

## AUDIT COMMITTEE

**MONDAY 28 MARCH 2011**  
**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 7 February 2011** **1 - 6**
- 4. Strategic Risk Register** **7 - 12**  

To receive an update on the development of the Strategic Risk Register for the Council.
- 5. Regulation of Investigatory Powers Act (2000): Quarterly Report (To 31 December 2010)** **13 - 14**  

To receive an update on the use of RIPA during the 3 months to 31 December 2010.
- 6. External Audit: Audit Plan 2010 / 2011** **15 - 38**  

To receive and approve the External Audit Plan for 2010 / 2011.
- 7. Internal Audit: Strategy and Plan 2011 / 2012** **39 - 60**  

To receive and approve the Internal Audit Plan for 2011 / 2012.
- 8. Feedback Report** **61 - 64**  

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

To review the draft work programme for 2011 / 2012.



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-Chair), 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 7 FEBRUARY 2011**

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

Officers in attendance: Steven Pilsworth, Head of Corporate Services  
Steve Crabtree, Chief Internal Auditor  
Gemma George, Senior Governance Officer

Also in attendance: Chris Hughes, PricewaterhouseCoopers  
Jacqui Short, PricewaterhouseCoopers

**1. Apologies for Absence**

Apologies for absence were received from Councillors Harrington and Goldspink.

Councillor Murphy attended as substitute.

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

Item 6 - Councillor Murphy declared that his brother was a Director at PricewaterhouseCoopers but he did not have a personal or prejudicial interest.

**3. Minutes of the Meeting held on 1 November 2010**

The minutes of the meeting held on 1 November 2010 were approved as an accurate and true record.

**4. Internal Audit: Quarterly Report 2010 / 2011 (To 31 December 2010)**

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

Appendix A to the report highlighted the Operational Plan containing the audits that were due to be performed during 2010 / 2011 and the current status of those audits. The audits brought forward from the previous year were also included as were the audits which had not been planned when the Annual Audit Plan had been approved.

At that point in time, 21 audit projects for 2009 / 2010 had been finalised together with a further 46 for 2010 / 2011. There were also 47 audits that were either in draft form or various stages of review.

Members were advised that the progress made against the 2010 / 2011 plan was 71.9% and this was primarily due to a member of staff having reduced their contracted hours after the revised plan had been produced. Further pressures

on the revised plan from January 2011 included the new shared service arrangements for the Chief Internal Auditor.

With regards to other performance matters, Members were advised that an average 17.5 days of sickness per person had been lost during the 9 months to 31 December 2010. This was compared to a target of 3.75 days. Although higher than the target it was a major reduction on last year's figure of 31.5 days per person at the same point in the year.

With regards to External Work, Members were advised that at the Audit Committee meeting held on 29 March 2010, the Internal Audit Strategy for 2010 / 2011 had been approved which detailed that '*Internal Audit had 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 had been actively looking to target schools in neighbouring authorities as part of a marketing strategy but due to the changes that had been introduced by the Coalition Government, which had resulted in the abolition of the Financial Management Standard in Schools (FMSIS) initiative; this was not possible until such a time that a new scheme was introduced.

It had also previously been reported to the Audit Committee that the Internal Audit Team had secured two pieces of external work, one with a Leicestershire School and one with another local authority. Due to the abolition of the FMSIS, the work with the Leicestershire School was no longer due to take place and due to working arrangement changes within the local authority the audit work previously agreed was also not to be undertaken. A framework agreement was due to be produced between the two authorities and it was hoped that this would generate external business during 2011 / 2012.

Appendix B to the report highlighted the audit reports which had been issued and the opinion of assurance against each audit. Members were advised that there had been audits undertaken on 'Accounts Payable – Central Controls' and 'Compliance with Immigration and Asylum Legislation'. The Executive Summaries provided backgrounds to the audits and both were highlighted as having limited assurance.

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

- It was stated in the committee report that the progress of future external audit works undertaken would be reported back to the Audit Committee, but outcomes and copies of reports would not be provided. Members queried how the progress could be noted sufficiently if outcomes and reports could not be provided? Members were informed that an overview would be provided for any works undertaken. Detailed information would not be provided as this would be commercially sensitive to the individual organisation concerned.
- Members commented that highlighted in Appendix A, 'Progress of Audit Plan 2010 / 2011', there were still five schools showing limited assurance. What, if anything, was being done to remedy this situation? Members were informed that the document was a cumulative of the reports produced in Quarter 1 and Quarter 2 and therefore the assurance levels were the same as previously highlighted to the Audit Committee. Work was to be undertaken in order to try and remedy issues and an action plan was due to be produced.

- The 'Accounts Payable – Central Controls' Audit which had been undertaken, highlighted that there were 2000 invoices currently on hold, some of which were over four years old. Members questioned why this was. Members were advised that some of the accounts were currently in dispute for numerous reasons and also some of the invoices had not been paid because the Council had been overcharged, or in some instances, double charged.
- Members requested that a breakdown of the outstanding invoices be provided for scrutiny. Members were informed that a breakdown would be provided at the next meeting of the Audit Committee.

#### **ACTION AGREED:**

Audit Committee received the Internal Audit Update Report to 31 December 2010 and noted:

- 1) that the Chief Internal Auditor was of the opinion that based on the works conducted during the 3 months to 31 December 2010, internal control systems and governance arrangements remained generally sound; and
- 2) the progress made against the plan and the overall performance of the section.

#### **5. Internal Audit: Shared Audit Arrangements**

The Chief Internal Auditor presented a report to the Committee which set out the case for establishing a shared Internal Audit service between Peterborough City Council (PCC) and Cambridge City Council (CCC).

The report detailed a brief explanation of the national policy context for shared services, the vision for the service and how it would operate and also the challenges and benefits associated with the shared service.

Members were advised that a duplicate report had recently been presented to the Audit Committee at Cambridge City Council. Discussions had been held with Cambridge City Council in June 2010 in order to identify ways of saving money in accordance with the spending reviews. It was subsequently identified that savings could be made within the Internal Audit function across the two Councils as there were similar processes in place which could be overseen by one Head of Internal Audit.

As the Head of Internal Audit at Cambridge City Council had recently left the authority, Steve Crabtree, the Chief Internal Auditor for Peterborough City Council, had been identified as the Shared Head of Internal Audit for the two authorities.

The Shared Head of Internal Audit's time and cost were to be split equally between the two authorities, and similarly, savings would be split equally. Although remaining an employee of Peterborough City Council, the Shared Head of Internal Audit would be expected to follow Cambridge City Council's policies and procedures whilst undertaking their work.

Going forward, any savings generated would be used to incorporate additional improvements into the service as identified through service and business plans, as well as going back into the corporate pot to assist in meeting future budget pressures.

Members sought clarification with regards to how the 'shared service' process had originally been identified for implementation. The Chief Internal Auditor advised Members that Peterborough City Council's Internal Audit Team had a very good working relationship with other Councils across the county. As Peterborough was a unitary authority, there were systems and processes in place that were not widely utilised in other Councils, therefore this knowledge had been shared by Peterborough.

Some of this sharing had been undertaken with Cambridge City Council in the past and therefore when the spending review was undertaken, and it was identified that as many efficiencies as possible were required to be achieved, a shared service approach had been identified.

Going forward there may be the opportunity of integrating the two Internal Audit Teams into a true shared service, but in the meantime it was highlighted that a distinction was to be maintained.

Members wished for it to be noted that Audit Committee commended the work being undertaken by the Chief Internal Auditor, Steve Crabtree.

**ACTION AGREED:**

The Committee noted the arrangements put in place for the delivery of shared audit services between Peterborough City Council and Cambridge City Council.

**6. External Audit Reports**

Chris Hughes and Jacqui Short, External Auditors, presented a report which had been produced by Peterborough City Council's External Auditors, PricewaterhouseCoopers.

Throughout the year, PricewaterhouseCoopers had undertaken various reviews on behalf of the authority. These reports had been received and agreed by senior management and they were now being presented to the Audit Committee for consideration and endorsement.

The report was comprised of three sections which included:

- Appendix A - 2009 / 2010 Annual Audit Letter;
- Appendix B – Statement of Accounts 2009 / 2010: Report to Management; and
- Appendix C - Grant Claims: Annual Certification Report

With regards to Appendix A, Members were advised that the External Auditor and the Audit Commission Relationship Manager produced an Annual Audit Letter reviewing the Council's arrangements and progress in relation to the Audit of the Accounts. Members were further advised that this report was for information purposes only as it was for the previous financial year.

With regards to Appendix B, Members were advised that the report set out the various control and systems issues which had been identified during the course of PricewaterhouseCoopers audit work.

Finally, with regards to Appendix C, Members were advised that this report highlighted the review and verification of grant claims across Peterborough City Council. Members were advised that there had been no significant findings and overall it was highlighted that the Council was performing well. It had robust work papers and high levels of controls.

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

- Contained within Appendix B, the 'Report to Management', was the 'Summary of Information Technology Controls (IT Control) Findings in 2010'. Members queried why a number of risks had not been progressed against the findings from the 2008 / 2009 report. Members were advised that the risks were not classed as significant. The responsibility for many of the IT issues now lay with Serco and actions were being drawn up to address these outstanding risks going forward.
- Members questioned whether the adjustments made in respect of the Council's Schools Private Finance Initiative (PFI) Scheme, as highlighted in Appendix A 'Accounts Audit Findings', were technical adjustments. Members were informed that they were technical accounting adjustments and no adjustments had been made to the General Fund Balances.
- Members further queried why certain risks highlighted in Appendix B, the 'Report to Management', were classed as being low. Members were advised that the issues were rated on a priority basis. Distinction had to be drawn between an issue that required immediate attention and an issue that should be addressed at some point in the near future. Some of the issues, highlighted were around out of date policies and Members were further advised that these policies should, in theory, be reviewed on an annual basis, however this was not a requirement.
- Highlighted in Appendix C, the 'Grant Claims Certification Report', were the certification fees for 2009 / 2010, those being £46,500. Members sought further clarity as to how this figure was arrived at. Members were informed that certain grants required external certification, for example those relating to pensions and benefits, and therefore some costs could not be avoided. There were some grants that did not require certification; however with regards to the ones that did require certification, there was nothing that could be done about the fees.
- Members sought clarification as to what the certification fees for housing and benefits were, in order to make sure best value for money was being achieved. Members were informed that an up to date report showing the breakdown of all certification fees would be forwarded to the Audit Committee Members in due course.

