Risk management;
- Corporate governance;
- Statutory and constitutional compliance;
- Decision making and accountability;
- Audit, inspection and control systems; and
- Corporate policies and procedures

The Board membership was comprised of:

- Solicitor to the Council;
- Head of Human Resources;
- Head of Corporate Services;
- Head of Legal (x 2)
- Chief Internal Auditor;
- Head of Business Support;
- Compliance and Ethical Standards Manager;
- Resilience Services Manager; and
- Principal Democratic Services Manager

There was also a standing invitation to the Cabinet Member for Resources, the Chair of the Audit Committee and the Chief Executive. Other representatives were invited for specific issues.

Members were advised that the Council was committed to developing a comprehensive and effective policy framework covering all aspects of Information Governance. High profile personal or sensitive data losses had in the past been incurred by the HRMC, the Ministry of Defence, the NHS and the Police. All data breaches had to be reported to the Information Commissioners Office and they had reported that there had been a rise in these incidents.

The Council was therefore developing an Information Governance Framework which incorporated the core measure identified in the Governance Data Handling Review and the HMG security framework. The priorities for the forthcoming six months included the presentation of the Overall Information Governance Policy, Strategy and associated roll out plan to the Audit Committee and Corporate Management Team for consideration, together with the continued production of necessary policy and guidance documentation.



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

- A query was raised regarding the progress made to date which was highlighted in Appendix A to the report, specifically in relation to training, education and awareness for members of staff in relation to their level of responsibility. Members were advised that the initial induction dealt with a lot of the issues regarding training. Furthermore, tier 2 and tier 3 staff members were at that time undergoing Corporate Governance training and it was hoped that another module would be created to enable information to be disseminated down.
- Members commented that e-learning packages were a good, cheaper way of training and perhaps they should be looked into further. Members were informed that the possibility of utilising e-learning would be explored.
- Members questioned when the Information Risk Policy, highlighted in the progress made to date report, was due to commence. Members were advised that a senior risk owner at Corporate Management level needed to be identified and as soon as the post was in place progress could be made. Work had started but it was ongoing and there was an update due to go to the Strategic Governance Board at the end of the month.

**ACTION AGREED:**

The Committee considered the progress made to date in respect of improving the Information Governance arrangements in the City Council.

**10. Internal Audit – Quarterly Report 2010 / 2011 (To 30 June 2010)**

The Chief Internal Auditor presented a report to the Committee which set out the Internal Audit performance and progress with regards to the 2010 / 2011 Audit Plan which was approved by the Audit Committee on 29 March 2010.

Members were advised that the progress made against the 2010 / 2011 plan was 26.1% and whilst the progress against the plan was slightly less than the previous year, it was slightly above the teams' quarter 1 target of 25%.

With regards to other performance matters, Members were further advised that an average of 2.6 days sickness per person had been lost during the 3 months to 30 June 2010. This was a major reduction on last year where sickness was 10 days per person as at 30 June 2009. The majority of the sickness taken during Quarter 1 was during June and it was known that the sickness relating to one individual would continue until at least October (Quarter 3). This would have a major impact on the delivery of the Audit Plan for the remainder of the year and processes were in place to revise the Audit Plan accordingly.

Members questioned whether the limited assurance for a number of schools was down to lack of evidence being available rather than something being missing. Members were advised that this point would be looked into and a response would be brought back to the next meeting of the Audit Committee.

**ACTION AGREED:**

The Committee considered the progress made to date in respect of improving the Information Governance arrangements in the City Council.

## **11. CIPFA Consultation: Role of Head of Internal Audit**

The Chief Internal Auditor presented a report which updated the Committee on CIPFA's consultation on the draft statement regarding the role of the Head of Internal Audit in public sector organisations.

Members were advised that the Council was required by the Accounts and Audit Regulations 2006 (as amended) to maintain an adequate and effective internal audit service. CIPFA was the key professional body responsible for providing guidance on the adequacy and effectiveness of internal audit in local authorities.

On 19 May 2010 CIPFA published its consultation on its statement on the role of the Head of Internal Audit (HIA) in public service organisations. The statement set out best practice for HIAs to aspire to and for Audit Committees, and others to measure internal audit against.

The statement set out an overarching principles-based framework which was intended to apply to all HIAs in the UK. The statement drew on the best practice and regulatory requirements in public service, as well as the requirements of CIPFA, other professional accountancy bodies and the Institutes of Internal Auditors' codes of ethics and professional standards. As well as articulating the core responsibilities of the HIA, the statement also identified the personal and professional skills needed.

CIPFA was inviting consultation responses on the draft statement on the role of the Head of Internal Audit. A briefing note had been prepared and issued to Audit Committee Members in July 2010. The deadline for responses to the consultation was 10 September 2010. The responses from the Audit Committee had been collated and were available to view in Appendix C to the main report.

Members were advised that if they were happy with the response drafted then it would be sent to CIPFA as part of the consultation exercise.

### **ACTION AGREED:**

The Committee supported the suggested responses to the consultation questions posed by CIPFA, without further comment.

## **12. Audit Commission Update**

The Chief Internal Auditor presented a report which updated the Committee on the changes proposed by central government in relation to the Audit Commission and the impact on public sector organisations.

Following the change in government in May 2010, there had been a number of proposals released which would impact on local government and in particular on the Council's Audit Committee. It had subsequently been announced on 13 August 2010 by the Communities and Local Government Secretary that there were plans to disband the Audit Commission.

The Audit Commission's responsibilities for overseeing and delivering local audit would end and audit functions would be moved to the private sector, with the audit's in-house audit practice transferred out of public ownership. Local authorities would be free to appoint their own independent external auditors and

there would be a new audit framework for local health bodies. The NAO would provide the oversight role for the audit of local government and health and a new decentralised audit regime would be established. Communities and the Local Government would work with the Audit Commission, the accountancy profession and the local government and health sectors to develop the detailed design of the new systems. The aim was for such a system to be in place from the 2012 / 2013 financial year with the necessary legislation being sought in this parliamentary session.

Members were advised that for local government these changes were part of the governments wider focus on transparency and its focus on helping local people hold councils and local public bodies to account for spending decisions.

Members requested clarification as to whether there would be any savings generated as a result of the removal of the Audit Commission. Members were informed that any savings would be difficult to quantify at the present moment in time, although the disbandment of the CAA would attract a cost of approximately £100,000. A lighter touch regime would probably be put in place to replace this, but it was expected that this replacement would be cheaper.

Members requested to be kept up to date with progress and commented that any work which could be implemented in order to raise the profile and valuable role of Internal Audit across the community, such as through work with the Neighbourhood Councils, should be undertaken.

**ACTION AGREED:**

The Committee was advised of the changes from central government which would impact on the workings of the Council and in particular the Audit Committee.

**13. Feedback Report**

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

Members were advised that there were no specific issues requiring action which had been highlighted at any of the previous meetings of the Audit Committee.

**ACTION AGREED:**

The Committee noted the Feedback Report.

**14. 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 the main item coming to the next meeting of the Audit Committee was the scrutiny of the Council's final accounts following the External Audit Review.

Members were further advised that there would be a half hour briefing session held before the next meeting of the Audit Committee.

**ACTION AGREED:**

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

7.00pm - 8.10pm  
Chairman

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT THE TOWN HALL, PETERBOROUGH ON 27 SEPTEMBER 2010**

Present: Councillors Collins (Chairman), Newton (Vice Chair), Kreling, Simons, Stokes and Goldspink

Officers in attendance: John Harrison, Executive Director – Strategic Resources  
Steve Crabtree, Chief Internal Auditor  
Steven Pilsworth, Head of Corporate Services  
Gemma George, Senior Governance Officer

Also in attendance: Julian Rickett, PricewaterhouseCoopers  
Councillor Seaton, Cabinet Member for Resources

**1. Apologies for Absence**

Apologies were received from Councillor Harrington and Councillor Swift wished for it to be minuted that he was unable to attend as substitute.

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

There were no declarations of interest or whipping declarations.

**3. External Audit: 2009/10 Report to Those Charged with Governance and Statement of Accounts**

The Head of Corporate Services presented a report to the Committee which had been produced following completion of the External Audit on the Statement of Accounts 2009/10 by PricewaterhouseCoopers (PwC).

The report followed on from the consideration and approval of the Council's Statement of Accounts by the Audit Committee on 28 June 2010 and its purpose was for the Committee to receive and note the "2009/10 Report to Those Charged with Governance", to make any necessary recommendations in light of the report and to receive and approve the audited Statement of Accounts.

Julian Rickett from PwC addressed the Committee and provided Members with an overview of the Executive Summary Report, which had been produced by PwC. The report summarised the results of the 2009/10 audit and it set out the matters arising from the audit of the financial statements, the results of the work undertaken by PwC under the Code of Audit Practice in order to support the Value for Money conclusion. The report also provided an audit fee update.

The work undertaken by PwC during the year had been performed in line with the plan which had been presented to the Audit Committee in February 2010. A number of reports had been issued during the audit year which highlighted recommendations for improvements and detailed findings from works undertaken. The most important issues and recommendations which had been

discussed over the course of the works undertaken were highlighted in the Executive Summary section of the Report.

The 'Financial Statements' section of the report highlighted the most significant of the accounting issues which had been identified and addressed during the audit. These issues were 'Accounting for PFI schemes' where it was highlighted that a certain balance that the Council had paid to the PFI contractor as up front contributions in 2006 and 2007 had not been treated correctly. The amount had been included within tangible fixed assets and the finance lease creditor and it should not have been included within either balance. Also 'Cash balances' where it had been noted that a balance of £204,000 had been included within cash related to cash collected by Cross Keys Homes, but had been recorded on the Council's Spectrum cash collection system. The Council had included a corresponding credit balance in the draft accounts. As the cash was not an asset of the Council, the final draft of the accounts had been adjusted to remove both the cash balance and the corresponding credit.

The 'Value for Money in the Use of Resources' section of the report, detailed the 'Value for Money Conclusion'. This highlighted that work on the Comprehensive Area Assessment (CAA) had now ceased and that the Audit Commission would not be issuing new scores for the use of resources assessment. However, PwC were still required by the Code of Audit Practice to provide a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Based on the work undertaken, an unqualified value for money conclusion was to be issued.

With regards to 'Use of Resources', following the Government's announcement that the CAA was to be abolished, work on Use of Resources for CAA had also ceased at the end of May 2010. Scored judgements from the work performed by PwC on the Use of Resources Assessment was therefore unable to be reported as the work had not been completed. However, the majority of the work had been completed on the assessment prior to May 2010 and the significant findings from the 2009/10 use of resources work were highlighted in the 'Value for Money in the Use of Resources' section of the report. These findings highlighted areas of good practice and also areas requiring improvement.

The 'Audit Plans and Fee Update' section of the report was also highlighted to the Committee and it was advised that all works had been completed within the budget that had been set in April 2010.

There was one misstatement that had been detected through the audit and it was advised that this misstatement was not considered to be material to the financial statements.

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

- The Executive Director – Strategic Resources positively commented on the Statement of Accounts 2009/10 and stated that he was extremely proud of the work which had been undertaken
- Members further positively commented on the Statement of Accounts and it was highlighted that in the past the accounts had not been as good as they were currently

- Members expressed concern at the lack of information provided by the schools. Members were advised that PwC had worked hard in order to extract the required information from the schools however, the time of year was not ideal with it being during the school holiday time (June/July). There had also been issues with confirmation being received from the banks with regards to the number of schools
- Members questioned whether the process could be brought forward in order to accommodate the school holiday times. Members were advised that this would be a better situation, however as previously mentioned, there had also been problems with the information provided by the banks. Therefore bringing the process forward would not mean that all the problems would be solved
- Members further questioned why the Private Finance Initiative figures varied from year to year. Members were advised that the repayment levels were not at a static level but varied between years. This was factored into the contracts

#### **ACTION AGREED:**

The Committee:

- (1) Received the "2009/20 Report to those charged with Governance" from PricewaterhouseCoopers (PwC) the Council's external auditors;
- (2) Approved the Chief Finance Officer's recommendation in paragraph 4.5 that the unadjusted items in the report were adjusted in 2010/11; and
- (3) Received and approved the audited Statement of Accounts 2009/10.

