

AUDIT COMMITTEE

MONDAY 6 FEBRUARY 2012

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

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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 November 2011	1 - 8
4. Risk Management: Strategy and Strategic Risks	9 - 16
To receive details of the Risk Management and Business Continuity Strategy together with an update on the strategic risks for the Council.	
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To receive the Annual Inspection Letter for 2010 / 2011 from the External Auditors.	
5.2 Grant Claims Annual Certification	25 - 28
To receive the annual assessment of grant claims from the External Auditors.	
6. Annual Governance Statement: Update	29 - 32
To receive a progress report on the actions taken to address significant governance issues identified in the Annual Governance Statement together with emerging issues to be reflected in the next Statement.	
7. Effectiveness of the Audit Committee	33 - 42
To receive an internal assessment on the effectiveness of the Audit Committee.	
8. Work Programme	43 - 46
To review an update on the Work Programme for 2011 / 2012 and initial proposals for 2011 / 2013	



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Committee Members:

Councillors: D Lamb (Chairman), J Stokes (Vice Chairman), C Harper, P Kreling, S Lane, S Goldspink and P Nash

Substitutes: Councillors: K Sharp and M Nadeem

Further information about this meeting can be obtained from Karen Dunleavy on telephone 01733 452233 or by email – karen.dunleavy@peterborough.gov.uk

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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 7 NOVEMBER 2011

Present: Councillors Lamb (Chairman), Stokes (Vice Chairman), Goldspink Kreling, Harper, and Lane

Officers in Attendance: Steven Pilsworth, Head of Corporate Services
Steve Crabtree, Chief Internal Auditor
Ben Stevenson, Compliance Manager
Karen S Dunleavy, Governance Officer

1. Apologies for Absence

Apologies for absence were received from Councillor Nash.

2. Declarations of Interest and Whipping Declarations

There were no declarations of interest or whipping declarations.

3. Minutes of the Meeting Held on 26 September 2011

The minutes of the meeting held on 26 September 2011 were approved as an accurate and true record, subject to the following amendment being made:

Item 4 Report to Management on the Interim Audit for the 2010/11 Accounts:

- Implementation for a disaster recovery plan should refer to the Academy system and not the Oracle system.

Matters Arising:

- Members sought clarification over the property database and whether the data input had been completed? *The Head of Strategic Resources confirmed that the project was ongoing, and was a significant piece of work to complete.*
- Members sought clarification over why the Risk Management and Strategic Risk Reports were not included on the agenda for the meeting? *Members were advised that the Risk Management and Strategic Risk Reports were currently under construction and that clarification was being sought from Zurich Municipal over the layout of the Risk Register following on from a senior managers meeting. The reports would also need to be approved by Corporate Management Team. Once completed, it was expected that the reports would be presented at the February meeting of the Audit Committee.*

4. Internal Audit: Half Year Update 2011 / 2012

The Audit Committee received a routine planned report on the Internal Audit performance and progress with regards to the 2011 / 2012 Audit Plan from the Chief Internal Auditor. The report detailed the half year position of the Audit Plan.

Key points within the report were highlighted:

- Reflection on progress against the Audit Plan that had been presented in March 2011;
- Sickness statistics, which highlighted a vast improvement to 0.67 days per person compared to 5.6 for the same period last year;
- Provision of various audit reports where assurance levels were below standard;
- Limited assurance reports and an action plan which had been put into place;
- Developing arrangements, including a move for further use of the audit automated system by Cambridge City Council; and
- Post audit customer satisfaction questionnaires for audit reviews, which highlighted that Internal Audit was meeting the needs of the organisation with an average score of 4.46 (out of 5).

The Committee received the Internal Audit Update Report to 30 September 2011 and was asked to note in particular the following points within the report:

- (a) That the Chief Internal Auditor was of the opinion that based on the works conducted during the 6 months to 30 September 2011, internal control systems and governance arrangements remained generally sound; and
- (a) The progress made against the plan and the overall performance of the section.