Following questions, Members positively commented on the work being undertaken by the Council's External Auditors, PricewaterhouseCoopers.

**ACTION AGREED:**

The Committee considered and endorsed the final reports produced by External Audit in the following areas:

- 1) 2009 / 2010 Annual Audit Letter;
- 2) Statement of Accounts 2009 / 2010: Report to Management; and

3) Grant Claims: Annual Certification Report

**7. Feedback Report**

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

Items which had been actioned and completed at previous Audit Committee meetings were highlighted and Members were informed that there was only one action outstanding, and that was for the production of a report highlighting a further breakdown of the sickness figures, not including long term sickness figures. Members were advised that a request had been submitted to HR for this information and an update would be provided to the Audit Committee at its next meeting.

**ACTION AGREED:**

The Committee noted the Feedback Report.

**9. 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 expressed concern that the Strategic Risk Register had yet to be presented to them for consideration. Members were advised that the report had been due to be presented at that meeting, however Corporate Management Team sign off was required in the first instance. It was therefore expected that the Register would be presented to the Audit Committee at its next meeting.

Members were further advised that there were no training proposals highlighted for the next meeting of the Audit Committee. The Chairman of the Committee stated that if any Member had any specific training requests they could contact him directly and he would relay the request to the Chief Internal Auditor.

**ACTION AGREED:**

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

7.00pm - 7.45pm  
Chairman



<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 4
<b>28 March 2011</b>	<b>PUBLIC REPORT</b>

Cabinet Member responsible:	Councillor David Seaton, Cabinet Member for Resources	
Committee Member(s) responsible:	Councillor Mark Collins, Chair of Audit Committee	
Contact Officer(s):	Stuart Hamilton, Resilience Services Manager	☎ 207207

**STRATEGIC RISK REGISTER**

<b>RECOMMENDATIONS</b>	
<b>FROM :</b> Stuart Hamilton, Resilience Services Manager	<b>Deadline date :</b> N/A
<p>The Audit Committee is asked to:</p> <ol style="list-style-type: none"> <li>1. Consider and endorse the Strategic Risk Register (attached at Appendix A)</li> <li>2. Offer any feedback and/or recommendations</li> </ol>	

**1. ORIGIN OF REPORT**

1.1 This report is submitted to Audit Committee as a routine planned report on Risk Management.

**2. PURPOSE AND REASON FOR REPORT**

2.1 The purpose of this report is to:

- Provide the Committee with the updated Risk Register, reflecting the Council's current risk environment and appetite.

**3. TIMESCALE**

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

4.1 The Directors Group have reviewed and amended the Strategic Risk Register in order to reflect the current risk environment and appetite.

4.2 The Strategic Risk Register is due for CMT sign-off on 22 March 2011.

4.3 There are ongoing 3-monthly reviews of the Strategic Risk Register in order to keep it current and dynamic.

4.4 Directorates review their own registers on a regular basis and risk management communications should become a two-way process from CMT to DMTs.

4.5 It will not always be possible to lower some risk scores, as there is no control over the likelihood or impact of certain events. These risks will be monitored on a regular basis.

4.6 If Audit Committee Members would like further training on risk management, this can be arranged.

## **5. CONSULTATION**

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

## **6. ANTICIPATED OUTCOMES**

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

## **7. REASONS FOR RECOMMENDATIONS**

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

## **8. ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 None

## **9. IMPLICATIONS**

### **Environmental Impact**

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

### **Equal Opportunities**

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

### **Financial Implications**

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

### **Legal Implications**

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

### **Links with Corporate Priorities**

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

## **10. BACKGROUND DOCUMENTS**

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

- 10.1 Peterborough City Council Risk Management and Business Continuity Policy and Strategy

Strategic Risk Register

Date: March 2010

Ref	Risk	Description	Consequences	Priority	L	I	Current Score	Previous /Initial Score	Direction	Reasons for change	Current Controls	Actions	Who	When	Review Date
	<i>name of risk</i>	<i>brief description of risk event</i>	<i>threats &amp; opportunities arising</i>	<i>A Env B Com C Grow D Opps</i>	<i>Likelihood 1 (L) - 5 (H)</i>	<i>Impact 1 (L) - 5 (H)</i>		<i>if new risk, score on assumption no controls are in place</i>		<i>change in impact, likelihood, objective etc(ALT return to use bullet points etc)</i>	<i>to measure success of controls. What is already in place to mitigate risk. (ALT return to use bullet points etc)</i>	<i>further actions required to mitigate risk or maximise opportunity. (ALT Return to use bullet points etc)</i>	<i>officer(s) responsible</i>	<i>target date</i>	<i>all registers reviewed at least 3 monthly unless specified</i>
1	Failure to plan for/realise implications of Growth Agenda	The city is seeking to continue with growth, however development viability and land prices make contributions to vital infrastructure e.g. roads and schools very difficult. There is a need to maintain focus on expansion and growth to ensure infrastructure has capacity to cope.	Inability to fulfil statutory obligations e.g. provision of roads and schools. Budget implications.	C A D	2	3	6	6	◀▶		Robust viability discussions with developers. Focused Section 106 team.	Plan and manage potential opportunities for government funding	PP/BT/JR/Leader		Aug-11
2	Environment Capital/Climate Change	A number of schemes within the Environment Capital area around transport, renewable energy, carbon emissions etc that require considerable funding to make any significant change.	Inability to fund leading to threat to the aspirations.	A C	3	2	6	6	◀▶		Stream of government funding e.g. Sustainable Travel and European funding schemes.	Possible creation of energy company producing energy from solar and wind sources	PP	Ongoing	Aug-11
3	Impact of social demographic change	Finite resources and increased demand on services as a result of ageing population, migration and disability.	Impacts on market capacity, burden on social care homes and funding issues. Pressure on school admissions and school funding emergency from MENA.	B	4	4	16	12	▲	Increased impact	Ongoing monitoring and review. Financial impact evaluation. Annual review informed by needs assessments.	Keep under review	SMT	Ongoing	Jun-11
4	Corporate manslaughter/ health and safety incident	Failure of the health and safety system to prevent a death or serious injury (that could have been preventable).	Impact on individuals concerned, potential for financial loss, litigation etc.	B	2	4	8	8	◀▶		Robust arrangements and training in place.	Keep under review. Because training is not yet widely available the risk factor (current score) does not reflect the current status. More resources are therefore required to ensure compliance; i.e. managers funding essential training courses externally until the e-learning package is sufficiently developed.	All	Ongoing	Aug-11
5	Homelessness prevention	Increase of accepted homelessness presentations as a result of legislative and housing benefit changes and the challenging financial climate.	Inability to meet demand for social/private rented housing; increase in rough sleeping; significant increase in temporary accommodation/B&B costs.	B	3	5	15	15	◀▶		Review and transformation of Housing Services to ensure appropriate controls are in place; working closely with Registered Social Landlords to assess and prepare for impacts of changes.	Complete review of Housing Options and launch new systems	Adrian Chapman	Apr-11	Jun-11

A: Environment Capital  
 B: Substantial Growth  
 C: Strong Communities  
 D: Opportunities Inequalities

Ref	Risk	Description	Consequences	Priority	L	I	Current Score	Previous /Initial Score	Direction	Reasons for change	Current Controls	Actions	Who	When	Review Date
6	Crime and ASB Reduction /Cohesion	Increase in several crime types and ASB as a result of broader social changes, financial pressures etc.	Increased costs across the public sector; increased fear of crime; reduced confidence in public sector.	B	3	4	12	12	◀▶		Restructure of Neighbourhood Services to combine PCC and Police community safety teams; continual development of the Safer Peterborough Partnership; development of new projects and programmes to help reduce crime; development of Top 100 families project; launch of Integrated Offender Management approach.	Launch full IOM model; launch new combined SPP team; continue to enhance partnership structures	Adrian Chapman	Apr-11	Aug-11
7	Safeguarding	Failure of whole safeguarding system to prevent a child or vulnerable adult's death or serious injury (that could have been prevented).	Very high impact for individuals concerned and on the reputation of PCC and relevant partners.	C	3	5	15	15	◀▶		1) Maintain effective workforce. 2) Implementation of quality assurance processes. 3) Continuous development of procedures and policy. 4) Routine performance management. 5) Developing safeguarding strategy. 6) Ongoing audits established.	1) Implement post-inspection action plan. 2) 6-month review with DfE undertaken with positive response received. 3) Strategic review of safeguarding structure in conjunction with the PSCB underway.	Andrew Brunt/Tim Bishop	Ongoing	Jun-11
8	School Places	Failure to provide a suitable school estate for the future needs of the city and to improve performance in educational attainment.	Inadequate number of school places are available, the needs of vulnerable children are not met and there is a failure to provide an innovative curriculum. Failure to close the gap between the outcomes of the most vulnerable children, young people and young adults and the rest.	B	2	5	10	10	◀▶		1) Ormiston Bushfield project secured and contracts signed 2) Orton Longueville School has been given Ministerial approval in principle to become an Academy in 2011 through its partnership with Swavesey Village College. 3) Demographic forecasts analysed and appropriate action taken where necessary. 4) Regular reviews undertaken to ensure maximum places are taken in schools where all building works are undertaken. 5) Robust Section 106 discussion on all building land to ensure developer contribution can be invested into new places.	1) Keep under review. 2) Local and national lobbying 3) Develop alternative strategies for the rebuilding or Orton Longueville and Stanground schools. 4) Hereward CC due to reopen September 2013 to deal with pressures on secondary places. 5) Building programme being developed to create an additional 8000 places over the city in the next 5 years. 6) Understand implications of the Sebastian James review of capital investment in schools.	Jon Lewis	Ongoing	Aug-11
9	Governance arrangements for partnerships	Partnerships are playing an increasing role in delivering outcomes. Whilst there are strong governance arrangements in place for internal work, there is less formality in governance for partnership working. The risk is that governance arrangements will not be strong enough to ensure that outcomes are delivered in a way that is appropriate and legally compliant for the council.		D B C	4	4	16	12	▲	Higher impact as more reliance on partnerships.	Risk assessment of key partnerships and governance arrangements. Partnership workshops run for CMT and HoS LAA targets established and ratified by GOEast Training undertaken	Baseline assessment of all partnerships. Establish clear checklist. Increase contact between Monitoring Officer and Governance Team, with key partnerships to encourage communication at an appropriate level	HE	Ongoing	Jun-11