#### **4. Feedback Report**

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

Members were advised that there was only one specific issue requiring action which had been highlighted at any of the previous meetings of the Audit Committee and that was the subject of raising the profile of Internal Audit. Discussions would be had with Democratic Services and this issue would be progressed, with the possibility of linking in with the Neighbourhood Councils.

The Committee was further advised that a presentation would be given to all Members, preferably at the All Party Policy meeting, which would help to raise the profile of Internal Audit.

The Committee commented on previous subject items and all Members were happy with the information provided.

#### **ACTION AGREED:**

The Committee noted the Feedback Report.

#### **5. 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 External Audit: Joint Audit and Inspection Plan was due to be undertaken on 7 February 2011. Going forward this would not exist and it would just be an audit plan.

Members queried why the minutes from the previous meeting held on 6 September 2010 had not been included in the agenda for discussion and sign off. Members were advised that due to statutory deadlines the turn around time between the meeting held on 6 September and the current meeting had not been long enough to enable the minutes to be produced, checked and included.

The Committee commended the hard work undertaken by all those involved in the production of the 2009/10 Report to those charged with Governance.

**ACTION AGREED:**

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

7.00pm - 7.25pm  
Chairman



|                        |                   |
|------------------------|-------------------|
| <b>AUDIT COMMITTEE</b> | AGENDA ITEM No. 5 |
| <b>1 November 2010</b> | PUBLIC REPORT     |

|                               |   |           |
|-------------------------------|---|-----------|
| 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 |

**REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) QUARTERLY REPORT  
JULY – SEPTEMBER 2010 / 2011**

|  |                            |
|--|----------------------------|
| <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 this report on the revised RIPA Policy (Appendix A) and use of RIPA for the quarterly review period of 1 <sup>st</sup> July 2010 to 30 <sup>th</sup> September 2010 |                            |

**1. ORIGIN OF REPORT**

1.1 This report is submitted to the Committee as a scheduled report on the Council's use of RIPA in accordance with the established Work Programme 2010/2011.

**2. PURPOSE AND REASON FOR REPORT**

2.1 The purpose of this report is to introduce the revised RIPA Policy, which incorporates the changes to RIPA from April 2010 (appendix A) and to provide an overview of the Council's use of RIPA powers over the period July - September 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 Regulation of Investigatory Powers Act 2000 (RIPA) provides a statutory mechanism for authorising covert surveillance and the use of a 'covert human intelligence source' (CHIS) e.g. undercover agents. It now also permits Public Authorities to compel telecommunications and postal companies to obtain and release communications data, in certain circumstances. It seeks to ensure that any interference with an individual's right under Article 8 is **necessary and proportionate**. In doing so, RIPA seeks to ensure both the public interest and the human rights of individuals are suitably balanced.

3.2 Council officers and external agencies working on behalf of Peterborough City Council must comply with RIPA and any work carried out must be properly authorised by one of the Council's Authorising Officers. The powers contained within the Act can only be used for the purpose of preventing or detecting crime or preventing disorder.

- 3.3 The Council has established strong governance around the use of RIPA and provides assurance to the citizens of Peterborough that the powers are only used where necessary and proportionate and in accordance with the law.
- 3.4 The following table provides a breakdown of the Council's use of RIPA during the second quarter of 2010-2011.

| <b>Date of Authorisation</b> | <b>Type of Covert Surveillance</b> | <b>Reason</b>   |
|------------------------------|------------------------------------|-----------------|
| 13.07.2010                   | Directed                           | Test Purchasing |
| 13.07.2010                   | Directed                           | Test Purchasing |
| 17.08.2010                   | Directed                           | Test Purchasing |
| 03.09.2010                   | Directed                           | Test Purchasing |

Please note Test Purchasing refers to the testing of age restricted goods such as alcohol, tobacco and fireworks, at premises throughout the City.

#### **4. CONSULTATION**

- 4.1 Consultation has taken place between the following parties:
- Solicitor to the Council;
  - Executive Director of Operations (as the Senior Officer with oversight for RIPA); and
  - Chief Internal Auditor

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

- 5.1 That the Audit Committee continues to be informed of the necessary and proportionate use of RIPA across the Authority.

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

- 6.1 There are no recommendations contained within this report.

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

- 7.1 The option is not to present a reviewed Policy or quarterly report, which details the use of RIPA. This could result in a lack of assurance and a potential lack of support from the Audit Committee. Failure to present a Policy and/or report of usage for Member review contravenes the RIPA Codes of Practice.

#### **8. IMPLICATIONS**

- 8.1 The implications of this report are that the Council will become more aware of RIPA and its value to the Council's many enforcement teams. The Council has already created a positive profile and has been congratulated on its adherence to the legislation by the Office of Surveillance Commissioners.

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

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



**Corporate Policy and Procedures Document**

**On**

**Regulation of Investigatory Powers Act 2000 (RIPA)**

**Covert Surveillance, Acquisition of Communications Data and  
Use of Covert Human Intelligence Sources**

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# **1. BACKGROUND INFORMATION**

## **1.1. INTRODUCTION**

Peterborough City Council (“PCC”) has a duty to enforce a wide range of offences arising under legislation relating to public health and safety, quality of life, preservation of public and residential amenity, maintenance of the environment and the protection of public funds. In fulfilment of this, it will in exceptional circumstances become necessary to obtain private information using covert techniques.

PCC’s use of covert techniques is governed by The Regulation of Investigatory Powers Act 2000 (“RIPA”) and the Home Office’s Codes of Practice on Covert Surveillance and Covert Human Intelligence Sources (“the Codes”).

PCC recognises and respects the privacy of the people within the community it serves and takes very serious its statutory responsibilities in this respect. The purpose of this Policy is therefore to outline the covert techniques available to PCC as well as when, how and by whom they should be used in order to ensure strict compliance with RIPA and the Codes.

Both directly employed staff and external agencies are covered by RIPA and therefore this Policy at all times whilst they are working for PCC.

This Policy will be reviewed annually by the Senior Responsible Officer. At all other times throughout the year the RIPA Group will monitor changes to any relevant legislation and guidance to ensure that this Policy is updated at the earliest opportunity. The most up-to-date and authoritative position will remain within the Act and Codes themselves and persons are therefore encouraged to read this Policy in conjunction with them and/or make enquiries with the Compliance and Ethical Standards Manager in the event of *any* uncertainty.

The Compliance and Ethical Standards Manager will maintain and check the Corporate Register of all RIPA authorisations, reviews, renewals, cancellations and rejections as well as organising training and development opportunities for Officers of PCC tasked with implementing or where appropriate supervising the implementation of this Policy. Regular training and awareness programmes will also be delivered to elected Members who have a scrutiny role in the use of RIPA.

PCC has and will continue to be inspected by the Office of Surveillance Commissioners (“the OSC”) whose representatives are required to review and provide independent oversight of the use of RIPA. PCC will work with the OSC’s representatives as part of this process and will ensure compliance with any recommendations made.

An electronic copy of this Policy will be available within the Regulatory Powers and Investigation Section of Insite and should be read with reference to the RIPA Toolkit which can be found in the same location.

## **1.2. SUBORDINATE LEGISLATION/CONSIDERATIONS**

### **1.2.1. General**

It is essential for the purpose of preserving the rights of individuals and the reputation of PCC that all involved with RIPA carefully consider their obligations under and ensure compliance with all subordinate legislation and guidance.

A failure to comply with legislative requirements is likely to expose PCC to legal risk which will inevitably result in financial and reputational implications.

### **1.2.2. Human Rights Act**

The Human Rights Act 1998 requires PCC and organisations working on its behalf pursuant to Article 8 of the European Convention to respect the private and family life of citizens, their homes and correspondence. However, this provision is qualified in that interference with it is permitted where it is:

- In accordance with the law;
- Necessary; and
- Proportionate.

Where properly applied RIPA provides the statutory basis through which interference will be lawful and consideration of the necessity and proportionality of an application should occur in all circumstances.

### **1.2.3. Data Protection Act**

Authorising Officers must ensure compliance with the appropriate data protection requirements and the relevant codes of practice in the handling and storage of material. Where material is obtained by surveillance, which is wholly unrelated to a criminal or other investigation or to any person who is the subject of the investigation, and there is no reason to believe it will be relevant to future civil or criminal proceedings, it should be destroyed immediately. Consideration of whether or not unrelated material should be destroyed is the responsibility of the Authorising Officer.

### **1.2.4. Confidential Material**

It is a requirement of every application that due consideration is given to the likelihood that an authorisation will result in the acquisition of confidential material.

Authorisation and use of covert techniques which will or are likely to result in confidential material being obtained are subject to additional safeguards and may only be granted by the Chief Executive.

Where the proposed use of covert techniques is likely to or will result in confidential material being obtained this should be specifically highlighted as part of the application process.

Where, after an authority has been granted it becomes apparent that the approved use of a covert technique is likely immediate advice should be sought from the Compliance and Ethical Standards Manager.

“Confidential Material” consists of:

(a) Matters Subject to Legal Privilege;

Matters subject to legal privilege include both oral and written communications between a professional legal adviser and his/her client or any person representing his/her client, made in connection with the giving of legal advice to the client or in contemplation of legal proceedings and for the purposes of such proceedings, as well as items enclosed with or referred to in such communications. Communications and items held with the intention of furthering a criminal purpose are not matters subject to legal privilege.

(b) Confidential Personal Information

Confidential personal information is information held in confidence relating to the physical or mental health or spiritual counselling of a person (whether living or dead) who can be identified from it. Such information, which can include both oral and written communications, is held in confidence if it is held subject to an express or implied undertaking to hold it in confidence or it is subject to a restriction on disclosure or an obligation of confidentiality contained in existing legislation. Examples include consultations between a health professional and patient or information from a patient’s medical record.

Spiritual counselling will include conversations with a Minister of Religion acting in his-her official capacity were the person being counselled is seeking or the Minister is imparting forgiveness or absolution of conscience.

(c) Confidential Journalistic Material

“Confidential Journalistic Material” includes material acquired or created for the purpose of journalism and held subject to an undertaking to hold it in confidence, as well as communications resulting in information being acquired for the purposes of journalism and held subject to such an undertaking.

### **1.3. SENIOR RESPONSIBLE OFFICER AND THE ROLE OF COUNCILLORS**

PCC has and will continue to appoint a Senior Responsible Officer who will be responsible for:

- The integrity of the processes PCC has put in place for the management and use of covert techniques;
- Compliance with RIPA and any related legislation and Guidance;
- Engagement with the OSC inspectors when they conduct their inspections; and
- Where necessary oversight of the implementation of the post-inspection action plans.

Details of the currently appointed Senior Responsible Officer can be viewed within the ‘RIPA Group and Authorised Officers’ section of the RIPA Toolkit.

It shall be the role of the Audit Committee to annually review PCC's use of RIPA and to set the general surveillance Policy. Furthermore, Members of the Audit Committee shall on a quarterly basis consider internal reports on the use of RIPA to ensure that it is being used consistently with this Policy and that this Policy remains fit for purpose in that respect.