During consideration, the Members of the Audit Committee made the following comments and observations:

- Members sought clarification regarding the resources available in order to complete audits from the reserve list and whether there were any risks involved? *The Chief Internal Auditor advised Members that there had previously been a substantial amount of officer time involved in training a trainee auditor post, however, the trainee officer had subsequently become less reliant on officer time which had allowed staff to take on jobs from the reserve list.*
- Members sought clarification over whether there had been any new measures brought in to reduce the sickness levels within the Audit Team? *The Chief Internal Auditor advised that no new measures to improve sickness levels had been introduced.*
- Members sought clarification as to whether any loans had been applied for in order to introduce an incinerator in the city? *The Head of Strategic Resources advised Members that an update on this item would be given further on in the meeting.*
- Members sought clarification over what role the Audit Team had in providing services for Vivacity? *Members were advised by the Chief Internal Officer that the services that the Audit Team provided to Vivacity were chargeable and based on agreed coverage with their management team.*
- Members sought clarification over the support provided by the Audit Team for Opportunity Peterborough (OP), Peterborough Development Partnership (PDP) and queried whether there were any benefits to the Council for the Audit Team conducting services for Vivacity? *The Chief Internal Auditor advised Members that the team were working with OP and PDP to ensure effective governance arrangements and control measures had been put into*

place. Members were also advised that services provided to Vivacity were completed under a Service Level Agreement. The Head of Strategic Resources also advised Members that the Council was one of the main grant funders of Vivacity and that support service costs provided by the Council were taken into account when calculating the grant funding. This resulted in no overall benefit being received back to the Council from Vivacity.

- *Members raised a question about whether an audit of the use of information technology security for Neighbourhood Committees had been conducted and whether the result had identified the need to employing extra IT resources? The Chief Internal Auditor advised Members that an exercise was currently being conducted to ensure that the correct security was in place regarding information sharing and that processes were in line with Government Connect requirements. No extra IT resources were required.*
- *Member raised a question about Neighbourhood Committees being included on the reserve list, and whether the Audit Team would be conducting an audit in the near future? The Chief Internal Auditor advised Members that if a potential risk was highlighted, then a higher priority would be adopted and an audit for the Neighbourhood Committees would be captured within the Audit Work Programme.*
- *Members raised a question about the audits being conducted for primary schools, and what the term 'Work in Progress' meant and when they would be completed? The Chief Internal Auditor advised Members that a number of jobs within the report marked as 'Work in Progress' were included to provide a snap shot view of the work being conducted by the Audit Team and that some tasks were now complete. Members were also advised that a report providing an update on the audits conducted would be produced for the end of the year and would be presented to the Audit Committee in due course.*
- *Members sought clarification over what 'Final Memo' meant? The Chief Internal Auditor confirmed that a 'Final Memo' would be issued if there were minimal issues highlighted following an audit exercise. This was instead of issuing a full audit report.*
- *Members sought clarification over the audit arrangements for Manor Drive following the transfer of services? The Chief Internal Auditor advised Members that following the Manor Drive transfer, audit arrangements would be captured in the same way as other outsourced services had been, and that audit control mechanisms would be put in place and conducted by the Council's Audit Team.*

ACTION AGREED:

The Committee noted:

- 1) That the Chief Internal Auditor was of the opinion that based on the works conducted during the six months to 30 September 2011, internal control systems and governance arrangements remained generally sound; and
- 2) That progress was made against the plan and the overall performance of the section.

5. Treasury Management: Update

The Head of Strategic Finance presented a report to Audit Committee on treasury management policies, practices and activities including an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

The key points within the update were highlighted:

- The borrowed money to fund capital programme to meet any cash shortfalls;
- There were three main reports that were produced each year regarding treasury management;
- Audit Committee and Cabinet had received a report on the performance figures mid year;
- All indicators for finance were on track; and
- Appropriate provisions had been set out for the Council's accounting policy.

The Committee was asked to consider the following points within the report:

- 1) To review current performance against the Treasury Management Strategy set in the Medium Term Financial Strategy (MTFS); and
- 2) To approve the revised Prudential Indicators included in the Prudential Code and Treasury Management Strategy 2010 updated for International Financial Reporting Standards (IFRS) impact on the Council's accounting policy with regard to lease arrangements

During consideration, the following comments, questions and observations were raised by Members:

- Members sought clarification over the value of the figures used within the report? *The Head of Strategic Resources confirmed that the figures used in the report were represented in pounds and pence and set out the indicator position for the Council tax increase.*
- Members sought clarification on the financial position of the Icelandic banks? *The Head of Strategic Resources confirmed that the Icelandic banks were not part of the Council's active treasury management. Members were also advised that the financial position of the Icelandic banks had been reported to Committee in March 2011.*
- Members sought clarification over the indicator for Estimates and Actual Capital Expenditure for 2011/12 and asked why the indicator was different to the outturn? *The Head of Strategic Resources advised Members that the indicator had been agreed in February and was only a best estimate for the year for Capital Expenditure.*
- Members sought clarification over the External Debt Prudential Indicator and who would agree the revised authorised limit? *The Head of Strategic Resources advised Members that the change to the authorised limit fell under the remit of the Audit Committees.*
- Members sought clarification about whether Full Council would need to approve the recent £3.2m increase under the Chartered Institute of Public Finance (CIPFA) Codes of Practice? *The Head of Strategic Resources advised Members that Audit Committee had the authority to approve the technical amendment of the £3.2m increase as part of their delegated powers. Members*

were also advised that if a significant change was required, then agreement would need to be sought through Full Council.

- Members asked a question about why the Council did not invest capital sums for more than a year and whether it was done that way in case the Council needed to spend the money later on within the financial year. *The Head of Strategic Resources advised Members that because interest rates changed, the Council kept the capital sum readily at hand.*
- In a question asked by Members regarding capital spend for incinerated waste projects, the Head of Strategic Resources advised that there was a tender process underway, however, the Council did not foresee that the exercise would be complete by the end of the year and that it was not anticipated that any costs would be made in the current financial year.

ACTION AGREED:

The Committee:

- 1) Reviewed current performance against the Treasury Management Strategy set in the Medium Term Financial Strategy (MTFS); and
- 2) Approved the revised Prudential Indicators included in the Prudential Code and Treasury Management Strategy 2010 updated for International Financial Reporting Standards (IFRS) impact on the Council's accounting policy with regard to lease arrangements.

6. Regulation of Investigatory Powers Act (2000) - Quarter 2 Usage

The Audit Committee received a second quarter update on the Regulation of Investigatory Powers Act 2000 from the Compliance Manager.

The Audit Committee was asked to consider the results of the following covert surveillance operations for the second quarter on three test purchasing authorisations:

- Two sales of alcohol to a person under the age of 18, which resulted in penalty charge notices from the police;
- Three sales of alcohol and one sale of tobacco to a person under the age of 18, which resulted in police prosecution; and
- One case of unauthorised street trading resulting in an ongoing investigation.

The Committee was asked to endorse the report on the use of RIPA for the second quarter of 2011 – July to September 2011.

During consideration the following comments, questions and observations were raised by Members of the Audit Committee:

- Members sought clarification over the regularity of the covert operations throughout the year? *The Compliance Manager advised Members that the number of inspections conducted varied throughout the year.*
- Members raised a question about fly tipping and whether there were any plans to target the hot spot areas? *The Compliance Manager advised Members that the Regulatory Services Team was due to arrange interviews under caution for people that had recently been suspected of fly tipping in order to identify whose rubbish it was. Members were also informed that recent investigations*

had resulted in five prosecutions and that three cases were awaiting a court hearing.

ACTION AGREED:

The Committee endorsed the report on the use of RIPA for the second quarter of 2011– July to September 2011.

7. Follow Up / Feedback Reports

7.1 RIPA issues relating to fly tipping

The Audit Committee received an update report from the Compliance Manager on the issue relating fly tipping enforcement.

Members of the Audit Committee were asked to note the following points within the report:

- The penalty charge notices issued by the police for test purchasing; and
- An update on the fly tipping case which had been aborted due to an arson attack on the CCTV equipment.

During consideration, the following comments, questions and observations were made by the Audit Committee:

- Members raised a question about the £100 fixed penalty notice and whether anyone had been subject to this penalty? *The Compliance Manger advised Members that the Regulatory Team was currently investigating the option of using the Environmental Protection Act to apply the charges to some current cases.*
- Members raised a question about CCTV equipment being used in fly tipping hotspot areas and why the Council was considering using cameras in places where they had been subject to arson attacks and vandalism? *The Compliance Manager advised Members that the Neighbourhood Enforcement Team was considering using hidden cameras.*
- Members sought clarification over who had responsibility for decommissioning the recent fly tipping investigations? *The Compliance Manger advised Members that the responsibility was held with the Regulatory Team within the Operations department.*

7.2 Progress on control actions from PwC report to management

The Audit Committee received an update on the progress of the actions within the PricewaterhouseCoopers (PwC) Report to Management – Interim Audit for those charged with Governance, following a request of the Audit Committee on 26 September 2011.