A: Environment Capital  
 B: Substantial Growth  
 C: Strong Communities  
 D: Opportunities Inequalities

Strategic Risk Register

Date: March 2010

Ref	Risk	Description	Consequences	Priority	L	I	Current Score	Previous /Initial Score	Direction	Reasons for change	Current Controls	Actions	Who	When	Review Date
10	Scrutiny and Engagement Processes	Scrutiny and Engagement processes need to be kept under review and refined where necessary to ensure effective scrutiny of executive decision making		D B C	4	4	16	6	▲	Increased likelihood and impact.	Scrutiny officers work closely with Scrutiny chairs to encourage effective scrutiny	Review of governance team will strengthen support from officers. Scrutiny & engagement process is being reviewed by legal team. After May elections training and other work will be done with scrutiny chairs to ensure they understand their role.	HE		Jun-11
11	Financial Position	The Council has plans to deliver £28m of savings in 2011-12. Risk that some items may not be deliverable, or that additional budget pressures emerge (e.g. due to risks 3 and 5 above, or prolonged economic downturn). Over the medium term, the five year MTFS outlines balanced budget for 3 years, but deficits in years 4&5	Council cannot overspend, so savings will have to be found elsewhere in the councils budget	A B C D	2	5	10	12	▲	Main risk now is double dip	Plans for implementation of savings proposals developed during development of medium term financial strategy. RAG status of plans being monitored by CMT in advance of the financial year. Budget position will be monitored through monthly budgetary control process in year.	Ongoing budgetary control process will monitor current year position. Refresh of MTFS will have specific focus on planning for years 4-5 and developing appropriate savings plans	JH	Ongoing monthly monitoring MTFS refresh to follow Autumn cycle as per constitution	Aug-11

- A: Environment Capital
- B: Substantial Growth
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**Likelihood**

5	5	10	15	20	25
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5
	1	2	3	4	5

Review 12 months
Review 6 months
Review 3 months

**Impact**

Likelihood & Impact Descriptors:		
<b>1: Negligible</b>		<b>Little likelihood of risk occurring except in exceptional circumstances</b>
	Service Interruption	None noticeable
	Objectives/Projects	Insignificant slippage
	Financial	Up to £10k
	Compliance	Minor non-compliance
	Reputational	Internal PCC only
	Environmental	No noticeable impact
<b>2: Low</b>		<b>Unlikely to occur in next 10 years</b>
	Service Interruption	Minor disruption
	Objectives/Projects	Minor slippage
	Financial	£10k-£25k
	Compliance	Low-level non-compliance
	Reputational	Local media - short term coverage
	Environmental	Minor impact
<b>3: Moderate</b>		<b>Reasonable chance of occurring in next 5 years</b>
	Service Interruption	Some operations compromised
	Objectives/Projects	Reduction in scope or quality
	Financial	£25k-£100k
	Compliance	Non-compliance with core standards
	Reputational	Local media - long term coverage
	Environmental	Short term, medium impact
<b>4: Significant</b>		<b>Likely to occur more than once in next 12 months</b>
	Service Interruption	All or most operations compromised
	Objectives/Projects	Failure to meet secondary objectives
	Financial	£100k-£500k
	Compliance	Major non-compliance
	Reputational	Extensive local, short-term national coverage
	Environmental	Significant impact - possible long-term effects
<b>5: Very High</b>		<b>More likely to occur than not at least once in next 12 months</b>
	Service Interruption	Sustained or permanent loss of core service
	Objectives/Projects	Failure to meet primary objectives
	Financial	£500k +
	Compliance	Serious breach of compliance - potential prosecution
	Reputational	Long-term national coverage
	Environmental	Long-term impact

**Risk Categories**

- Strategic:** Risks affecting medium-long term goals. Project risks, governance etc
- Operational:** Events affecting service provision. Staff shortage, physical damage, ICT etc
- Financial:** Events with a financial/budgetary impact
- Compliance:** Risks threatening compliance with standards, laws and regulations etc
- Reputation:** Affecting public perception about the organisation, staff morale, stakeholder interest etc.
- Environmental:** Events with an environmental impact.

**What is a risk?**

**A risk is an event which can affect the achievement of objectives. Risks can have negative or positive outcomes.**

**The Risk Management Process:**

Identify Objectives. What are we trying to achieve?

Identify risks: Use past history, near misses, emergent events etc which could impact upon the objective(s)

What is the likelihood of the event occurring?

What are the consequences of the event occurring? Potential threats and/or opportunities

What is the preferred response? One or more of the following:

Tolerate: If the current risk level is acceptable

Transfer: Outsource, Insure etc

Terminate: Cease the activity that gives rise to the risk (not usually practicable)

Treat: Actions and controls to mitigate the likelihood and/or impact

Take the Opportunity: How to maximise any potential benefits

Who is responsible?

What are the required actions?

Is there a target score or end date?

What is the date of next review?



<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 5
<b>28 MARCH 2011</b>	<b>PUBLIC REPORT</b>

Cabinet Member responsible:	Councillor David Seaton, Cabinet Member for Resources	
Committee Member responsible:	Councillor Mark 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 (TO 31 DECEMBER 2010)

<b>RECOMMENDATIONS</b>	
<b>FROM :</b> Helen Edwards, Solicitor to the Council	<b>Deadline date :</b> N/A
<p>The Audit Committee is asked to:</p> <ol style="list-style-type: none"> <li>1. Receive, consider and endorse this report on the use of RIPA for the quarterly review period of 1 October 2010 to 31 December 2010.</li> </ol>	

**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 provide an overview of the Council's use of RIPA powers over the period October – December 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 third quarter of 2010-2011.

<b>Date of Authorisation</b>	<b>Type of Covert Surveillance</b>	<b>Reason</b>
3 <sup>rd</sup> October 2010	Covert	Test Purchasing
18 <sup>th</sup> November 2010	Covert	Fly Tipping
22 <sup>nd</sup> November 2010	Covert	Test Purchasing x 2

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 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 report 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)



<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 6
<b>28 MARCH 2011</b>	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Committee Member(s) responsible:	Councillor Mark Collins, Chair of Audit Committee	
Contact Officer(s):	John Harrison, Director of Strategic Resources	☎ 452398

**EXTERNAL AUDIT: AUDIT PLAN 2010 / 2011**

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM :</b> PricewaterhouseCoopers	<b>Deadline date :</b> N/A
<p>The Audit Committee is asked to:</p> <ol style="list-style-type: none"> <li>1. Consider the External Audit Plan for 2010 / 2011 and provide comment on any amendments necessary.</li> </ol>	

**1. ORIGIN OF REPORT**

1.1 This report is submitted to Audit Committee in accordance with the agreed work plan.

**2. PURPOSE AND REASON FOR REPORT**

2.1 The purpose of this report is to consider and respond to the Audit Plan for 2010 / 2011, prepared by our external auditors, PricewaterhouseCoopers.

**3. TIMESCALE**

Is this a Major Policy Item / Statutory Plan?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	N/A
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**4. EXTERNAL AUDIT PLAN**

4.1 The Audit Plan has been prepared to inform the Council about the responsibilities of our external auditors and how those responsibilities will be discharged, and has been discussed and agreed jointly by Council representatives and External Audit.

4.2 The Plan has been developed to consider the impact of the recent key developments and risks based upon discussion with management and understanding of the City Council and the local government sector. The Plan (**Appendix A**) includes a number of follow ups and updates to previous reviews and also new risks which have been identified.

**5. CONSULTATION**

5.1 The Plan has been circulated to Corporate Management Team for comment.

**6. ANTICIPATED OUTCOMES**

6.1 Approval of the External Audit Plan 2010 / 2011.

**7. REASONS FOR RECOMMENDATIONS**

- 7.1 The Plan provides a summary of the Auditor's proposed work for 2010 / 2011. Members can ask questions and make comments to the External Auditor on its contents and coverage.

**8. ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 The External Auditor can take on board responses received prior to the finalisation of the plan. No specific alternative options are submitted for consideration.

**9. IMPLICATIONS**

- 9.1 There are no direct implications arising from this plan for PricewaterhouseCoopers. Fees identified are commensurate with previous years. Overall, the Council is seen as a low to medium risk organisation.

**10. BACKGROUND DOCUMENTS**

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

Audit and Inspection Plan 2010 / 2011

Government and Public Sector

# Peterborough City Council

2010/11 Audit Plan

March 2011





The Members  
Peterborough City Council  
Town Hall  
Bridge Street  
PETERBOROUGH  
PE1 1HG

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80 Strand  
London WC2R 0AF  
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Facsimile: +44 (0) 20 7804 1003  
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Ladies and Gentlemen,

We are pleased to present to you our Audit Plan, which includes an analysis of key risks, our audit strategy, reporting and audit timetable and other matters. Discussion of our plan with you ensures that we understand your concerns and that we agree on our mutual needs and expectations to provide you with the highest level of service quality. Our approach is responsive to the many changes affecting Peterborough City Council.

We would like to thank Members and officers of the Council for their help in putting together this Plan.

If you would like to discuss any aspect of our Audit Plan please do not hesitate to contact either Julian Rickett or Chris Hughes.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Julian Rickett', with a long horizontal flourish extending to the right.

Julian Rickett

For and on behalf of  
PricewaterhouseCoopers LLP



# Contents

Introduction	1
Risk assessment	2
Our approach to the audit	5
Our team and independence	8
Communicating with you	10
Audit budget and fees	11

## Appendices

Appendix A: Other engagement information

13

14

In March 2010 the Audit Commission issued a revised version of the ‘Statement of responsibilities of auditors and of audited bodies’. It is available from the Chief Executive of each audited body and on the Audit Commission’s [website](#).

The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas.

Our reports are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.