#### **1.4. AUTHORISING OFFICERS**

The Senior Responsible Officer will ensure that a sufficient number of key personnel within PCC are trained and appointed as 'Authorising Officers' for the purpose of assessing and granting applications from staff or agents wishing to use covert techniques.

Key personnel for these purposes will be limited to Directors, Heads of Services, Service Managers or their equivalents.

A List of currently authorised personnel can be viewed within the 'RIPA Group and Authorised Officers' section of the RIPA Toolkit.

Authorised Officers must fully familiarise themselves with the contents of this Policy as well as the Codes. In the event of *any* uncertainty on the part of the Authorising Officer as to the credibility of an application or ongoing authorisation, advice should be sought from the Compliance and Ethical Standards Manager.

It will be the responsibility of Authorising Officers to ensure that covert techniques are not utilised without appropriate authorisation and that the applications received by them comply with the requirements of this Policy.

Authorising Officers must also pay attention to Health and Safety issues that may arise in consequence of a covert technique being used. The use of a covert techniques is strictly prohibited unless the Authorising Officer is satisfied that the health and safety of PCC's employees or authorised agents are suitably addressed and/or associated risks are minimised so far as is possible and proportionate to the required aim.

#### **1.5. USEFUL WEBSITES**

##### **General Guidance**

[www.surveillancecommissioners.gov.uk](http://www.surveillancecommissioners.gov.uk)

##### **RIPA Forms**

<http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-forms>

##### **Code of Practice- Surveillance**

<http://www.homeoffice.gov.uk/publications/counter-terrorism/ripa-forms/code-of-practice-covert>

##### **Code of Practice- Covert Human Intelligence**

<http://www.homeoffice.gov.uk/publications/counter-terrorism/ripa-forms/code-practice-human-intel>



## **Code of Practice – Acquisition and Disclosure of Communications Data**

<http://www.homeoffice.gov.uk/publications/counter-terrorism/ripa-forms/code-of-practice-acquisition>

## **2. COVERT TECHNIQUES**

### **2.1. SURVEILLANCE**

#### **2.1.1. Introduction**

Most of the surveillance carried out by PCC will be done overtly i.e. there will be nothing secretive about it. In many cases, Officers will be behaving in the same way as a member of the public and will be openly undertaking PCC's business. Similarly, surveillance will be overt if the subject(s) have been told it will happen (e.g. where a noisemaker is warned in writing that the noise will be recorded if it is not abated).

RIPA regulates the use of directed and intrusive covert surveillance however, Local Authorities such as PCC can only be authorised to undertake covert directed surveillance as set out below.

Practical examples relating to the application of this Policy can be viewed within the RIPA Toolkit.

***Please note that PCC is strictly prohibited in any circumstance from the use of any covert technique which may involve 'property interference' which is taken to include entry on or interference with property or with wireless telegraphy.***

#### **2.1.2. What is Surveillance?**

Surveillance includes:

- monitoring, observing or listening to persons, watching or following their movements, listening to their conversations and other such activities or communication;
- recording anything mentioned above in the course of authorised surveillance; and
- surveillance by or with the assistance of a surveillance device.

#### **2.1.3. When is Surveillance Covert?**

Surveillance is covert when it is carried out in a manner calculated to ensure that the subject or others affected by it are unaware that it is or may be taking place.

Covert surveillance will not be necessary (and therefore compliant with the Human Rights Act) in circumstances where there are reasonably available overt means of obtaining the same information.

#### **2.1.4. When is Surveillance Directed?**

Surveillance is 'Directed' if it is not intrusive and is undertaken:

- for the purposes of a specific investigation or a specific operation;
- in such a manner as is likely to result in the obtaining of private information about a person (whether or not such a person is specifically identified for the purposes of the investigation or operation); and
- otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation to be sought for the carrying out of the surveillance.

#### **2.1.5. What is Private Information**

Private information includes any information relating to an individual's private or family life, their home and correspondence.

The fact that covert surveillance occurs in a public place or on business premises does not mean that it cannot result in obtaining private information about a person.

Prolonged surveillance targeted on a single person will undoubtedly result in obtaining private information about them and others that they come into contact or associated with. Accordingly, the use of overt CCTV cameras may require authorisation in circumstances where they are to be directed for a specific purpose to observe particular individuals.

#### **2.1.6. When will Surveillance Amount to an 'Immediate Response'?**

RIPA recognises that in circumstances where an immediate response to events is required it may not be possible to obtain prior authority to undertake surveillance which might otherwise fall within its remit.

The opportunities for those circumstances to arise are very narrow and specific for example, using overt CCTV cameras to specifically track the movements of a person who has just committed a street crime. However, if as a result of that immediate response specific monitoring of that person is undertaken for the purpose of obtaining "private information" about him/her then authorisation is required.

#### **2.1.7. When is Surveillance Intrusive?**

Surveillance is Intrusive if it:

- Is covert; and
- is carried out in relation to anything taking place on any "residential premises" or in any "private vehicle"; and
- involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device.

**PCC'S Employees and/or its agents or representatives are not permitted to authorise or carry out intrusive surveillance *in any circumstance*.**

### **2.1.8. Authorising Surveillance**

For covert directed surveillance an Authorising Officer will not grant an authorisation unless he/she believes (and the prescribed forms require that the factors below are shown to have been taken into account):

- (a) that an authorisation is necessary; and
- (b) that the authorised surveillance is proportionate to what is sought to be achieved by carrying it out.

#### *NECESSITY*

RIPA specifically prescribes the circumstances in which an application for directed surveillance may be granted with the most applicable to PCC being:

- for the purpose of preventing or detecting crime or of preventing disorder.

#### *PROPORTIONALITY*

An authorisation will be proportionate if the person granting the authorisation has balanced the intrusiveness of the activity on the target and others who might be affected by it against the need for the activity in investigative or operational terms. The activity will not be proportionate if it is excessive in the overall circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means.

The following are therefore relevant considerations:

- the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
- what explanation has been given as to how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
- is the activity an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
- as far as reasonably practicable, what other methods have been considered and why were they not implemented.

#### *COLLATERAL INTRUSION*

Collateral intrusion will arise in any circumstance where there is a risk to the privacy of persons other than those who are directly the subject of the investigation. In any such circumstances measures should be wherever practicable to avoid or minimise unnecessary intrusion.

Such collateral intrusion or interference would be a matter of greater concern in cases where there are special sensitivities, for example in cases of premises used by lawyers or for any form of medical or professional counselling or therapy, or in a particular community.

Any application for authorisation or renewal should include an assessment of risk of any collateral intrusion or interference. The authorising officer will take this into account in considering the proportionality of the request.

The obligation to be mindful of collateral intrusion continues throughout the life of the authorisation and those responsible for carrying out the permitted surveillance should inform the Authorising Officer immediately if there is an unexpected interference with the privacy of unconnected individuals. The Authorising Officer should consider whether the authorisation requires amendment or reauthorisation in order to ensure compliance with RIPA.

***More information as to the definition and authorisation of covert directed surveillance can be found within the Home Office Guidance entitled 'Covert Surveillance and Property Interference' as referenced within the Useful Websites section of this Policy.***

## **2.2. COVERT USE OF HUMAN INTELLIGENCE SOURCES ("CHIS")**

### **2.2.1. RESTRICTIONS ON USE**

**The use of a CHIS will only be authorised in exceptional circumstances.**

**At all times extreme caution should be taken to ensure that the ordinary provision of information by members of the public does not give rise to a situation in which authorisation would be required.**

In any circumstance in which it is proposed that a CHIS should be utilised to obtain information, advice should first be sought from PCC's Monitoring Officer or their duly nominated representative.

### **2.2.2. Who is a CHIS?**

A person is a CHIS if:

- He/she establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything either of the following;
  - Covertly using the relationship to obtain information or provide access to any information to another person; or
  - Covertly disclosing information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

A purpose is covert, in relation to the establishment or maintenance of a personal or other relationship, if and only if the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of that purpose.

The above clearly covers the use of professional witnesses where they are required to obtain information and evidence in such circumstances.

### **2.2.3. What Must be Authorised**

Both the conduct and the use of a CHIS must be authorised. I.e. it is not only the actions of the CHIS that will require prior approval but also the decision to use one and any subsequent attempts to induce, ask or assist a person to carry out those actions.

Authorisation is not required where members of the public volunteer information to the Council as part of their normal civic duties or to contact numbers set up to receive information (e.g. a Housing Benefit Fraud hotline).

Practical examples relating to the application of this Policy can be viewed within the RIPA Toolkit.

### **2.2.4. Authorisation**

Similarly to the authorisation of surveillance, in order for an application to be granted, the proposed use and conduct of the CHIS should be necessary and proportionate to the required aim. Equally, necessity will be established in circumstances where the proposed use and conduct of the CHIS is for the prevention and detection of crime or the prevention of disorder. Further, the same principles will apply in determining proportionality.

Applications may only be authorised by the Chief Executive in consultation with the Senior Responsible Officer.

Before granting any application, consideration must be given to the safety and welfare of the CHIS and the foreseeable consequences to others of the tasks they are asked to carry out. A risk assessment should be carried out before authorisation is given. Consideration from the start, for the safety and welfare of the CHIS, even after cancellation of the authorisation, needs to be considered.

The Applicant will have day-to-day responsibility for dealing with the CHIS and for their security and welfare. The Senior Responsible Officer will be responsible for the management and supervision of the Applicant in this context.

The Applicant must keep a detailed record of the tasks undertaken by the CHIS. Any such records should be provided to the Senior Responsible Officer for retention in accordance with the Regulation of Investigatory Powers (Source Records) Regulations. The Senior Responsible Officer will at all times have general oversight of the records to ensure compliance with the authorisation.

### **2.2.5. Additional Considerations**

#### **2.2.5.1. Juvenile Sources**

Special safeguards apply to the use or conduct of juvenile sources (i.e. persons under 18 years of age).

On no occasion should the use or conduct of a CHIS under 16 years of age be authorised to give information against his parents or any person who has parental responsibility for them.

### **2.2.5.2. Test Purchasing by Juvenile Sources**

In any circumstance where a test purchasing exercise is proposed, officers must carefully consider whether or not the circumstances will bring into effect a relationship between the seller and buyer sufficient to require authorisation.

Practical examples relating to the application of this Policy can be viewed within the RIPA Toolkit.

### **2.2.5.3. Vulnerable Individuals**

A vulnerable individual is a person who is or may be in need of community care services by reason of mental or other disability, age or illness and who is or may be unable to take care of themselves or protect themselves against significant harm or exploitation.

A vulnerable individual will only be authorised to act as a CHIS in the most exceptional of circumstances.

***More information as to the definition and authorisation of a CHIS can be found within the Home Office Guidance entitled ‘Covert Human Intelligence Sources’ as referenced within the Useful Websites section of this Policy.***

## **2.2.6. COMMUNICATIONS DATA**

### **2.2.6.1. What is Communications Data?**

Communications data means any traffic or any information that is or has been sent by or over a telecommunications system or postal system, together with information about the use of the system made by any person.

Practical examples relating to the application of this Policy can be viewed within the RIPA Toolkit.

### **2.2.6.2. Authorisation**

There are two powers granted by S22 RIPA in respect of the acquisition of Communications Data from telecommunications and postal companies (“Communications Companies”).

S22 (3) provides that an authorised person can authorise another person within the same relevant public authority to collect the data. This allows the local authority to collect the communications data themselves, i.e. if a Communications Service Provider is technically unable to collect the data, an authorisation under the section would permit the local authority to collect the communications data themselves.

In order to compel a Communications Service Provider to obtain and disclose, or just disclose Communications Data in their possession, a notice under S22 (4) RIPA must be issued.