# Introduction

## The purpose of this plan

Our Audit Plan has been prepared to inform the officers and Members of Peterborough City Council (the Council) about our responsibilities as your external auditors and how we plan to discharge them.

We issued our audit fee letter, setting out our indicative fees for 2010/11, on 30 April 2010, in accordance with Audit Commission requirements. This plan sets out in more detail our proposed audit approach for the year.

Every Council is accountable for the stewardship of public funds. The responsibility for this stewardship is placed upon the Members and officers of the Council. It is our responsibility to carry out an audit in accordance with the Audit Commission's Code of Audit Practice (the Code).

Based upon discussion with management and our understanding of the Council and the local government sector, we have noted in the next section recent developments and other relevant risks. Our plan has been drawn up to consider the impact of these developments and risks.

## Period covered by this plan

This plan outlines our audit approach for the period 1 April 2010 to 31 March 2011, including the 2010/11 final accounts audit which we will undertake in summer 2011.

## Code of Audit Practice and Statement of responsibilities of auditors and of audited bodies

We perform our audit in accordance with the Audit Commission's Code of Audit Practice (the Code) which was last updated in March 2010. This is supported by the Statement of Responsibilities of auditors and of audited bodies (the Statement) which was updated in March 2010. Both documents are available from the Chief Executive or the Audit Commission's [website](#).

# Risk assessment

## Planning of our audit

We have considered the Council's operations and have assessed the extent to which we believe there are potential business and audit risks that need to be addressed by our audit. We have also considered our understanding of how your control procedures mitigate these risks. Based on this assessment we have determined the extent of our financial statements and use of resources audit work.

It is your responsibility to identify and address your operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. In planning our audit work, we assess the significant operational and financial risks that are relevant to our responsibilities under the Code and the Audit Commission's Standing Guidance. This exercise is only performed to the extent required to prepare our Plan so that it properly tailors the nature and conduct of audit work to your circumstances. It is not designed to identify all risks affecting your operations nor all internal control weaknesses.

In this plan we detail those areas which we consider to be significant risks relevant to our audit responsibilities and our response to those risks. Significant risks are those risks requiring special audit attention in accordance with auditing standards.

In addition, we also identify other risks affecting the Council and our response to these risks.

Our response includes details of where we are intending to rely upon internal controls, other auditors, inspectors and other review agencies and the work of internal audit, if applicable.

## Risk assessment results

The following table summarise the results of our risk assessment and our planned response.

Significant Risks	Audit approach
<p><b>Revenue Recognition</b></p> <p>There is a risk that the Council could adopt accounting policies or treat income and expenditure transactions in such a way as to lead to material misstatement in the reported revenue position.</p>	<p>We will understand and evaluate controls relating to this risk and:</p> <ul style="list-style-type: none"> <li>• seek to place reliance on internal audit work on key controls</li> <li>• test key controls to confirm they are operating effectively.</li> </ul> <p>We will consider the accounting policies adopted by the Council and subject income and expenditure to the appropriate level of testing to identify any material misstatement.</p>
<p><b>Override of normal financial control processes</b></p> <p>In any organisation, there exists a risk that management and some staff could have the potential ability to process transactions or make adjustments to the financial records outside of the normal financial control processes. Such issues could potentially lead to a material misstatement in the financial statements.</p>	<p>To address this risk we will:</p> <ul style="list-style-type: none"> <li>• document and test the key internal controls that address the significant risks we have identified in this audit plan;</li> <li>• test balances and transactions within the accounts for completeness; and</li> <li>• perform additional audit procedures on material journal entries.</li> </ul>
<p><b>2010/11 – the first year of reporting under IFRS</b></p> <p>The transition to IFRS involves both new and considerably revised financial statements and an increase in the depth of disclosures required in the notes to the accounts. There is a risk of material errors in the restatements and reclassifications required in preparing the accounts in their new format and of material omissions of information required to be disclosed by the new Code of Practice on Local Authority Accounting.</p>	<p>We are working closely with the Council to ensure that you are aware of the main differences between IFRS and UK GAAP and to resolve any accounting issues on a timely basis.</p> <p>We will perform a review of restated statements to identify disclosure issues at the planning stage of the audit. We will communicate the results of this review to management so they may take action to address issues in advance of the final audit.</p> <p>At the final audit stage we will perform an independent 'hot review' of the financial statements and disclosures.</p>
<p><b>Leases</b></p> <p>IFRS requires building and land elements of leases to be analysed separately, increasing the possibility that the land element may need to be classified separately as an operating lease. The lease accounting rules have also been extended to cover arrangements that have the substance of a lease even though they do not have the legal form of a lease. There is a risk that relevant agreements might not be identified and classified correctly and that income and expenses relating to the agreements might be accounted for inappropriately.</p>	
<p><b>Component Accounting</b></p> <p>The new Code requires the separate depreciation of components of an item of Property, Plant and Equipment whose cost is significant in relation to</p>	

### Significant Risks

### Audit approach

the total cost of the item and which have a shorter useful life than the item as a whole. Where items have been insufficiently broken down into their component parts, there is a risk that depreciation charges might be materially understated.

#### Group Accounts

There is a risk that IFRS could extend the boundary for group accounts. This is particularly so in relation to the identification of associates, where it is now sufficient for an authority to have the power to exercise significant influence over another entity rather than actually to be exercising this power.

#### Accruals for Employee Benefits

The new Code has more rigorous requirements for the accrual of employee benefits earned during a year but untaken by the year-end (particularly leave entitlements and flexitime) and for the disclosure of termination benefits.

### Other risks

### Audit approach

#### Increased pressures on budgets

The Council is experiencing increased pressures on many of its budgets as economic conditions have worsened. Budget holders may feel under pressure to try to push costs into future periods, or to miscode expenditure to make use of resources intended for different purposes.

Local government bodies are expected to make significant efficiency savings over the next three years. There is a risk that savings plans may not be robust or based on long term solutions which could result in short term, year-end actions to ensure that the targets are met.

There are also risks in relation to financial reporting, that the requirement to report particular financial results overrides best financial reporting practice.

We will review the Council's budget monitoring processes to identify any areas of concern. We will also bear these risks in mind when carrying out cut-off testing.

As part of our use of resources work as well as our work on financial standing, we will consider the entity's savings plans and consider their robustness.

We will also consider the accounting implications of any savings plans and would welcome early discussion of any new and unusual proposals. In particular, we will consider the impact of the efficiency challenge on the recognition of both income and expenditure.

# Our approach to the audit

## Code of Audit Practice

Under the Audit Commission's Code there are two aspects to our work:

- Accounts including a review of the Annual Governance Statement; and
- Use of Resources.

We are required to issue a two-part audit report covering both of these elements.

## Accounts

Our audit of your accounts is carried out in accordance with the Audit Commission's Code objective, which requires us to comply with International Standards on Auditing (ISAs) (UK & Ireland) issued by the Auditing Practices Board (APB). These standards have recently been fully updated and revised to improve their clarity and in some cases this is accompanied by additional audit requirements. We are required to comply with them for the audit of your 2010/11 accounts.

We plan and perform our audit to be able to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. We use professional judgement to assess what is material. This includes consideration of the amount and nature of transactions.

Our overall materiality for the Council is calculated as a percentage of income; this represents the level at which we would consider qualifying our audit opinion.

However, ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are "clearly trivial". Matters which are clearly trivial are matters which we expect not to have a material effect on the financial statements even if accumulated. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial.

We propose to treat misstatements less than £100,000 as being clearly trivial. We will include a summary of any uncorrected misstatements identified during our audit in our year-end ISA (UK&I) 260 report.

Our audit approach is based on a thorough understanding of your business and is risk-driven. It first identifies and then concentrates resources on areas of higher risk and issues of concern to you. This involves breaking down the accounts into components. We assess the risk characteristics of each component to determine the audit work required.

We plan our work to have a reasonable expectation of detecting fraud where the potential effects would be material to the financial statements of the Council.

Based on the level of management's control procedures, we consider whether there are any significant risks of fraud that may have a material impact on the financial statements and adapt our audit procedures accordingly. We also consider the risk of fraud due to management override of controls and design our audit procedures to respond to this risk.

Our audit approach is based on understanding and evaluating your internal control environment and where appropriate validating these controls, if we wish to place reliance on them. This work is supplemented with substantive audit procedures, which include detailed testing of transactions and balances and suitable analytical procedures.

We also aim to rely on the work done by internal audit wherever this is appropriate. We will ensure that a continuous dialogue is maintained with internal audit throughout the year. We receive copies of all relevant internal audit reports, allowing us to understand the impact of their findings on our planned audit approach.

We plan to rely on the work of internal audit for key controls in the following areas:

- Payroll;
- Housing benefits; and
- Council tax and NNDR income.

Our Risk Assurance specialists will undertake a review of the general IT controls. The scope of this review will include Oracle, Academy and Resourcelink and will focus on the following four key domains:

- Program changes;
- Computer operations;
- Access to programs and data; and
- Program development.

Work on the Whole of Government Accounts consolidation pack is included in the scope of the accounts audit.

## Use of Resources

Our Use of Resources Code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether you have put in place proper

arrangements to secure economy, efficiency and effectiveness in the use of resources.

In accordance with recent guidance issued by the Audit Commission, in 2010/11 our conclusion will be based on two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Unlike in previous years, we will not be required to reach a scored judgement in relation to these criteria and the Audit Commission will not be developing 'key lines of enquiry' for each criteria. Instead, we will be carrying out sufficient work to allow us to reach a conclusion on your arrangements.

The Audit Commission will be issuing further information on the scope of the criteria and guidance to auditors. We will review that guidance to determine the exact scope of our work and we will communicate that to you.

# Our team and independence

Audit Team	Responsibilities
<b>Engagement Partner</b> <i>Julian Rickett – 4<sup>th</sup> year on the audit</i> <i>Tel: 020 7804 0436</i> <i>Email: julian.c.rickett@uk.pwc.com</i>	Engagement Leader responsible for independently delivering the audit in line with the Code of Audit Practice, including agreeing the Audit Plan, ISA (UK&I) 260 report and Annual Audit Letter, the quality of outputs and signing of opinions and conclusions. Also responsible for liaison with the Chief Executive and Members.
<b>Engagement Senior Manger</b> <i>Chris Hughes – 8<sup>th</sup> year on the audit</i> <i>Tel: 020 7804 3392</i> <i>Email: chris.hughes@uk.pwc.com</i>	Senior Manager on the assignment responsible for overall control of the audit engagement, ensuring delivery to timetable, delivery and management of targeted work and overall review of audit outputs. Completion of the Audit Plan, ISA (UK&I) 260 report and Annual Audit Letter.
<b>Audit Manager: Accounts</b> <i>Jacqui Short – 2<sup>nd</sup> year on the audit</i> <i>Tel: 01223 552340</i> <i>Email: jacqui.a.short@uk.pwc.com</i>	Manager on the assignment responsible for managing our accounts work, including the audit of the statement of accounts, and governance aspects of the use of resources.
<b>Audit Manager: Use of Resources</b> <i>Howard Burton – 9<sup>th</sup> year on the audit</i> <i>Tel: 01603 883253</i> <i>Email: howard.burton@uk.pwc.com</i>	Manager on the audit responsible for coordinating the use of resources audit programme including preparing and presenting reports.

## Our team members

It is our intention that, wherever possible, staff work on the Peterborough City Council audit each year, developing effective relationships and an in depth understanding of your business. We are committed to properly controlling succession within the core team, providing and preserving continuity of team members.

We will hold periodic client service meetings with you, separately or as part of other meetings, to gather feedback, ensure satisfaction with our service and identify areas for improvement and development year on year. These reviews form a valuable overview of our service and its contribution to the business. We use the results to brief new team members and enhance the team's awareness and understanding of your requirements.



## Independence and objectivity

We have made enquiries of all PricewaterhouseCoopers' teams providing services to you and of those responsible in the UK Firm for compliance matters. There are no matters which we perceive may impact our independence and objectivity of the audit team.

## Relationships and Investments

Senior officers should not seek or receive personal financial or tax advice from PwC. Members who receive such advice from us (perhaps in connection with employment by a client of the firm) or who also act as director for another audit or advisory client of the firm should notify us, so that we can put appropriate conflict management arrangements in place.

## Independence conclusion

At the date of this plan we confirm that in our professional judgement, we are independent accountants with respect to the Council, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

# Communicating with you

## Communications Plan and timetable

ISA (UK&I) 260 (revised) 'Communication of audit matters with those charged with governance' requires auditors to plan with those charged with governance the form and timing of communications with them. We have assumed that 'those charged with governance' are the Audit Committee. Our team works on the engagement throughout the year to provide you with a timely and responsive service. Below are the dates when we expect to provide the Audit Committee with the outputs of our audit.

Stage of the audit	Output	Date
<b>Audit planning</b>	<b>Audit Fee letter</b>	April 2010
	<b>Audit Plan</b>	March 2011
<b>Audit findings</b>	Internal control issues and recommendations for improvement	September 2011
	<b>ISA (UK&amp;I) 260 report incorporating specific reporting requirements, including:</b> <ul style="list-style-type: none"> <li>• Any expected modifications to the audit report</li> <li>• Uncorrected misstatements, i.e. those misstatements identified as part of the audit that management have chosen not to adjust</li> <li>• Material weaknesses in the accounting and internal control systems identified as part of the audit</li> <li>• Our views about significant qualitative aspects of your accounting practices including accounting policies, accounting estimates and financial statements disclosures.</li> <li>• Any significant difficulties encountered by us during the audit;</li> <li>• Any significant matters discussed, or subject to correspondence with, Management;</li> <li>• Any other significant matters relevant to the financial reporting process; and</li> <li>• Summary of findings from our use of resources audit work to support our value for money conclusion.</li> </ul>	September 2011
<b>Audit reports</b>	<b>Financial Statements including Use of Resources</b>	September 2011
<b>Other public reports</b>	<b>Annual Audit Letter</b> A brief summary report of our work, produced for Members and to be available to the public.	December 2011

# Audit budget and fees

The Audit Commission has provided indicative audit fee levels for Councils for the 2010/11 financial year, which depend upon the level of expenditure and potential risk. Based on your expenditure, the indicative fee scale for audit for the Council is £278,074.

While the Council continues to produce robust financial statements and working papers for audit purposes, due to the implementation of IFRS in 2010/11, and the level of work we were required to carry out in respect of the Use of Resources element of our work in February – May 2010, we categorise the Council as low to medium risk.

We have also included within the proposed fee of £266,000 a budget of £15,000 for Value for Money studies. If none are undertaken, the total fee will be **£251,000**, a decrease of £14,800 compared to 2009/10.

In our audit fee letter dated 30 April 2010, we therefore agreed an audit fee of £266,000, which is broken down as follows:

	2010/11	2009/10
Accounts	185,000	175,000
Use of Resources	81,000	81,000
<b>Total planned audit fee</b>	<b>266,000</b>	<b>256,000</b>
Elector's Questions and consideration of other matters brought to our attention	0	9,800
<b>Total</b>	<b>266,000</b>	<b>265,800</b>

We have based the fee level on the following assumptions:

- Officers meeting the timetable of deliverables, which we will agree in writing;
- We are able to place reliance, as planned, upon the work of internal audit;
- We are able to draw comfort from your management controls;
- We are able to place reliance on the following work of inspectors and internal audit in respect of our use of resources conclusion;
- No significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based;
- An early draft of the Annual Governance Statement being available for us to review prior to 31 March 2011; and
- Our use of resources conclusion and accounts opinion being unqualified

If these prove to be unfounded, we will seek a variation order to the agreed fee, to be discussed in advance with you.

## Certification of grant claims

Our fee for the certification of grant claims is based on the amount of time required to complete individual grant claims at standard hourly rates. We will discuss and agree this with the Head of Strategic Finance and his team.

# Appendices

# Appendix A: Other engagement information

The Audit Commission appoint us as auditors to Peterborough City Council and the terms of our appointment are governed by:

- The Code of Audit Practice; and
- The Standing Guidance for Auditors

There are five further matters which are not currently included within the guidance, but which our firm's practice requires that we raise with you.

## Electronic communication

During the engagement we may from time to time communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure, virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

PwC partners and staff may also need to access PwC electronic information and resources during the engagement. You agree that there are benefits to each of us in their being able to access the PwC network via your internet connection and that they may do this by connecting their PwC laptop computers to your network. We each understand that there are risks to each of us associated with such access, including in relation to security and the transmission of viruses.

We each recognise that systems and procedures cannot be a guarantee that transmissions, our respective networks and the devices connected to these networks will be unaffected by risks such as those identified in the previous two paragraphs. We each agree to accept the risks of and authorise (a) electronic communications between us and (b) the use of your network and internet connection as set out above. We each agree to use commercially reasonable procedures (i) to check for the then most commonly known viruses before either of us sends information electronically or we connect to your network and (ii) to prevent unauthorised access to each other's systems.

We shall each be responsible for protecting our own systems and interests and you and PwC (in each case including our respective directors, members, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between us and our reliance on such information or our use of your network and internet connection.

The exclusion of liability in the previous paragraph shall not apply to the extent that such liability cannot by law be excluded.

## Access to audit working papers

We may be required to give access to our audit working papers to the Audit Commission or the National Audit Office for quality assurance purposes.

## Quality arrangements

We want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the partner responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that partner, please contact Paul Woolston, our Audit Commission Lead Partner at our office at 89 Sandyford Road, Newcastle Upon Tyne, NE1 8HW, or Richard Sexton, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6RH. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

## Events arising between signature of accounts and their publication

ISA (UK&I) 560 (revised) places a number of requirements on us in the event of material events arising between the signing of the accounts and their publication. You need to inform us of any such matters that arise so we can fulfil our responsibilities.

If you have any queries on the above, please let us know before approving the Audit Plan or, if arising subsequently, at any point during the year.

## Freedom of Information Act

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

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<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 7
<b>28 MARCH 2011</b>	<b>PUBLIC REPORT</b>

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

## INTERNAL AUDIT: STRATEGY AND PLAN 2011 / 2012

<b>RECOMMENDATIONS</b>	
<b>FROM : John Harrison, Executive Director: Resources</b>	<b>Deadline date : N/A</b>
<p>The Audit Committee is asked to:</p> <p>1. Consider, endorse and approve the proposed Annual Internal Audit Strategy and Operational Plan for 2011 / 2012.</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 Terms of Reference for the Audit Committee (agreed at Full Council May 2006) set out the key roles of the Committee including the following "*consider and endorse the proposed Annual Internal Audit Plan*".

### 3. TIMESCALE

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

- 4.1 The Local Government Act 1972 details the need for an Internal Audit function in its requirement that authorities "make arrangements for the proper administration of their financial affairs". In England, the Accounts and Audit Regulations 2003 specifically require that an authority must "*maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control*".
- 4.2 Internal Audit is an integral part of probity and corporate governance. It operates as an **independent assurance function** designed to give an objective opinion to the Council on the control environment, comprising risk management, internal control and governance. It adds value to the Council by improving its operations and contributing to the proper, economic, efficient and effective use of resources.

- 4.3 The Audit Strategy (attached at **Appendix A**) documents the way in which Internal Audit intend to deliver the service and how we ensure that our work complies with the standards contained in the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. In particular, it states how the work of Internal Audit will provide the assurances required for the production of the statutory Annual Governance Statement. We will achieve this by adopting a risk-based approach to our work; both at the level of annual planning and of individual audits, to ensure that the Council's key priorities, objectives and risks are targeted.
- 4.4 The Annual Operational Plan (attached at **Appendix B**) describes the individual audit reviews to be undertaken during the year. To determine the scope of the plan for 2011 / 2012 we have undertaken a systematic risk assessment of all auditable areas. This is informed by our review of the risk registers where available, Director and Heads of Service consultation, council and government initiatives and the Medium Term Financial Strategy. We have also determined the work required to fulfill statutory s.151 responsibilities.
- 4.5 The plan shows the minimum amount of work that the Internal Audit service has assessed should be undertaken after considering available resources.
- 4.6 The plan for 2011 / 2012 is not a static document. The Chief Internal Auditor reserves the right to amend plans (in consultation with the s151 officer) in line with emerging risks and changing priorities as they occur throughout the year. Any major changes in the plan will be reported to those charged with governance and through to the Audit Committee on a periodic basis.
- 4.7 The table below summarises the planned allocation of productive days for 2011 / 2012, based on existing resources.