The sole ground to permit the issuing of a S22 notice by a Permitted Local Authority is for the purposes of “preventing or detecting crime or of preventing disorder”. The issuing of such a notice will be the more common of the two powers utilised, in that the Communications Service Provider will most probably have means of collating and providing the communications data requested.

Once a notice has been issued, it must be sent to the Communications Service Provider. In issuing a notice, the Authorising Officer can authorise another person to liaise with the Communications Service Provider covered by the notice.

The Council’s Compliance and Ethical Standards Manager is an accredited Home Office Single Point of Contact (SPoC) and is the authorised person permitted to liaise with the Communications Service Providers. All approaches should be made *via* this officer.

### **3. AUTHORISATION**

#### **3.1. GENERAL**

Before any officer of the Council undertakes surveillance of any individual(s) they must assess whether the activity is directed or intrusive and as such requires authorisation.

In order to ensure that authorising officers have sufficient information to make an informed decision it is important that detailed records are maintained. The prescribed forms (held by the Authorising Officer) must be fully completed.

It is also sensible to make any authorisation sufficiently wide enough to cover all that is required. This will also enable effective monitoring of what is done against what is authorised.

#### **3.2. ORAL/WRITTEN AUTHORISATION**

For urgent grants or renewal, oral authorisations are acceptable however confirmation that such authorisation has been given should be recorded in writing by the applicant as a matter of priority. It is not necessary for the full details of the application to be recorded at this stage however, as soon as is reasonably practicable (usually the next working day), those details should also be recorded in writing.

A case is not normally to be regarded as urgent unless the time that would elapse before the authorising officer was available to grant the authorisation would, in the judgement of the person giving the authorisation, be likely to endanger life or jeopardise the operation or investigation for which the authorisation was being given. An authorisation is not to be regarded as urgent where the need for an authorisation has been neglected or the urgency is of the applicant’s or authorising officer’s own making.

In all other cases, authorisations must be in writing. Prescribed forms (held by Authorising Officers) must be used. Officers must direct their mind to the circumstances of the individual case with which they are dealing when completing the form.

Separate forms are to be completed to maintain the distinction between Directed Surveillance, Acquisition of Communications Data and the use of a Covert Human Intelligence Source.

### **3.3. DURATION OF AUTHORISATIONS**

Authorisations under RIPA do not lapse with time and should therefore be reviewed, renewed or cancelled once the specific surveillance is complete (in cases of surveillance or the use of a CHIS) or is about to expire (in all cases). An application will expire at the end of the following periods:

ORAL: within 72 hours beginning with the time when the authorisation was granted.

WRITTEN - CHIS - 12 months beginning with the day on which the authorisation took effect except in the case of juveniles. The authorisation of a juvenile as a CHIS will expire within a period of 1 month.

WRITTEN - Directed Surveillance – 3 months from the grant or last renewal.

WRITTEN - Communications Data – Notices/Authorities issued under s.22 compelling disclosure of Communications Data are only valid for one month but can be renewed for subsequent periods of one month at any time.

### **3.4. RENEWAL OF AUTHORISATIONS**

Any person entitled to grant a new authorisation can renew an existing authorisation in the same terms at any time before it ceases to have effect.

However, for the conduct of a Covert Human Intelligence Source, an Authorising Officer should not renew unless a review has been carried out and that person has considered the results of the review when deciding whether to renew or not. A review must cover what use has been made of the source, the tasks given to them and information obtained.

Authorising Officers are responsible for ensuring that authorisations undergo timely reviews and are cancelled promptly after upon the use of the relevant covert technique no longer being necessary.

### **3.5. REVIEW OF AUTHORISATIONS**

Regular review of authorisations should be undertaken where possible by the original authorising officer to assess the need for the continued use of the relevant covert technique.

In each case the authorising officer should determine how often a review should take place. This should be as frequently as is considered necessary and practicable but should not prevent reviews being conducted in response to changing circumstances.

The results of the review need to be sent for recording on the Central Register.



### **3.6. CANCELLATION OF AUTHORISATIONS**

The Authorising Officer who granted or last renewed the authorisation must cancel it where applicable any part of it if he is satisfied the authorisation no longer meets the criteria upon which it was authorised.

As soon as the decision is taken to discontinue the authorisation, the instruction must be given to those involved to cease using the relevant cover technique(s).

The date of cancellation of the authorisation should be centrally recorded and any documentation retained. There is no requirement for any further details to be recorded when cancelling a directed surveillance authorisation however effective practice suggests that a record should be retained detailing the product obtained from the surveillance and whether or not objectives were achieved.

### **3.7. COMBINED AUTHORISATIONS AND JOINT WORKING**

A single authorisation may combine two or more different authorisations under RIPA.

In cases of joint working, for example, with other agencies on the same operation, authority for directed surveillance by a Housing Benefit Investigator must be obtained from the Council's authorising officers. Authority cannot be granted by the authorising officer of another body for the actions of the Council staff and vice versa.

Use of the Council's CCTV systems by other public authorities will be in accordance with the Council's joint protocol in this respect.

### **3.8. CENTRAL REGISTER AND RETENTION OF RECORDS**

It is a requirement that PCC keeps a centrally retrievable record of all authorisations. In compliance with this, a Central Register is kept by the Compliance and Ethical Standards Manager.

Whenever an authorisation is granted, renewed or cancelled (and this includes authorisations issued by the Police or other third parties using Council CCTV or other facilities) the Authorising Officer must arrange for copies to be forwarded to the Compliance and Ethical Standards Manager. Any information forwarded in this way should be placed in a sealed envelope marked both for the attention of the Compliance and Ethical Standards Manager only as well as strictly private and confidential.

Authorisations (together with the application, reviews, renewals and cancellation) should be retained by the Authorising Officer, for a period of 3 years. Where it is believed that the records could be relevant to pending or future criminal proceedings, they should be retained for a suitable further period, commensurate to any subsequent review. It is each department's responsibility to securely retain all authorisations within their departments.

### **3.9. USE OF THE INFORMATION OBTAINED**

Subject to compliance with this Policy and the legislative requirements underpinning it, information obtained through the use of cover techniques may be used as evidence in criminal proceedings.

### **3.10. THE OFFICE OF THE SURVEILLANCE COMMISSIONERS AND THE TRIBUNAL**

The Chief Surveillance Commissioner will keep under review, the exercise and performance by the persons on who are conferred or imposed, the powers and duties under RIPA.

A tribunal has been established to consider and determine complaints made under RIPA if it is the appropriate forum. Complaints can be made by persons aggrieved by conduct e.g. direct surveillance. The forum hears application on a judicial review basis. Claims should be brought within one year unless it is just and equitable to extend that.

The tribunal can order, among other things, the quashing or cancellation of any warrant or authorisation and can order destruction of any records or information obtained by using a warrant or authorisation, and records of information held by any public authority in relation to any person. The Council is however, under a duty to disclose or provide to the tribunal all documents they require if:

- A Council officer has granted any authorisation under RIPA.
- Council employees have engaged in any conduct as a result of such authorisation.
- A disclosure notice requirement is given.

## **4. CONCLUDING REMARKS**

This Policy sets out the options available to Peterborough City Council in using covert techniques to investigate and enforce against criminal behaviour.

Peterborough will take a firm stance with offenders and utilise all appropriate powers in this respect. However, in all circumstances great emphasis will be placed on the human rights of citizens and proportionality will be an overriding consideration in granting and reviewing any authorisation.

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|------------------------|----------------------|
| <b>AUDIT COMMITTEE</b> | AGENDA ITEM No. 6    |
| <b>1 NOVEMBER 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):              | John Harrison, Director of Strategic Resources | ☎ 452 398 |
|                                  | Steve Crabtree, Chief Internal Auditor         | ☎ 384 557 |

**INTERNAL AUDIT: QUARTERLY REPORT 2010/2011 (TO 30 SEPTEMBER 2010)**

| <b>R E C O M M E N D A T I O N S</b>   |                            |
|--|----------------------------|
| <b>FROM :</b> John Harrison, Director of Strategic Resources   | <b>Deadline date :</b> N/A |
| Audit Committee are asked that :   |                            |
| <p>1. The Internal Audit Update Report to 30 September 2010 be received and the Committee note in particular:</p> <p style="padding-left: 40px;">(a) That the Chief Internal Auditor is of the opinion that based on the works conducted during the 3 months to 30 September 2010, internal control systems and governance arrangements remain generally sound;</p> <p style="padding-left: 40px;">(b) Progress made against the plan and the overall performance of the section; and</p> <p style="padding-left: 40px;">(c) The revision of the 2010/2011 Audit Plan.</p> |                            |

**1. ORIGIN OF REPORT**

1.1 This report is submitted to Audit Committee as a routine planned report within the work programme of the Committee. It sets out Internal Audit performance and progress with regards to the 2010 / 2011 Audit Plan (Audit Committee approval: 29 March 2010).

**2. PURPOSE AND REASON FOR REPORT**

2.1 The purpose of this report is to inform the Audit Committee on Internal Audit activities and performance progress against the Annual Audit 2010 / 2011 as at 30 September 2010.

2.2 The report is for the Committee to consider under its Terms of Reference No. 2.2.4 – *To consider reports dealing with the management and performance of the providers of internal audit services.*

**3. TIMESCALE**

|   |           |   |     |
|---|-----------|---|-----|
| Is this a Major Policy Item / Statutory Plan? | <b>NO</b> | If Yes, date for relevant Cabinet Meeting | N/A |
|---|-----------|---|-----|

#### 4. OVERVIEW

4.1 This report outlines the work undertaken by Internal Audit up to 30 September 2010, progress against our plan and other issues of interest.

#### 5. ASSURANCE OPINION

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

5.2 Based on the work carried out and finalised during the 2010 / 2011 (to 30 September 2010), the Chief Internal Auditor is of the opinion that the Council's internal control systems for those areas audited are generally sound. 100% of high / critical recommendations made to date have been accepted by management and programmed for implementation (against a target of 97%).

#### 6. AUDIT PLAN 2010 / 2011

##### 6.1 Progress against Plan

6.1.1 **Appendix A** shows the Operational Plan that was agreed by the Audit Committee on 29 March 2010. It shows the audits that are due to be performed during 2010/2011 and the status of those audits. It includes audits brought forward from the previous year that have been finalised during 2010 / 2011. It also includes audits that were not planned when the Annual Audit Plan was approved. It does not, however, separately list audit work of more limited scope, such as control advice.

6.1.2 To date, 15 audit projects for 2009 / 2010 have been finalised together with a further 18 for 2010 / 2011. There are also 56 audit assignments that are in various stages of review.

6.1.3 Progress against the 2010 / 2011 plan is 40.9% (compared with 39% to the 6 month period September 2009). Long term sickness and an unfilled vacancy have resulted in the loss of 171 productive days to date, which equates to nearly 13% of the plan.

6.1.4 Some contingency time for unplanned work, consultancy and control advice is incorporated into the plan when it is produced. We have used 55% of this time in the period to 30 September 2010.

6.1.5 In addition to the reviews detailed in the Appendix, other work in the form of consultancy advice has been provided by Internal Audit which may not have resulted in the production of a formal report, and is therefore not separately listed.

##### 6.2 Other Performance Matters

6.2.1 An average of 5.6 days sickness per person was lost during the 6 months to 30 September 2010, compared to a target of 2.5 days. Whilst higher than our target, this is a major reduction on last year's figure of 20 days per person at the same point in the year.

6.2.2 Removing the long term sickness figures from the equation gives an average of 2.1 days lost to sickness per person for this period, which is within target.

6.2.3 The long term sickness of two members of the team has had a major impact on this performance indicator. Sickness has been actively managed in accordance with the Council's Attendance Policy and through Occupational Health where appropriate. Both employees have now returned to work, although one has opted for a reduction in hours.