INTERNAL AUDIT: ANNUAL PLAN 2011 / 2012	Audit Days	
	Vacancy unfilled	Vacancy filled
Systems Activity	44	44
Annual Governance and Assurance Framework	150	150
Strategic and Operational Risks	100	280
External Work	70	70
Corporate Support	285	285
<b>TOTAL PLANNED AUDIT DAYS</b>	<b>649</b>	<b>829</b>

## 5. CONSULTATION

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

## 6. ANTICIPATED OUTCOMES

- 6.1 Approval of the Audit Strategy and Annual Plan 2011 / 2012 by Audit Committee.

## 7. REASONS FOR RECOMMENDATIONS

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

## **8. ALTERNATIVE OPTIONS CONSIDERED**

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

## **9. IMPLICATIONS**

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

## **10. BACKGROUND DOCUMENTS**

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

CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006

Accounts and Audit Regulations 2003 (s.6 amended 2006)

Local Government Act 1972

Audit Committee papers

Risk Registers

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## PETERBOROUGH CITY COUNCIL

### INTERNAL AUDIT STRATEGY 2011 / 2012

#### 1 Introduction

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

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

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

#### 2 Regulatory Framework

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

- The Local Government Act 1972 (s151) requires that "*every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs*". In Peterborough City Council (PCC) the responsible financial officer is the Director of Strategic Resources and one of the ways he exercises his responsibility for financial administration is through the work of internal audit.
- The Accounts and Audit Regulations 2003 (s6, amended 2006)<sup>1</sup>, issued by the First Secretary of State under powers granted to him under Section 27 of the Audit Commission Act 1998, specify certain requirements for local authorities. In order to comply with these regulations the Council needs to maintain an adequate and effective system of internal control, in accordance with proper internal audit practices, these being set out in the CIPFA Code of Practice for Internal Audit in Local Government.

<sup>1</sup> The Department for Communities and Local Government have been consulting on these Regulations which have had a series of amendments since 2003. Closing date was 4 March 2011. New proposals reinforce audit requirements, but also reflect government proposals in relation to the Audit Commission.

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

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

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

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

External Audit conduct regular reviews of the work of Internal Audit in order to place reliance on it to satisfy their needs in produced the Annual Audit Letter for reporting to Audit Committee. In addition, Internal Audit will conduct a periodic self-assessment during the intervening period to ensure continuing compliance with the Code.

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

#### **3.2 Chartered Institute of Internal Auditors - UK (CIIA - UK)**

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

#### **3.3 Ethics**

The CIPFA Code of Practice and the CIIA International Code of Ethics for Internal Audit set out minimum ethical standards for the performance and conduct of internal auditors. All internal audit staff are required to understand and comply with these standards of ethics, in addition to those required by professional institutes of which they are members. The principles that must be observed are Integrity; Objectivity; Competence; and Confidentiality. PCC has adopted its own code of ethics (based on the standard) and this was approved by Audit Committee in March 2007. It remains fully relevant.

### **4 Provision of Internal Audit**

PCC currently delivers its service in-house with an establishment of 7.3 full time equivalents (FTE) comprising: Chief Internal Auditor (0.5 FTE); Group Auditors (1.3 FTE); Principal Auditor (1 FTE); Senior Auditors (2.5 FTE); Auditor (1 FTE) and Trainee Auditor (1 FTE). Shortfalls in resources will be managed by ensuring that audit work is prioritised to ensure that at least a statutory minimum service is provided. Vacancies will be filled in line with corporate policies and agency staff may be used where appropriate.

A shared service arrangement with Cambridge City Council has been underway since January 2011 with the aim of sharing knowledge and best practice, increasing flexibility and efficiency and driving down costs through economies of scale. For 2011 / 2012 the two audit teams will remain distinct entities and the initial impact for PCC is a 50% reduction in the time available from the Chief Internal Auditor, along with an associated reduction in costs. Savings generated will be used to “pump prime” additional improvements in the service as identified through business plans as well as going back to the corporate pot to assist in meeting future budget pressures. The success of this arrangement will be monitored with a view to developing a merged trading organisation capable of bidding for, and winning, other contracts.

## **5 Internal Audit Manual**

5.1 In order to deliver its role effectively, Internal Audit continues to review its Audit Manual. The manual sets out the processes for planning, implementing, checking and reviewing the way in which audit services are delivered. The objectives of the manual are to:

- State clearly roles and responsibilities i.e. our Terms of Reference;
- Describe the organisational, managerial and planning arrangements in place;
- Explain the standard procedures to be followed and documentation to be completed;
- Consolidate all relevant information concerning the work of the service in order that a consistent approach can be achieved within a flexible framework;
- Prescribe how Internal Audit will manage its resources;
- Prescribe the means by which Internal Audit will look for continuous improvement; and
- Provide a basis for the training and development of staff.

5.2 The Audit Manual has been produced after consideration of the guidelines recommended by CIPFA and the IIA.

## **6 Planning and Resources**

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

6.2 In developing the Strategy and the Risk Profile it is important that audit resources are directed in line with the priorities of the Council taking into account an assessment of risk. In order to achieve this, a systematic risk assessment and planning methodology is used, as follows:

- A list of auditable areas, known as the Audit Universe is maintained on an ongoing basis. This is based on the audit activity undertaken during the year and the overall opinion of the control environment within the audited area. In addition, during January / February each year a further review of the auditable areas is conducted based upon:
  - Consultation with all Directorates to identify key issues facing the council;
  - Review / consideration of new council initiatives, government initiatives and legislation;

- Review / consideration of strategic risks identified in the Corporate Risk Register;
  - Review of business / service plans; and
  - Financial and Budgetary information.
- The Audit Universe is then updated to reflect changes in the Council and methods of service delivery. To determine the priorities for the annual Audit Plan the following are reviewed:
    - The need to be able to provide an annual audit opinion of the Council's key financial and non financial systems;
    - Risk assessments which are maintained on an ongoing basis for all areas on the audit universe;
    - Specific client requests; and
    - The existing operational plan

6.3 The above methodology results in a plan that is supportive of Directors in delivering the strategic priorities and corporate improvement priorities of the Council and provides an overall view of the internal control environment, a key part of good Corporate Governance.

6.4 The proposed 2011 / 2012 Annual Plan has been compiled using the criteria detailed above along with a consideration of available resources. The plan shows the minimum amount of work required to provide assurance to the organisation.

## **7 Marketing of Internal Audit**

7.1 Notwithstanding the plans for the shared service arrangement described in section 4, Internal Audit has been charged with selling audit services to generate income for PCC.

7.2 Internal Audit currently provides an audit service to Vivacity. A Service Level Agreement covering a two year period up to March 2012 has been drawn up, indicating that 30 audit days will be delivered in each financial year. Vivacity will be charged for the audit activities undertaken based on a benchmarked day rate.

7.3 To further develop the profile and of audit services in line with current initiatives, Internal Audit will look to develop an overarching Marketing Strategy during 2011 / 2012. This will also involve Cambridge City Council (CCC) and will look to cover other public sector bodies and organisations. Any successes in obtaining additional works will need to be carefully managed so as not to be at the detriment of the core service delivery to Peterborough City. A separate strand will look at developing internal promotion of the service.

## **8 Performance Indicators**

8.1 A range of performance indicators are maintained internally to monitor service delivery. These cover areas such as progress against the annual plan, quality and customer satisfaction. Performance against these areas will be reported to Audit Committee periodically.

8.2 Traditionally, Internal Audit has undertaken CIPFA benchmarking, providing service comparisons with other local authorities. During 2011 / 2012 we intend to widen the scope for benchmarking by exploring comparisons with both private and public sector organisations. This will hopefully highlight any improvements that can be



made to service delivery that have not been previously considered and will assist in developing marketing strategies.

- 8.3 Internal Audit will continue to liaise with PricewaterhouseCoopers by sharing best practice to enhance performance and efficiency throughout the year.

## **9 Training Strategy**

Alongside the authority's Performance and Development Review process, the service will establish training needs assessment for future service requirements. Joint arrangements will be explored so that officers from both Peterborough and Cambridge can be developed at the same time and also to look for efficiencies in terms of time and cost.

## **10 Reporting**

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

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**PETERBOROUGH CITY COUNCIL****INTERNAL AUDIT: OPERATIONAL PLAN 2011 / 2012****1 Introduction**

This document sets out the division of responsibilities between managers and Internal Audit Services, and presents the Internal Audit Operational Plan for 2011 / 2012.

**2 Division of Responsibilities**

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

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

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

**3 Development of the Internal Audit Plan**

3.1 In developing the Annual Plan, it is important that audit resources are directed in line with the priorities of the Council, taking into account an assessment of risk. In order to achieve this, a systematic assessment and planning methodology is used, as set out in the Audit Strategy.

3.2 The methodology results in a plan that is supportive of Directors in delivering the strategic priorities and corporate improvement priorities of the Council and provides a view of the overall internal control environment, a key part of Corporate Governance. All of the reviews undertaken are underpinned by the driving principle of *delivering value for money*.

**4 Audit Resources**

4.1 As at March 2011, PCC currently delivers its service in-house with an establishment of 7.3 full time equivalents (FTE) comprising: Chief Internal Auditor (0.5 FTE); Group Auditors (1.3 FTE); Principal Auditor (1.0 FTE); Senior Auditors (2.5 FTE); Auditor (1.0 FTE) and Trainee Auditor (1.0 FTE). This compares with 8.1 FTE at March 2010. The change relates to the shared service arrangement with Cambridge City Council (CIA reduced 0.5 FTE), together with a reduction in hours by another member of staff (0.3 FTE).

- 4.2 Going forward resources will be further stretched with one officer leaving as part of the voluntary redundancy scheme (0.8 FTE) and another embarking on maternity leave (1.0 FTE). With one of the posts currently vacant (1.0 FTE), there will be a resource level of 4.5 FTE for 2011 / 2012.
- 4.3 It is uncertain at the time of writing whether the vacancy will be filled, or indeed when, therefore the audit plan has been compiled prudently based on the predicted resource levels of 4.5 full time equivalents (FTE). At this level, the plan provides for a minimum service in line with statutory requirements. Any shortfall in this resource level will be managed by reducing the scope of some audit reviews, as there is limited scope to remove audits completely from the plan.
- 4.4 For comparison, the plan also shows the additional work that could be carried out if the vacancy is filled for the full year, equating to 5.5 FTE for 2011 / 2012. If the vacancy is filled for part of the year, then a proportionate amount of extra work will be conducted.
- 4.5 It is worth pointing out that our consultation with Directors and Heads of Service has highlighted further work that could be carried out by Internal Audit, but which we have not included in the plan due to the limited resources available. The areas highlighted include: children's centres; third party adoption processes, mobile phones value for money study; electronic document management system, appeals processes and the Local Enterprise Partnership. These areas will be considered for review in future years.

## 5 Draft Audit Plan Overview

- 5.1 The table below summarises the planned allocation of productive days for 2011 / 2012.

INTERNAL AUDIT: ANNUAL PLAN 2011 / 2012	Audit Days	
	Vacancy unfilled	Vacancy filled
Systems Activity	44	44
Annual Governance and Assurance Framework	150	150
Strategic and Operational Risks	100	280
External Work	70	70
Corporate Support	285	285
<b>TOTAL PLANNED AUDIT DAYS</b>	<b>649</b>	<b>829</b>

- 5.2 It can be seen from the table above that the plan shows the main audit areas by categories rather than directorates. This is to better demonstrate the coverage and impact of the audit activities across the organisation. The individual audit reviews and service areas are analysed in greater detail in section 8 of this document.
- 5.3 Those areas not included in the plan this year will be considered for review on a cyclical basis in future years. However, it is anticipated that audits of low priority areas will not occur unless a risk assessment results in an increased priority level.
- 5.4 The plan for 2011 / 2012 is not a static document. The Chief Internal Auditor reserves the right to amend plans in line with emerging risks and changing priorities as they occur throughout the year, following consultation with the s151 officer. Any major changes in the plan will be discussed with those charged with governance and reported to the Audit Committee.

## **6 Key Points**

### **6.1 External Works**

The plan shows that we carry out work for external bodies, which generates income. For 2011 / 2012 this work consists of provision of an audit service to Vivacity. We are also planning to market our services externally, in line with the Manor Drive project, in order that we may generate income for the authority.

### **6.2 Core Systems Assurance Work**

Audits of all the main financial systems of the Council are undertaken on a cyclical basis as in consultation with external audit. We will adopt a key-control approach for these audits, but plan to review each of them in more depth over a three year period. Our work in this area will be affected by the proposed outsourcing of our main financial systems as part of the Manor Drive Project, which is due to commence in October 2011. Depending on how audit requirements are specified contractually, our focus on this area may change, but we do not envisage that it will diminish entirely.

### **6.3 Annual Governance**

Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. Internal Audit will continue to undertake reviews to support this process covering areas such as governance arrangements for partnerships, project management and information governance.

### **6.4 Strategic and Operational Risks**

Our plan has been developed to test the adequacy and effectiveness of the control environment put in place to mitigate the council's principal risks and to provide the assurance required on key controls. The impact of our reduced resource levels is greatest in this area of the plan.

### **6.5 Anti-Fraud and Corruption Arrangements**

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

### **6.6 Contingency**

Throughout the year, audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. The contingency provision included within the plan for such events has been significantly reduced in line with lower resource levels. In this time of change, it is not expected that the number of management requests will diminish; therefore we will introduce a prioritisation process and deal with them accordingly.

## **7 Reporting Protocols**

7.1 At the conclusion of each individual audit a Draft Report and proposed Action Plan will be forwarded to the appropriate manager within the client department. Once agreement has been reached a Final Report and Action Plan will be forwarded to

the relevant Chief Officer. In accordance with our reporting arrangements, all audit reports are brought to the attention of the Leader of the Council, Chief Executive, Executive Director Resources, Cabinet Member for Resources and Chair of Audit Committee.

- 7.2 A half yearly progress report will be presented to the Audit Committee indicating the level of achievement against agreed targets and any major findings arising from the audit work undertaken. All audit reports with 'NO' or 'LIMITED' assurance will be shared with the Audit Committee in the form of an executive summary as part of this process.
- 7.3 An annual report will be prepared for Audit Committee in order to give assurance or otherwise to Members that they can rely on the internal control framework of the Council.

## **8 Detailed Plan**

- 8.1 Documented below is the audit activity proposed, with its link to the strategic vision, where appropriate.

**PETERBOROUGH CITY COUNCIL: INTERNAL AUDIT PLAN 2011 / 2012**

## VISION FOR THE CITY

<b>STRATEGIC PRIORITIES</b>	
1	Creating the UK's Environment Capital
2	Creating strong and supportive communities
3	Delivering substantial and truly sustainable growth
4	Creating opportunities – tackling inequalities
5	Providing value for money underpins all of our activities

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment which encompasses the systems of governance, risk management and internal control, by evaluating its effectiveness in achieving the organisation's objectives. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, efficient and effective use of resources (*CIPFA Code of Practice for Internal Audit in Local Government 2006*).

**PLAN WITHOUT VACANCY FILLED**

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			Yes / No	Reason	
<b>CORE SYSTEM ASSURANCE WORK</b>					
Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s.151 officer to make his statement included in the authority's Annual Statement of Accounts. The External Auditor also places reliance on the work undertaken by Internal Audit on core systems. These therefore feature in the plan every year.					
Housing Benefit	5	A review of key controls, in accordance with PwC requirements.	Yes	External Audit reliance work	Strategic Resources
Council Tax	5	A review of key controls, in accordance with PwC requirements	Yes	External Audit reliance work	Strategic Resources
NNDR	5	A review of key controls, in accordance with PwC requirements.	Yes	External Audit reliance work	Strategic Resources
Accounts Payable	5	Systems based approach considering key risk exposures. Testing to provide assurance that all payments are valid, accurate, and timely.	Yes	Major changes to system	Strategic Resources
Payroll	5	A review of key controls, in accordance with PwC requirements.	Yes	External Audit reliance work	Strategic Resources
Accounts Receivable – Debt Recovery Process	5	Systems based approach considering key risk exposures. Testing to provide assurance that all income due is identified, invoiced, collected and recorded accurately and timely.	Yes	Major changes to system	Strategic Resources



SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical	Directorate	
<b>ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK</b>					
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, as well as areas that constitute key aspects of corporate governance, which are reviewed in line with risk levels.					
Annual Governance Statement Assurance Framework	ALL	Process and framework to feed into work on Annual Governance Statement, including the review recommendations made by Audit Commission in their annual letter and verify implementation (progress).	Yes	Corporate responsibility	Corporate
Annual Audit Opinion	ALL	Head of Internal Audit opinion on the state of governance and the internal control framework in place within Peterborough City Council.	Yes	Corporate responsibility	Corporate
Annual Audit Plan	ALL	A determination of the annual audit plan based on our own systematic risk assessment. This includes a review of corporate risk registers and the Medium Term Financial Plan, as well as consultation with Directors and Heads of Service.	Yes	Corporate responsibility	Corporate
Internal Audit Effectiveness	5	Review of the internal audit service against best practice guidelines.	Yes	Corporate responsibility	Corporate
Anti-fraud Culture	ALL	Investigation of matches from NFI.  Evaluation of control weaknesses that have allowed a fraud to take place or remain undetected, and providing recommendations to improve fraud prevention and detection, in line with our Memorandum of Understanding with the Governance Team.	Yes	Corporate responsibility to protect finite resources	Corporate
Partnership Governance	ALL	Review overarching governance arrangements, including risk management, board make-up, training and partnership framework. Establishment of the key partnerships with which the Council engages.	Yes	Ensure Council position is protected	Corporate
Information Governance	5	Review the design and implementation of an integrated case management system within Children's Services, and also the controls around data gathering and sharing, to ensure that data relating to children is accurate and complete.  A key control review of ICT controls.	Yes	Data integrity in safeguarding children  External Audit reliance work	Corporate
Project Governance	ALL	To provide assurance that the Council's projects are managed in accordance with best practice. We will review projects across several portfolios. This will include, where appropriate, post-implementation reviews in order to evaluate whether benefits have been realised.	Yes	Ensure finite resources are appropriately managed	Corporate

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical	Directorate	
<b>STRATEGIC and OPERATIONAL RISKS</b>					
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.					
Carbon Management	1, 5	A follow-up of previous audit report and a review of data quality ready for its submission at the end of June (in relation to the Carbon Reduction Commitment and carbon trading).	Yes	Ensure finite resources are appropriate managed	Operations
Localism Bill	ALL	A review of the impact on service delivery that this new legislation will bring, particularly in relation to financial control and governance. A pilot scheme passing budgets and accountability to Neighbourhood Councils to specify services at a local level will be reviewed.	Yes	Service delivery and financial control implications	Operations
Schools	2, 4, 5	A replacement to the FMSiS standard is being consulted upon currently. It is expected that Chief Financial Officers will be required make a statement that they have a system of audit in place which gives them adequate assurance over schools' standards of financial management and the regularity and propriety of their spending.	Yes	Ensure finite resources are appropriate managed	Children's Services
OP / PDP	3	The redefinition of the roles of Peterborough Development Partnership and Opportunity Peterborough will be reviewed, including working relationships and their distinct governance arrangements.	Yes	Growth Agenda delivery	Chief Execs
Partnership Management	ALL	A review of client management arrangements for ICT service delivery.	Yes	Ensure Council position is protected	Strategic Resources
Project delivery	ALL	Acting as a critical friend in current projects to review service delivery arrangements (The Manor Drive project and Alternative Learning Services).	Yes	Service delivery, financial and reputational risks	Children's Services & Strategic Resources

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical	Directorate
<b>EXTERNAL WORK</b> Work which generates an income for the Council.				
Vivacity	-	Work agreed as part of a service level agreement	Yes	Contractual requirement
Other	-	Contingency for external work which may be won during the course of the year.	Yes	Business need