## 7. REVISION OF THE 2010 / 2011 AUDIT PLAN

7.1 Whilst the plan approved by the Audit Committee in March 2010 included an element of flexibility to respond to changing needs, during Quarter 1 significant changes have occurred as a result of decisions made by the new Government to stop various programmes and initiatives. As a result, the following areas of planned audit work have been cancelled:

- An assurance review to ensure the Council complies with the Contact Point accreditation conditions;
- Use of Resources; and
- Comprehensive Area Assessment work.

7.2 Change in priorities are common in year, but these developments coupled with the financial pressures predicted for the Council as reported to Cabinet on 29 September 2010 (Medium Term Financial Strategy 2011 / 2012 to 2015 / 2016) does raise questions around whether the original plan agreed is still reflective of the Council's key risks. The plan will be re-prioritised for the remainder of the year to focus more on finance.

7.3 The financial pressures also impact directly on the Internal Audit Team. The vacancy is unlikely to be filled and along with other departments, we are looking utilise our skills and expertise to generate income for the authority. The sickness absence reported in section 6.2 has an additional impact on the ability of the Internal Audit team to deliver the current plan.

7.4 As a result the audit plan has been reviewed to ensure that our reduced resources are focused on the key risks. Commentary on the amendments to the plan is included in **Appendix A**.

## 8. EXTERNAL WORK

8.1 The Internal Audit Strategy for 2010/11 which was approved by the Audit Committee on 29 March 2010, detailed that '**Internal Audit has been charged with selling Audit Services to other areas of the Public Sector in the region, as part of the Manor Drive initiative.**' Internal Audit has been in discussion with a number of authorities in relation to this initiative and we now have some progress to report upon.

8.2 We have secured two small pieces of external work, one with a Leicestershire school and one with a local authority. Contracts are due to be signed shortly and work will commence in quarter four.

8.3 We will notify the Audit Committee of the progress of any external work undertaken, but will not state outcomes or provide copies of reports, as this work is commercially sensitive.

8.4 Our Annual Audit Plan includes time for external work. However, any growth in this area will need to be carefully balanced with the need to provide an appropriate level of assurance to the Audit Committee, S151 Officer and senior management.

## 9. CONSULTATION

9.1 This report and the accompanying appendices have been issued to the deputy s.151 Officer for consideration.

## 10. ANTICIPATED OUTCOMES

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

## 11. REASONS FOR RECOMMENDATIONS

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

## 12. ALTERNATIVE OPTIONS CONSIDERED

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

## 13. IMPLICATIONS

### 13.1 Corporate Resource Implications

During the year, Internal Audit makes a number of recommendations. While implementing these may have resource implications for the various areas under review, Internal Audit discuss and agree recommendations with the Auditee prior to the issue of the final audit report. Therefore, it is assumed that their implementation can and will be undertaken either with existing resources or with additional resources that they can readily call upon.

### 13.2 Legal Implications

The Internal Audit service is undertaken in accordance with the requirements of section 151 of the Local Government Act and the requirements of the Accounts and Audit Regulations (Amendments) 2006.

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

## BACKGROUND DOCUMENTS

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

CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006  
Accounts and Audit (amendment) (England) Regulations 2006  
Internal Audit Business Plan 2010 / 2011  
Internal Audit Annual Plan 2010 / 2011

## APPENDICES:

|                   |   |
|-------------------|---|
| <b>Appendix A</b> | Progress of Audit Plan 2010 / 2011 (To 30 September 2010) |
| <b>Appendix B</b> | Audit Reports Issued in Quarter 2: Limited / No Assurance |

| AUDIT ACTIVITY | Department | ASSURANCE LEVEL |             |         |    | RECOMMENDATIONS MADE |        |      |          |       | Commentary / Revised Audit Plan |
|----------------|------------|-----------------|-------------|---------|----|----------------------|--------|------|----------|-------|---------------------------------|
|                |            | Full            | Significant | Limited | No | Low                  | Medium | High | Critical | Total |                                 |

| SYSTEMS ACTIVITY<br>FINANCIAL SYSTEMS:<br>MANAGED AUDIT | To review the design and operation of key systems to assess whether they are fit for purpose and allow the s151 officer to make his statement included in the Annual Accounts, on the reliability of the supporting financial systems. The fundamental systems - those which are critical to the operation of the council - are reviewed annually; others will be reviewed periodically dependent on risk. |  |  |  |  |   |   |   |   |   |   |
|---|--|--|--|--|--|---|---|---|---|---|---|
| Main Accounting / Financial Accounting                  | Strategic Res  |  |  |  |  | - | - | - | - | - | Removed from plan – reliance placed on PwC as part of final accounts                  |
| Accounts Payable  | Strategic Res  |  |  |  |  | - | - | - | - | - | Due to commence Qtr3  |
| Sundry Billing  | Strategic Res  |  |  |  |  | - | - | - | - | - | Removed from plan   |
| Debt Recovery   | Strategic Res  |  |  |  |  | - | - | - | - | - | Due to commence Qtr2, but delayed as central debt recovery function not yet in place. |
| Housing and Council Tax Benefits                        | Strategic Res  |  |  |  |  | - | - | - | - | - | Due to commence Qtr4  |
| Council Tax   | Strategic Res  |  |  |  |  | - | - | - | - | - | Due to commence Qtr3  |
| Business Rates  | Strategic Res  |  |  |  |  | - | - | - | - | - | Due to commence Qtr3  |
| Cash / Banking  | Strategic Res  |  |  |  |  | - | - | - | - | - | Removed from plan. Awaiting closure of previous review.                               |
| Budgetary Control (Capital)                             | Strategic Res  |  |  |  |  | - | - | - | - | - | Due to commence Qtr3  |
| Treasury Management                                     | Strategic Res  |  |  |  |  | - | - | - | - | - | Due to commence Qtr3  |
| Payroll   | Strategic Res  |  |  |  |  | - | - | - | - | - | Due to commence Qtr3  |
| Fixed Asset Accounting                                  | Strategic Res  |  |  |  |  | - | - | - | - | - | Due to commence Qtr4  |

| AUDIT ACTIVITY | Department | ASSURANCE LEVEL |             |         |    | RECOMMENDATIONS MADE |        |      |          |       | Commentary / Revised Audit Plan |
|----------------|------------|-----------------|-------------|---------|----|----------------------|--------|------|----------|-------|---------------------------------|
|                |            | Full            | Significant | Limited | No | Low                  | Medium | High | Critical | Total |                                 |

|  |   |  |   |   |  |   |   |   |   |    |              |
|--|---|--|---|---|--|---|---|---|---|----|--------------|
| <b>SYSTEMS ACTIVITY<br/>FINANCIAL SYSTEMS:<br/>MANAGED AUDIT –<br/>Unplanned reviews 2010/11</b>   |   |  |   |   |  |   |   |   |   |    |              |
| Youth Offending Service – Imprest Account  | Strategic Res   |  | x |   |  | 3 | - | - | - | 3  | Memo issued  |
| <b>SYSTEMS ACTIVITY<br/>FINANCIAL SYSTEMS:<br/>MANAGED AUDIT – Rolled<br/>forward from 2009/10</b> | <b>To review the design and operation of key systems to assess whether they are fit for purpose and allow the s151 officer to make his statement included in the Annual Accounts, on the reliability of the supporting financial systems. The fundamental systems - those which are critical to the operation of the council - are reviewed annually; others will be reviewed periodically dependent on risk.</b> |  |   |   |  |   |   |   |   |    |              |
| Retrospective Orders   | Chi Services  |  |   |   |  | - | - | - | - | -  | Under review |
| Benefits 2009  | Strategic Res   |  | x |   |  | 1 | 2 | - | - | 3  | Final issued |
| Cash and Banking 2009/10   | Strategic Res   |  | x |   |  | 4 | 3 | 2 | - | 9  | Draft issued |
| Main Accounting System   | Strategic Res   |  | x |   |  | 1 | 1 | - | - | 2  | Draft issued |
| Accounts Payable – Central Controls  | Strategic Res   |  |   | x |  | 5 | 4 | 4 | - | 13 | Draft issued |



| AUDIT ACTIVITY | Department | ASSURANCE LEVEL |             |         |    | RECOMMENDATIONS MADE |        |      |          |       | Commentary / Revised Audit Plan |
|----------------|------------|-----------------|-------------|---------|----|----------------------|--------|------|----------|-------|---------------------------------|
|                |            | Full            | Significant | Limited | No | Low                  | Medium | High | Critical | Total |                                 |

| ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK  | Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement. |  |  |  |   |     |     |     |     |     |   |
|--|--|--|--|--|---|-----|-----|-----|-----|-----|---|
| Arrangements for production of AGS 2009/10 | All  |  |  |  |   | n/a | n/a | n/a | n/a | n/a | Audit Committee Report 07/06/2010   |
| Assurance Framework                        | All  |  |  |  |   | -   | -   | -   | -   | -   | Due to commence Qtr3. Awaiting approval of strategic risk register by CMT.                                  |
| Annual Audit Opinion 2009/10               | All  |  |  |  |   | n/a | n/a | n/a | n/a | n/a | Audit Committee Report 07/06/2010   |
| Anti Fraud Culture:                        | Reviews to reported individually throughout the year   |  |  |  |   |     |     |     |     |     |   |
| SI (Chi2120-02)                            | Chi Services   |  |  |  | x | 1   | 5   | 7   | 4   | 17  | Draft issued  |
| Internal Audit Effectiveness               | All  |  |  |  |   | -   | -   | -   | -   | -   | Due to commence Qtr3  |
| CAA / UoR Support                          | All  |  |  |  |   | -   | -   | -   | -   | -   | No longer required in current format - Work requirements to be reviewed in line with Government initiatives |
| Follow-Up Reviews                          | Individual reviews to be detailed throughout the year  |  |  |  |   |     |     |     |     |     |   |
| FMSIS follow-ups                           | Chi Services   |  |  |  |   | -   | -   | -   | -   |     | 19 currently in progress  |
| Energy Payments follow-up                  | City Services  |  |  |  |   | -   | -   | -   | -   |     | In progress   |

| AUDIT ACTIVITY | Department | ASSURANCE LEVEL |             |         |    | RECOMMENDATIONS MADE |        |      |          |       | Commentary / Revised Audit Plan |
|----------------|------------|-----------------|-------------|---------|----|----------------------|--------|------|----------|-------|---------------------------------|
|                |            | Full            | Significant | Limited | No | Low                  | Medium | High | Critical | Total |                                 |

| ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK – Rolled forward from 2009/10 |              |  |  |  |  |     |     |     |     |     |             |
|---|--------------|--|--|--|--|-----|-----|-----|-----|-----|-------------|
| Follow-Up Reviews   |              |  |  |  |  |     |     |     |     |     |             |
| Discovery FMSiS   | Chi Services |  |  |  |  | n/a | n/a | n/a | n/a | n/a | Final       |
| John Clare FMSiS  | Chi Services |  |  |  |  | n/a | n/a | n/a | n/a | n/a | Final       |
| Nene Valley FMSiS   | Chi Services |  |  |  |  | n/a | n/a | n/a | n/a | n/a | Final       |
| Wittering FMSiS   | Chi Services |  |  |  |  | n/a | n/a | n/a | n/a | n/a | Final       |
| Bishop Creighton FMSiS  | Chi Services |  |  |  |  | -   | -   | -   | -   | -   | In progress |

| AUDIT ACTIVITY | Department | ASSURANCE LEVEL |             |         |    | RECOMMENDATIONS MADE |        |      |          |       | Commentary / Revised Audit Plan |
|----------------|------------|-----------------|-------------|---------|----|----------------------|--------|------|----------|-------|---------------------------------|
|                |            | Full            | Significant | Limited | No | Low                  | Medium | High | Critical | Total |                                 |