<b>OTHER RESOURCE PROVISIONS (CORPORATE SUPPORT)</b> Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. In addition there will be a number of follow ups of previous audit activities. Finally, a number of jobs will overlap between financial years and require some time to complete.				
Carry Forward Activities	ALL		Yes	Corporate
Follow Up Provision	ALL		Yes	Corporate
Fraud / Irregularity Contingency	ALL	Time is included within the plan for undertaking proactive counter fraud-work, together with reactive work where suspected irregularities have been detected.	Yes	Corporate
Requested Work Contingency	ALL	Allowance exists to provide flexibility within the audit plan - for time spent on providing risk and control advice to officers, management and members; and ad hoc requests and consultancy work	Yes	Corporate
Grant Claim Certification	5	Teachers Pension Arrangements, Economic Participation Programme, 16-19 funding arrangements.	Yes	Corporate
Committee Support	-	Production of reports and attendance at Council committees and boards (for example the Strategic Governance Board).	Yes	Corporate

**ADDITIONAL WORK POSSIBLE WITH VACANCY FILLED**

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical	Directorate
<b>STRATEGIC and OPERATIONAL RISKS</b>				
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.				
S106 Developer Contributions	3, 5	To give assurance that the Council is complying with legal requirements in its request for funding from developers, and in how the money is spent on community projects.		Management request Operations
Contracting	5	To review specific aspects of the contracting process across a variety of contracts. This will include the process for dealing with conflicts of interest and also authorisation controls.		Ensure finite resources are appropriate managed Corporate
Neighbourhood Councils	2	Reviewing the outcomes of the Neighbourhood Councils restructure; the risks associated with moving to omni-competent staff; the process of information sharing with our partners; and compliance with legislation.		Management request Operations
Community Buildings	2	To review responsibilities with regard to the ownership, management an operation of community buildings.		Management request Operations
Clare Lodge	5	Review of financial controls prior to it becoming a trading unit.		Management request Children's Services
IT Security	ALL	To look at email controls, particularly in relation to data security and email content.		Information governance Corporate
Internet Usage	5	An analysis of staff internet usage to ensure that it is being used appropriately within working hours.		Ensure finite resources are appropriate managed Corporate
Elective Home Education	2, 4	Review of new policy and process controls to ensure quality assurance of EHE activity.		Management request Children's Services
Buyback Arm – School Improvement	5	Act as a critical friend in supporting the project team to develop buy-back options for all schools including Academies, ready for Apr 2012.		Management request Children's Services

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical	Directorate
<b>STRATEGIC and OPERATIONAL RISKS</b>				
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.				
Placement Strategy	2, 4, 5	To review the effectiveness of the process of placing children in appropriate establishments, including value for money and contractual processes.		Management request Children's Services
Learning Disability Services	2, 4, 5	This service is transferring back to the Council from the PCT. We will look at key financial and governance controls.		New Service Adult Social Care
Health and Safety	ALL	Last year we looked at the Council's responsibilities towards staff. This year we will cover responsibilities towards the public, focusing on the safety of streetworks and highway improvements.		Corporate manslaughter risk Operations

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<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 8
<b>28 MARCH 2011</b>	PUBLIC REPORT

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

## FEEDBACK REPORT

### 1. ORIGIN OF REPORT

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

### 2. PURPOSE AND REASON FOR REPORT

- 2.1 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

- 3.1 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.

## 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																		
7 June 2010	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"> <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>	28 June 2010
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28 June 2010	<b>THERE WERE NO REQUESTS FOR FURTHER INFORMATION FOLLOWING THIS MEETING</b>				6 Sept 2010																		
6 Sept 2010	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.	27 Sept 2010																		
6 Sept 2010	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.	27 Sept 2010																		
27 Sept 2010	<b>THERE WERE NO REQUESTS FOR FURTHER INFORMATION FOLLOWING THIS MEETING</b>				1 Nov 2010																		



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

MUNICIPAL YEAR: MAY 2010 - APRIL 2011

DATE ISSUE RAISED	SUBJECT / ITEM	AUDIT COMMITTEE COMMENTS	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
1 Nov 2010	Agenda Item: 7 Annual Governance Statement	To provide a report highlighting a further breakdown of the sickness figures and not including long term sickness figures.	Steve Crabtree	A request has been submitted to Human Resources to obtain details for service areas.  Information is being collated and will be sent under separate cover to members.	
7 Feb 2011	Agenda Item 4: Internal Audit Quarter 3 Progress Report	To provide a breakdown of the outstanding invoices identified within the audit report.	Steve Crabtree	For analysis, refer to the attached Appendix C.	
7 Feb 2011	Agenda Item 6: External Audit Reports	To provide an up to date report showing the breakdown of all certification fees	Steve Crabtree	A response was sent out under separate cover to all committee members.	

**ANALYSIS: OUTSTANDING INVOICES**

1. During fieldwork for the last Accounts Payable (AP) audit it was estimated by the Payments team that there were approximately 2,000 invoices on hold. Reports detailing all invoices on hold in the Oracle Accounts Payable (AP) system at 25-Feb-10 and 14-Feb-11 have been analysed by Internal Audit. The actual number of invoices on hold at 25-Feb-10 was found to be 1,659. By 14-Feb-11 this had fallen to 496, a reduction of approximately 70%. The number of invoices on hold for more than 90 days has reduced by just over 80%.

It should be noted that within Oracle AP is possible for invoices to be subject to more than one kind of hold, and the number and type of holds are dependent on what is considered wrong with the invoice (refer to 3. below).

	Invoices On Hold
<b>At 25-Feb-10</b>	1,659
<b>At 14-Feb-11</b>	496
<b>Reduction</b>	1,163
<b>% Reduction</b>	70.1

2. There are a number of reasons for the reduction in invoices on hold. Firstly following the audit there was a concerted effort by the Payments team to clear the backlog. Secondly since late 2010 all invoices that fail to quote a valid purchase order number or exemption code are rejected and returned to the supplier unpaid, thus reducing the number of new holds being created. This is being rigidly enforced. Lastly, issues with certain suppliers, or types of supplier, have been resolved, most notably Anne Corder Recruitment and utility companies.
3. Most hold types within Oracle AP are applied automatically by the system, e.g. where an invoiced value does not match the value of receipts made against the related purchase order. A few are manually applied (e.g. Invoice is disputed with supplier). The following analysis shows that 73% of all holds are where the invoice exceeds the amount ordered or receipted on the i-Procurement system, and in those circumstances departments rather than the Payments team must resolve the issues.

	% of Total Holds
<b>Distribution account is invalid</b>	0.1
<b>Invoice is not matched to any PO</b>	0.7
<b>Invoice is disputed with supplier</b>	8.7
<b>Invoice price exceeds purchase order price</b>	2.5
<b>Invoice tax amount does not fall within range</b>	2.3
<b>PCC CIS Precheck</b>	0.1
<b>PCC Exempt Invoice</b>	3.7
<b>PO has already been final matched to another invoice</b>	1.6
<b>Quantity billed exceeds quantity ordered</b>	22.7
<b>Quantity billed exceeds quantity received</b>	50.3
<b>Total of invoice distributions does not equal invoice amount</b>	7.4

<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 9
<b>28 MARCH 2011</b>	PUBLIC REPORT

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

## WORK PROGRAMME 2011 / 2012

### 1. ORIGIN OF REPORT

- 1.1 This is a standard report to Audit Committee which forms part of its agreed work programme. This standard report provides details of the proposed Work Programme for the Municipal Year 2011 / 2012 together any training needs identified.

### 2. UPDATE

#### 2.1 Work Programme

As Full Council has not yet agreed committee dates, the Work Programme (**Appendix A**) is based on previous years meeting dates / agendas. The programme will be refreshed in consultation with senior officers and the Committee membership throughout the year.

#### 2.2 Training

It is proposed that the first meeting of the new municipal year will provide the committee membership with an overview of their roles and responsibilities.

In addition, prior to each committee meeting, further training will be provided subject to the needs of the committee.

## DRAFT WORK PROGRAMME FOR 2011 / 2012

Date	
June 2011	<p>First meeting of the Audit Committee in the Municipal Year. It is proposed that following Full Council, subject to changes in membership from previous years, the meeting will be set aside to provide an overview of the Committee and the roles and responsibilities of Members. This will include training / guidance in relation to:</p> <ul style="list-style-type: none"> <li>• Internal Audit and External Audit;</li> <li>• Risk Management;</li> <li>• Finance Standards and Final Accounts Closure;</li> <li>• Governance, Fraud and Investigations.</li> </ul>
June 2011	<p>Work Programme</p> <ul style="list-style-type: none"> <li>• Internal Audit: Annual Report 2010 / 2011</li> <li>• Fraud: Annual Report 2010 / 2011</li> <li>• Annual Governance Statement</li> <li>• Statement of Accounts 2010 / 2011</li> <li>• Feedback Report</li> </ul>
September 2011	<p>Work Programme</p> <ul style="list-style-type: none"> <li>• Risk Management Strategy</li> <li>• RIPA: Progress Report Q1</li> <li>• Treasury Management Update</li> <li>• Feedback Report</li> </ul>
September 2011	<p>Work Programme</p> <ul style="list-style-type: none"> <li>• Audit of Statement of Accounts</li> <li>• Feedback Report</li> </ul>

Date	
November 2011	<p>Work Programme</p> <ul style="list-style-type: none"> <li>• Internal Audit: Mid-Year Progress against Audit Plan</li> <li>• Risk Management: Strategic Risks</li> <li>• RIPA: Progress Report Q2</li> <li>• Feedback Report</li> </ul>
February 2012	<p>Work Programme</p> <ul style="list-style-type: none"> <li>• External Audit: Annual Audit Letter</li> <li>• External Audit: Report to Management</li> <li>• External Audit: Grant Claims Annual Certification</li> <li>• Feedback Report</li> </ul>
March 2012	<p>Work Programme</p> <ul style="list-style-type: none"> <li>• RIPA: Progress Report Q3</li> <li>• Internal Audit: Strategy and Audit Plan 2012 / 2013</li> <li>• External Audit: Audit Plan</li> <li>• Feedback Report</li> </ul>

Each meeting may be supplemented by additional reports deemed appropriate for the Committee. This could relate to specific work requests for Internal Audit or External Audit; changes made to Financial Regulations or Contract Regulations; or other governance or legislation which impacts on the work of the Committee.