|  |  |  |  |  |  |     |     |     |     |     |  |
|--|--|--|--|--|--|-----|-----|-----|-----|-----|--|
| <b>OTHER GOVERNANCE ARRANGEMENTS</b>                             | <b>Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. Areas that constitute key aspects of corporate governance are reviewed in line with risk levels.</b> |  |  |  |  |     |     |     |     |     |  |
| Performance Management   | All City Services  |  |  |  |  | -   | -   | -   | -   | -   | Removed from plan  |
| Risk Management  | All Operations   |  |  |  |  | -   | -   | -   | -   | -   | Due to commence Qtr3   |
| Information Governance   | All  |  |  |  |  | -   | -   | -   | -   | -   | Overview of development of policies in progress through Corporate Information Governance Group.<br>Reduce scope of Information Security review and place reliance on PwC work in this area.<br>No further Contact Point work as abolished by central govt. |
| Business Continuity  | All Operations   |  |  |  |  | -   | -   | -   | -   | -   | Due to commence Qtr3. Focus on IT  |
| Partnerships   | Reviews to reported individually throughout the year   |  |  |  |  |     |     |     |     |     |  |
| Youth Offending Service  | Chi Services   |  |  |  |  | -   | -   | -   | -   | -   | At review stage  |
| <b>OTHER GOVERNANCE ARRANGEMENTS Rolled forward from 2009/10</b> | <b>Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. Areas that constitute key aspects of corporate governance are reviewed in line with risk levels.</b> |  |  |  |  |     |     |     |     |     |  |
| Information Governance - Contact Point Accreditation             | Chi Services   |  |  |  |  | n/a | n/a | n/a | n/a | n/a | Final Certification  |

APPENDIX A

| AUDIT ACTIVITY | Department | ASSURANCE LEVEL |             |         |    | RECOMMENDATIONS MADE |        |      |          |       | Commentary / Revised Audit Plan |
|----------------|------------|-----------------|-------------|---------|----|----------------------|--------|------|----------|-------|---------------------------------|
|                |            | Full            | Significant | Limited | No | Low                  | Medium | High | Critical | Total |                                 |

| STRATEGIC AND OPERATIONAL RISKS                              | Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks. |  |   |   |  |   |   |   |   |    |  |
|--|---|--|---|---|--|---|---|---|---|----|--|
| Regeneration / Sustainability                                | Asst Chief Executive  |  |   |   |  | - | - | - | - | -  | Removed from plan                                  |
| Health & Safety  | Operations  |  | x |   |  | 1 | 3 | 1 | - | 5  | Draft Issued                                       |
| Arms Length Management Organisation (ALMO) for City Services | City Services   |  |   |   |  | - | - | - | - | -  | Removed from plan                                  |
| Environmental Management                                     | Operations  |  |   |   |  | - | - | - | - | -  | At review stage                                    |
| Safeguarding Children  | Chi Services  |  |   |   |  | - | - | - | - | -  | Due to commence - delayed due to Ofsted inspection |
| Property Asset Management                                    | Strategic Res   |  |   |   |  | - | - | - | - | -  | Removed from plan                                  |
| Highways   | Operations  |  |   |   |  | - | - | - | - | -  | Removed from plan                                  |
| Agile Working Scheme   | Strategic Res   |  | x |   |  | 5 | 6 | 1 | - | 12 | Final issued                                       |
| Travel & Subsistence   | All   |  |   |   |  | - | - | - | - | -  | In progress  |
| Attendance Management  | All   |  |   |   |  | - | - | - | - | -  | Due to commence Qtr3                               |
| Concessionary Fares  | Operations  |  |   |   |  | - | - | - | - | -  | Removed from plan                                  |
| Asylum and Immigration Act                                   | Strategic Res   |  |   | x |  | - | 2 | 2 | - | 4  | Draft issued                                       |

| AUDIT ACTIVITY | Department | ASSURANCE LEVEL |             |         |    | RECOMMENDATIONS MADE |        |      |          |       | Commentary / Revised Audit Plan |
|----------------|------------|-----------------|-------------|---------|----|----------------------|--------|------|----------|-------|---------------------------------|
|                |            | Full            | Significant | Limited | No | Low                  | Medium | High | Critical | Total |                                 |

|   |  |  |   |   |  |     |     |     |     |     |                      |
|---|--|--|---|---|--|-----|-----|-----|-----|-----|----------------------|
| <b>STRATEGIC AND OPERATIONAL RISKS (cont.)</b>                              | <b>Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.</b> |  |   |   |  |     |     |     |     |     |                      |
| Children in Care  | Chi Services   |  |   |   |  | -   | -   | -   | -   | -   | Removed from plan    |
| Financial Controls within Children's Services                               | Chi Services   |  |   |   |  | -   | -   | -   | -   | -   | Due to commence Qtr3 |
| Procurement:  |  |  |   |   |  |     |     |     |     |     |                      |
| Corporate Contracting   |  |  |   |   |  |     |     |     |     |     | Removed from plan    |
| Purchasing Cards  | All  |  |   | x |  | 6   | 9   | 9   | -   | 24  | Draft issued         |
| <b>STRATEGIC AND OPERATIONAL RISKS – Unplanned Reviews / Control Advice</b> | <b>Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.</b> |  |   |   |  |     |     |     |     |     |                      |
| (Loyalty) Spend Cards   | Chi Services   |  |   |   |  | n/a | n/a | n/a | n/a | n/a | Memo issued          |
| Interim Utility Billing Process   | Strategic Res  |  | x |   |  | 2   | -   | -   | -   | 2   | Memo issued          |
| Sale of goods on Ebay   | Chief Exec Operations  |  |   |   |  | n/a | n/a | n/a | n/a | n/a | 2 memos issued       |
| <b>STRATEGIC AND OPERATIONAL RISKS – Rolled Forward from 2009/10</b>        | <b>Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.</b> |  |   |   |  |     |     |     |     |     |                      |
| SI (Chi2084-05)   | Chi Services   |  |   | x |  | -   | 1   | 2   | -   | 3   | Draft issued         |

| AUDIT ACTIVITY | Department | ASSURANCE LEVEL |             |         |    | RECOMMENDATIONS MADE |        |      |          |       | Commentary / Revised Audit Plan |
|----------------|------------|-----------------|-------------|---------|----|----------------------|--------|------|----------|-------|---------------------------------|
|                |            | Full            | Significant | Limited | No | Low                  | Medium | High | Critical | Total |                                 |

| CONTRACTS AND PROJECTS                    | Dependent on risk, we review a sample of projects contracts each year to test whether the council's governance arrangements are being followed and that contracts provide value for money. |  |  |  |  |     |     |     |     |     |  |                   |
|---|--|--|--|--|--|-----|-----|-----|-----|-----|--|-------------------|
| Project Management:                       |  |  |  |  |  |     |     |     |     |     |  |                   |
| Post Implementation Review                | All  |  |  |  |  |     |     |     |     |     |  | Removed from plan |
| Capital Gateway Processes                 | All  |  |  |  |  | -   | -   | -   | -   | -   |  | In progress       |
| Projects:                                 |  |  |  |  |  |     |     |     |     |     |  |                   |
| CIA Consultancy – E-Payment Project Board | All  |  |  |  |  | -   | -   | -   | -   | -   |  | In progress       |
| CIA Consultancy – Internet Project        | All  |  |  |  |  | -   | -   | -   | -   | -   |  | In progress       |
| CIA Consultancy – Service Delivery        | All  |  |  |  |  | -   | -   | -   | -   | -   |  | In progress       |
| Contracts:                                |  |  |  |  |  |     |     |     |     |     |  |                   |
| PFI (Secondary School) contract           | Chi Services   |  |  |  |  |     |     |     |     |     |  | Removed from plan |
| CIA Consultancy – Green Waste             | City Services  |  |  |  |  | n/a | n/a | n/a | n/a | n/a |  | Final             |

**APPENDIX A**

| AUDIT ACTIVITY | Department | ASSURANCE LEVEL |             |         |    | RECOMMENDATIONS MADE |        |      |          |       | Commentary / Revised Audit Plan |
|----------------|------------|-----------------|-------------|---------|----|----------------------|--------|------|----------|-------|---------------------------------|
|                |            | Full            | Significant | Limited | No | Low                  | Medium | High | Critical | Total |                                 |

| CONTRACTS AND PROJECTS<br>– Rolled forward from 2009/10 |               |  |  |  |  |     |     |     |     |     |                 |
|---|---------------|--|--|--|--|-----|-----|-----|-----|-----|-----------------|
| Property Design and Maintenance Contracts               | City Services |  |  |  |  | -   | -   | -   | -   | -   | At review stage |
| CIA Consultancy - Funds                                 | City Services |  |  |  |  | n/a | n/a | n/a | n/a | n/a | Final           |
| Fire Alarm & Emergency Lighting Testing contract        | City Services |  |  |  |  | -   | -   | -   | -   | -   | In progress     |

| AUDIT ACTIVITY | Department | ASSURANCE LEVEL |             |         |    | RECOMMENDATIONS MADE |        |      |          |       | Commentary / Revised Audit Plan |
|----------------|------------|-----------------|-------------|---------|----|----------------------|--------|------|----------|-------|---------------------------------|
|                |            | Full            | Significant | Limited | No | Low                  | Medium | High | Critical | Total |                                 |

| EXTERNAL WORK                              | Work resulting income or a reduction in fees paid to other organisations. |   |   |  |  |     |     |     |     |     |                                 |
|--|---|---|---|--|--|-----|-----|-----|-----|-----|---------------------------------|
| Grant Claim Certification:                 | Work on behalf of PwC (fee reduction)                                     |   |   |  |  |     |     |     |     |     |                                 |
| Teachers Pensions (TPA) TR17               | Strategic Res   |   |   |  |  | n/a | n/a | n/a | n/a | n/a | Final Certification and Memo    |
| Jack Hunt TPA                              | Chi Services  | x |   |  |  | 1   | -   | -   | -   | 1   | Final issued                    |
| Hampton College TPA                        | Chi Services  |   | x |  |  | 2   | 1   | -   | -   | -   | Final issued                    |
| Orton Longueville School                   | Chi Services  |   | x |  |  | 4   | 5   | -   | -   | -   | Final issued                    |
| FMSiS Section52 Outturn Return             | Strategic Res   |   |   |  |  | n/a | n/a | n/a | n/a | n/a | Final Certification and Memo    |
| FMSiS Inventories Summary                  | Chi Services  |   |   |  |  | n/a | n/a | n/a | n/a | n/a | Final memo                      |
| GAF Opportunity Peterborough Grant 2009/10 | Strategic Res   |   |   |  |  | n/a | n/a | n/a | n/a | n/a | Final Memo                      |
| GAF3 Grant 2009/10                         | Strategic Res   |   |   |  |  | n/a | n/a | n/a | n/a | n/a | Final memo                      |
| Stroke Care Grant 2009/10                  | Strategic Res   |   |   |  |  | n/a | n/a | n/a | n/a | n/a | Final memo                      |
| Economic Participation Programme           | Chief Exec  |   |   |  |  | n/a | n/a | n/a | n/a | n/a | Final memo                      |
| Future Jobs Fund and Migration Impact Fund | Strategic Res   |   |   |  |  |     |     |     |     |     | In progress                     |
| Leisure Trust                              | SLA in place between Internal Audit and Vivacity (income generating)      |   |   |  |  |     |     |     |     |     |                                 |
|  | N/A   |   |   |  |  | -   | -   | -   | -   | -   | Reviews to commence during Qtr3 |



| AUDIT ACTIVITY | Department | ASSURANCE LEVEL |             |         |    | RECOMMENDATIONS MADE |        |      |          |       | Commentary / Revised Audit Plan |
|----------------|------------|-----------------|-------------|---------|----|----------------------|--------|------|----------|-------|---------------------------------|
|                |            | Full            | Significant | Limited | No | Low                  | Medium | High | Critical | Total |                                 |

| EXTERNAL WORK                 | Work resulting income or a reduction in fees paid to other organisations.  |  |   |  |  |     |     |     |     |     |                 |
|-------------------------------|--|--|---|--|--|-----|-----|-----|-----|-----|-----------------|
| PCC FMSiS 2010/11:            | 23 Primary Schools and 1 Secondary School to be reassessed (fee reduction) |  |   |  |  |     |     |     |     |     |                 |
| Training delivered to schools | Chi Services   |  |   |  |  | n/a | n/a | n/a | n/a | n/a | Complete        |
| Southfields Junior            | Chi Services   |  | x |  |  | 1   | 1   | -   | -   | 2   | Draft issued    |
| Thorpe                        | Chi Services   |  |   |  |  |     |     |     |     |     | In progress     |
| Dogsthorpe Junior             | Chi Services   |  |   |  |  |     |     |     |     |     | In progress     |
| Leighton                      | Chi Services   |  |   |  |  |     |     |     |     |     | In progress     |
| Hampton Hargate               | Chi Services   |  |   |  |  |     |     |     |     |     | At review stage |
| St Botolph's                  | Chi Services   |  |   |  |  |     |     |     |     |     | At review stage |
| Fulbridge                     | Chi Services   |  |   |  |  |     |     |     |     |     | At review stage |
| Marshfields                   | Chi Services   |  |   |  |  |     |     |     |     |     | At review stage |
| Queens Drive                  | Chi Services   |  |   |  |  |     |     |     |     |     | In progress     |
| Heritage Park                 | Chi Services   |  |   |  |  |     |     |     |     |     | In progress     |
| Brewster                      | Chi Services   |  |   |  |  |     |     |     |     |     | In progress     |
| Braybrook                     | Chi Services   |  |   |  |  |     |     |     |     |     | In progress     |

| AUDIT ACTIVITY | Department | ASSURANCE LEVEL |             |         |    | RECOMMENDATIONS MADE |        |      |          |       | Commentary / Revised Audit Plan |
|----------------|------------|-----------------|-------------|---------|----|----------------------|--------|------|----------|-------|---------------------------------|
|                |            | Full            | Significant | Limited | No | Low                  | Medium | High | Critical | Total |                                 |

| EXTERNAL WORK - Rolled Forward from 2009/10 | Work resulting income or a reduction in fees paid to other organisations. |  |   |   |  |   |   |   |   |    |                                       |
|---|---|--|---|---|--|---|---|---|---|----|---------------------------------------|
| The Voyager FMSiS                           | Chi Services  |  | x |   |  | 3 | 2 | 1 | - | 6  | Final issued                          |
| Barnack Primary FMSiS                       | Chi Services  |  | x |   |  | 1 | 5 | - | - | 6  | Final issued                          |
| Dogsthorpe Infants FMSiS                    | Chi Services  |  | x |   |  | 3 | 5 | - | - | 8  | Final issued                          |
| Hampton Vale FMSiS                          | Chi Services  |  |   | x |  | 1 | 4 | 3 | - | 8  | Final – Exec Summary to AC 06/09/2010 |
| Southfields Infants FMSiS                   | Chi Services  |  | x |   |  | 1 | 2 | - | - | 3  | Final issued                          |
| The Beeches FMSiS                           | Chi Services  |  |   | x |  | 1 | 6 | - | - | 7  | Final - Exec Summary to AC 01/11/2010 |
| Welbourne Primary FMSiS                     | Chi Services  |  |   | x |  |   | 5 | 1 | - | 6  | Final – Exec Summary to AC 06/09/2010 |
| Winyates Primary FMSiS                      | Chi Services  |  |   | x |  | 1 | 2 | 3 | - | 6  | Final - Exec Summary to AC 01/11/2010 |
| Heltwate FMSiS                              | Chi Services  |  |   | x |  | 2 | 5 | 4 | - | 11 | Final – Exec Summary to AC 06/09/2010 |
| NeneGate FMSiS                              | Chi Services  |  |   | x |  | 1 | 3 | 3 | - | 7  | Final - Exec Summary to AC 01/11/2010 |

**AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE**

| <b>LIMITED ASSURANCE</b> |             | <b>Date To Audit Committee</b> |
|--------------------------|-------------|--------------------------------|
| Chi2104-01               | The Beeches | 1 November 2010                |
| Chi2154-03               | Winyates    | 1 November 2010                |
| Chi2184-01               | Nenegate    | 1 November 2010                |

## **FMSiS: Standard Executive Summary**

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

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

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

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

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

### **Scope and Objectives**

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

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

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

### **Methodology**

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

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

### **Audit Opinion**

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

### **Chi2104-01: Conclusion**

The school submitted a self-assessment in a timely manner and provided supporting evidence for review at the External Assessment visit. The school was categorised as a 'conditional pass' on 31<sup>st</sup> March 2010 as items of evidence remained outstanding. The school was given a time extension of 20 working days to supply this. The final piece of evidence was provided on the day of the deadline, which resulted in The Beeches Primary School passing the FMSiS. However, various control issues contributed to the Limited Assurance rating, including a lack of staff appraisal processes, not meeting financial deadlines, weaknesses within inventory control and a lack of a medium term School Development Plan.

### **Chi2154-03: Conclusion**

Internal Audit undertook a review of financial controls at the school in November 2009. The recommendations were reviewed during February 2010 and found to be implemented sufficiently to enable the FMSiS assessment to take place. A visit to the school in the Spring term resulted in a short action plan which was addressed promptly. This has resulted in Winyates Primary School meeting the requirements of the FMSiS by the 31<sup>st</sup> March 2010. However, various control issues relating to the formulation of the School Development Plan, staff appraisals, profiling of budgets, production of the Statement of Internal control and inventories contributed to the Limited Assurance rating.

### **Chi2184-01: Conclusion**

The school's re-submission of their G4 FMSiS Self Assessment was completed sufficiently to allow an External Assessment visit in the Spring term. The visit to the school resulted in a short action plan which was addressed by the Office/Finance Manager, who responded promptly to the request for additional information. This has resulted in NeneGate School meeting the requirements of the FMSiS. However, various control issues relating to the completion of the Statement of Internal control, the formulation of the School Development Plan, clerking arrangements, meeting financial deadlines and documentation of procedures contributed to the Limited Assurance rating.

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|                        |                          |
|------------------------|--------------------------|
| <b>AUDIT COMMITTEE</b> | <b>AGENDA ITEM No. 7</b> |
| <b>1 NOVEMBER 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 |

## ANNUAL GOVERNANCE STATEMENT - UPDATE

| <b>RECOMMENDATIONS</b>  |                            |
|---|----------------------------|
| <b>FROM : John Harrison, Executive Director: Strategic Resources</b>  | <b>Deadline date : N/A</b> |
| <p>1. The Committee is asked to:</p> <p>a) Note the progress on the significant governance issues reported in the Annual Governance Statement 2009 / 2010; and</p> <p>b) Consider whether additional areas of assurance are required.</p> |                            |

### 1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Audit Committee in line with its agreed Work Programme for 2010 / 2011.

### 2. PURPOSE AND REASON FOR REPORT

- 2.1 The Annual Governance Statement (AGS) explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts & Audit Regulations 2003, as amended by the Accounts & Audit (Amendment) Regulations 2006, which require the Council to publish an AGS. This is included within the annual Statement of Accounts.
- 2.2 This report is for Committee to consider under its Terms of Reference No. 2.2.16 *To oversee the production of the authority's Statement of Internal Control and to recommend its adoption.*

### 3. TIMESCALE

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

### 4. CURRENT POSITION

- 4.1 The AGS included within the Statement of Accounts for 2009 / 2010 was first brought before Audit Committee in June 2010. Following its approval this was subject to audit and verification by PricewaterhouseCoopers. They endorsed the AGS within their report to Committee on 27 September 2010 (Report 3: Pages 97–111).
- 4.2 Some 6 months have elapsed since the original statement, and a number of governance changes have occurred, or are in the process of changing across the council which will need to be reflected in the next Statement. In addition, progress has also been made on the key governance issues identified at the time.

#### 4.3 Emerging Issues during 2010

Since March 2010, there has been a change in Government and a number of issues emanating from the coalition government potentially will have an impact on the governance arrangements with the Council, in the current year and subsequent years. These include:

##### Constitutional Areas

- “Big Society”. There are proposals for a push on public service reform, including the removal of centralised bureaucracy and more community empowerment. A greater level of transparency will be a key achievement. This localism should remove central control and determine local spending priorities. Governance arrangements will need to be reviewed to ensure that these can be delivered;
- Public Health provision. The coalition government has produced a White Paper highlighting proposals to abolish Primary Care Trusts and look into the potential to transfer responsibilities for public health improvement to councils to enable increased coordination around health and social care integration;
- Closure of a number of “quangos”, together with the removal of regional government offices which impact on the funding, coordination and delivery of services within the eastern region. Furthermore, with the proposed abolition of the Audit Commission, this will have some bearing on future arrangements for the appointment and work of the external auditors reviewing the financial spending at councils;
- A Strong leader and Cabinet style. Cabinet on 29 September 2010 recommended to Council that it adopts the Strong Leader and Cabinet Style of Executive Arrangements to take effect from May 2011;
- Publishing of all expenditure items greater than £500, to provide greater transparency and value for money on local authority spending; and
- Standards in public life – changes to the delivery and monitoring of member standards which may impact on Standards Committee remit.

##### Spending Review and Austerity Budget

- Cabinet on 29 September 2010 received details of the approach to be adopted by the Council to establish reasonable adjustments to its Medium Term Financial Strategy to accommodate future spending levels. This preparation is a lot earlier than previous years and has been undertaken to coincide with the Spending Review so that the Council is in a better position to react. Further details will be provided to Cabinet on 8 November 2010. Significant changes could impact on the governance arrangements for the Council.



#### 4.4 Progress on Governance Issues Identified In Annual Governance Statement

| <b>Area For Improvement</b>  | <b>Progress To Date</b>   |
|--|---|
| <p><u>Sickness Absence</u><br/>           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.</p> | <p>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. Robust systems in place for managers to follow in order to monitor, act on and report absences,</p> <p>Internal Audit included this within their Audit Plan activities for 2010 / 2011. The review is about to be commissioned.</p>   |
| <p><u>Effective Recruitment Checks</u><br/>           To further enhance procedures covering the area of recruitment to ensure that all appropriate pre-employment checks are completed prior to employees commencing work</p>   | <p>Quarterly reports are produced and circulated to all departments. Recent legislative changes impact on recruitment, e.g. UK Border Agency Regulations and the Asylum &amp; Immigration Act.</p> <p>Internal Audit included this within their Audit Plan activities for 2010 / 2011. The review has been commissioned (excluding schools who receive HR services via an external provider) and is due to report on shortly.</p>   |
| <p><u>Shared Services/Other Delivery Options</u><br/>           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.</p>  | <p>Governance arrangements adopted for monitoring of ICT contract.</p> <p>Other service provision has seen the Leisure Trust created in May 2010; the announcement on 14 October that two companies – Amey and Enterprise – are left in the running to form a strategic partnership to deliver household waste and recycling collection, street cleaning and grounds maintenance; and the marketing of back office functions to other councils.</p> <p>Robust governance arrangements will be required to ensure service delivery is met.</p> |
| <p><u>Grants</u><br/>           The council should review the reasons for qualifications in its grant claims, and take steps to ensure relevant matters are addressed in future years.</p>   | <p>Robust internal checks are in place to coordinate claims. Greater ownership is required by those committing the expenditure to ensure adequate audit trails are maintained and that expenditure meets the grant criteria.</p>  |
| <p><u>Neighbourhood Councils</u><br/>           Further engagement with local communities is required with regard to determining strategic priorities and financial planning.</p>  | <p>To ensure appropriate governance arrangements are being followed, a separate review will be commissioned.</p>  |
| <p><u>Data Quality</u><br/>           The Strategic Improvement Division should ensure that key data and performance information is reviewed and that action is taken to address weaknesses</p>  | <p>Policy is now in place and monitoring in place to ensure improved data capture and interpretation.</p>   |
| <p><u>Managing Resources</u><br/>           The Council needs to achieve clear reductions in its main resource use areas when measured using the same basis for calculation year-on-year</p>   | <p>Links in with austerity budget work commissioned as identified above.</p>  |

**5. CONSULTATION**

5.1 The update has been discussed with the Head of Corporate Services.

**6. ANTICIPATED OUTCOMES**

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

**7. REASONS FOR RECOMMENDATIONS**

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

**8. ALTERNATIVE OPTIONS CONSIDERED**

8.1 None

**9. IMPLICATIONS**

9.1 None

**BACKGROUND DOCUMENTS**

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

Accounts and Audit Regulations

Statement of Accounts: Annual Governance Statement 2009 / 2010

|                        |                          |
|------------------------|--------------------------|
| <b>AUDIT COMMITTEE</b> | <b>AGENDA ITEM No. 8</b> |
| <b>1 NOVEMBER 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

Feedback items are set out in the following appendices:

- **Appendix A** - items have been actioned and agreed at subsequent Audit Committee meetings.
- **Appendix B** – outstanding items, not yet actioned / agreed by Committee.

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**AUDIT COMMITTEE: RECORD OF ACTION TAKEN (COMPLETED / AGREED BY COMMITTEE)**

**MUNICIPAL YEAR: MAY 2010 - APRIL 2011**

| DATE ISSUE RAISED         | SUBJECT / ITEM   | AUDIT COMMITTEE COMMENTS  | OFFICER RESPONSIBLE | ACTION TAKEN  | SIGN OFF DATE       |             |               |                  |     |     |          |       |     |               |              |            |         |    |   |                           |              |            |                     |
|---------------------------|--|---|---------------------|---|---------------------|-------------|---------------|------------------|-----|-----|----------|-------|-----|---------------|--------------|------------|---------|----|---|---------------------------|--------------|------------|---------------------|
| <b>7 June 2010</b>        | Agenda Item 5: Fraud & Irregularity Annual Report 2009 / 2010                | To provide figures of how many blue badge applications were being dealt with on a yearly basis.   | Diane Baker         | Blue badge statistics show that for the last full year, and the first 2 months of the new year: <table border="1" data-bbox="1294 523 1966 790"> <thead> <tr> <th></th> <th>2009 / 2010</th> <th>Apr'10-May'10</th> </tr> </thead> <tbody> <tr> <td>New Applications</td> <td>968</td> <td>121</td> </tr> <tr> <td>Renewals</td> <td>2,131</td> <td>325</td> </tr> <tr> <td><b>ISSUED</b></td> <td><b>3,099</b></td> <td><b>446</b></td> </tr> <tr> <td>Refused</td> <td>68</td> <td>4</td> </tr> <tr> <td><b>Total Applications</b></td> <td><b>3,167</b></td> <td><b>450</b></td> </tr> </tbody> </table> |                     | 2009 / 2010 | Apr'10-May'10 | New Applications | 968 | 121 | Renewals | 2,131 | 325 | <b>ISSUED</b> | <b>3,099</b> | <b>446</b> | Refused | 68 | 4 | <b>Total Applications</b> | <b>3,167</b> | <b>450</b> | <b>28 June 2010</b> |
|                           | 2009 / 2010  | Apr'10-May'10   |                     |   |                     |             |               |                  |     |     |          |       |     |               |              |            |         |    |   |                           |              |            |                     |
| New Applications          | 968  | 121   |                     |   |                     |             |               |                  |     |     |          |       |     |               |              |            |         |    |   |                           |              |            |                     |
| Renewals                  | 2,131  | 325   |                     |   |                     |             |               |                  |     |     |          |       |     |               |              |            |         |    |   |                           |              |            |                     |
| <b>ISSUED</b>             | <b>3,099</b>   | <b>446</b>  |                     |   |                     |             |               |                  |     |     |          |       |     |               |              |            |         |    |   |                           |              |            |                     |
| Refused                   | 68   | 4   |                     |   |                     |             |               |                  |     |     |          |       |     |               |              |            |         |    |   |                           |              |            |                     |
| <b>Total Applications</b> | <b>3,167</b>   | <b>450</b>  |                     |   |                     |             |               |                  |     |     |          |       |     |               |              |            |         |    |   |                           |              |            |                     |
| <b>28 June 2010</b>       | <b>THERE WERE NO REQUESTS FOR FURTHER INFORMATION FOLLOWING THIS MEETING</b> |   |                     |   | <b>6 Sept 2010</b>  |             |               |                  |     |     |          |       |     |               |              |            |         |    |   |                           |              |            |                     |
| <b>6 Sept 2010</b>        | Agenda Item: 10 Internal Audit Quarter 1 Progress Report                     | To provide further information regarding whether the limited assurance provided for a number of schools was down to a lack of evidence being available or rather something being wrong / missing. | Steve Crabtree      | All schools had met the requirements of the Financial Management Standards in Schools with appropriate processes and procedures in place and were accredited. However, additional works carried out to determine how these were being followed identified a number of shortcomings which could not be evidenced.  | <b>27 Sept 2010</b> |             |               |                  |     |     |          |       |     |               |              |            |         |    |   |                           |              |            |                     |
| <b>6 Sept 2010</b>        | Agenda Item: 12 Internal Audit Quarter 1 Progress Report                     | To implement actions in order to raise the profile of Internal Audit within members and the wider community.  | Steve Crabtree      | Discussions will be held with Democratic Services to look at providing information / training at other council committees, together with providing regular updates to members through the monthly bulletins.  | <b>27 Sept 2010</b> |             |               |                  |     |     |          |       |     |               |              |            |         |    |   |                           |              |            |                     |

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**AUDIT COMMITTEE: RECORD OF ACTION TAKEN (OUTSTANDING)**

**MUNICIPAL YEAR: MAY 2010 - APRIL 2011**

| <b>DATE<br/>ISSUE<br/>RAISED</b> | <b>SUBJECT / ITEM</b>   | <b>AUDIT COMMITTEE<br/>COMMENTS</b> | <b>OFFICER<br/>RESPONSIBLE</b> | <b>ACTION TAKEN</b> | <b>SIGN<br/>OFF<br/>DATE</b> |
|----------------------------------|---|-------------------------------------|--------------------------------|---------------------|------------------------------|
| 27 Sept<br>2010                  | THERE WERE NO REQUESTS FOR FURTHER INFORMATION FOLLOWING THIS MEETING |                                     |                                |                     |                              |

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|                        |                      |
|------------------------|----------------------|
| <b>AUDIT COMMITTEE</b> | AGENDA ITEM No. 9    |
| <b>1 NOVEMBER 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. There are no training proposals at present for the next meeting (7 February 2011).

#### **2.2 Work Programme**

The Work Programme was endorsed at the last meeting (27 September 2010), and is refreshed at every Audit Committee meeting. The Work Programme is attached at Appendix A.

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Last Updated: 19 October 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><br>(Future needs to be determined prior to each meeting) |                     | <b>Audit Cttee overview</b> | <b>Final Accounts</b> | <b>Risk Mgmt</b> | <b>Account Closure</b> | –          | ✓          | ✓             |
| <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><br>(incorporating Annual Governance Statement) | Steven Pilsworth        | –           | ✓            | –           | –            | –          | –          | –             |
| <b>Audit of Statement of Accounts</b>  | PwC<br>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>   |   |             |   |             |   |            |            |               |
| Internal Audit: Annual Report 2009 / 2010   | Steve Crabtree                            | ✓           |   | –           |   | –          | –          | –             |
| Internal Audit: Progress Report: Quarterly  | Steve Crabtree                            | –           |   | ✓           |   | ✓          | ✓          | –             |
| Internal Audit: Strategy and Plan 2011 / 2012   | Steve Crabtree                            | –           | Meeting set aside to scrutinise the Councils draft accounts | –           | Meeting set aside to scrutinise the Councils final accounts following External Audit review | –          | –          | ✓             |
| Internal Audit: Miscellaneous Commissioned Reports (Additional works outside agreed Audit Plan) | Steve Crabtree                            | –           |   | –           |   | ✓          | ✓          | ✓             |
| External Audit: Reports (subject to availability)   | PwC<br>Steve Crabtree<br>Steven Pilsworth | –           |   | –           |   | ✓          | ✓          | ✓             |
| External Audit: Audit Plan  | PwC<br>Steve Crabtree<br>Steven Pilsworth | –           |   | –           |   | –          | ✓          | –             |
| NEW ITEM:<br>CIFPA Consultation Document: The Role of the Head of Internal Audit                | Steve Crabtree                            | –           |   | –           |   | ✓          | –          | –             |
| NEW ITEM:<br>Audit Commission Abolition   | Steve Crabtree                            | –           |   | –           |   | ✓          | –          | –             |

| 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>  |                                    |             |   |                              |   |            |            |               |   |
| Draft Annual Governance Statement  | Steve Crabtree                     | ✓           | Meeting set aside to scrutinise the Councils draft accounts | –                            | Meeting set aside to scrutinise the Councils final accounts following External Audit review | –          | –          | –             |   |
| Annual Governance Statement: Progress  | Steve Crabtree                     | –           |   | –                            |   | ✓          | –          | –             |   |
| Assurance Framework  | Steven Crabtree                    | –           |   | –                            |   | –          | –          | –             | ✓ |
| Audit Committee: Annual Report   | Steve Crabtree                     | ✓           |   | –                            |   | –          | –          | –             | – |
| Fraud: Annual Report 2009 / 2010   | Diane Baker                        | ✓           |   | –                            |   | –          | –          | –             | – |
| Regulation of Investigatory Powers Act   | Diane Baker                        | –           |   | ✓                            |   | –          | ✓          | –             | ✓ |
| Risk Management Strategy   | Stuart Hamilton                    | –           |   | ✓                            |   | –          | –          | –             | – |
| Strategic Risk Register: Risk Profiles   | Stuart Hamilton                    | –           |   | Deferred – not agreed at CMT |   | –          | –          | ✓             | – |
| Treasury Management Strategy / Update  | Steven Pilsworth                   | –           |   | ✓                            |   | –          | –          | ✓             | – |
| Use of Resources   | Steven Pilsworth                   | –           |   | –                            |   | –          | –          | ✓ *           | – |
| Comprehensive Area Assessment  | Steven Pilsworth                   | –           |   | –                            |   | –          | –          | ✓ *           | – |
| Strategic Governance Developments  | Steve Crabtree<br>Diane Baker      | –           |   | Information Governance       |   | –          | –          | –             | – |
| Miscellaneous Financial Reports<br>Review of other reports / policies as appropriate E.g. Changes to Contract Regulations, Financial Regulations, Accounting Policies etc. | Steven Pilsworth<br>Steve Crabtree | –           | –   | –                            | –   | ✓          | ✓          | ✓             |   |

\* Following the establishment of the coalition government, these items are expected to be deleted.

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