Members were asked to note the following points within the report:

- Control and system issues identified by PwC;
- Update on the Senior Management actions against each recommendation raised by PwC; and
- Progress on all recommendations;

During consideration, the following comments, questions and observations were made by the Audit Committee:

- Members requested that a running report on the progress of actions should be provided at future meetings on the Report to Management – Interim Audit for those charged with Governance. *The Head of Strategic Resources confirmed that he would provide the report in the format requested.*
- Members sought clarification over why the deadline for the user rights review for Resource-Link had lapsed? *The Head of Strategic Resources advised Members that the recommendation had been to action the completion of the review by the end of October 2011 and that the action had now been completed.*
- Members sought confirmation over the completion of the PwC recommendation to implement a disaster recovery system for the Academy system? *The Head of Strategic Resources advised Members that the team had worked through a number of scenarios in order to ensure that there was a recovery system in place for the Academy, Revenues and Benefits system, in order to cover emergency situations.*
- Members sought clarification over why the security for the Information Technology (IT) system had not been updated? *The Head of Strategic Resources advised Members that security policies were in place; however, the information communication technology service provider had made a recommendation to update current policies to make provision to cover new technology. Members were also advised that policies were currently being updated to include new technology and were scheduled for completion by the end of the year.*

ACTION AGREED:

The Head of Strategic Resources would produce a running report on Report to Management – Interim Audit for those charged with Governance.

8. Work Programme 2011 / 2012

The Chief Internal Auditor submitted the latest version of the Work Programme for the municipal year 2011 / 2012 for consideration and approval.

Members were advised that the following items would appear on the agenda for the scheduled Audit Committee meeting on 6 February 2012:

- Risk Management and Strategic Risk. Training would also be provided before the meeting;
- Use of Consultants Review;
- Annual Governance update;
- Information Governance – data security; and

ACTION AGREED:

The Committee noted and approved the 2011 / 2012 Work Programme.

CHAIRMAN
7.00 - 7.52 pm

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AUDIT COMMITTEE	AGENDA ITEM No. 4
6 February 2012	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton	
Contact Officer(s):	Stuart Hamilton, Resilience Services Manager	Tel. 207207

RISK MANAGEMENT: STRATEGY AND STRATEGIC RISKS

RECOMMENDATIONS	
FROM : Stuart Hamilton, Resilience Services Manager	Deadline date : N/A
The Committee is asked to:	
<ol style="list-style-type: none"> 1. Approve the current Risk Management Policy; and 2. Approve the Strategic Risk Register 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the 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 an update to the Committee on the council's strategic risk register

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. RISK MANAGEMENT REVIEW

4.1 The Audit Committee received and agreed the new Risk Management and Business Continuity Policy in March 2010 and accepted their role within it, of: "monitoring and supporting the council's risk management arrangements".

4.2 The current Strategic Risk Register has been updated and approved by Directors in October 2011

4.3 The Strategic Risk Register will be undergoing a comprehensive review during the next few weeks.

4.4 Our insurers Zurich have engaged with senior management around strategic risks and have produced an interim report for our consideration.

5. ANTICIPATED OUTCOMES

Audit Committee note and comment on the strategic risk register.

6. REASONS FOR RECOMMENDATIONS

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

7. ALTERNATIVE OPTIONS CONSIDERED

None

8. IMPLICATIONS

The identification of risks and the proper management of those risks will ensure that: the council's environmental policies and ambitions can be met; the council is able to mitigate against potential financial losses, litigation claims and reputational damage; the council is able to effectively deliver the strategic priorities.

9. BACKGROUND DOCUMENTS

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

Peterborough City Council Risk Management and Business Continuity Policy and Strategy.

10. APPENDICES

- Appendix 1: Risk Management and Business Continuity Policy
- Appendix 2: Strategic Risk Register



Risk Management and Business Continuity Policy

2011 - 2012

Introduction

Peterborough City Council (PCC) is a unitary authority providing a wide range of services to everyone living in, working in and visiting Peterborough. The council's Vision is to provide a quality of service which genuinely contributes to making Peterborough the place to be in the Eastern region. In this way, the council affects the everyday lives of all who live and work in the city.

Risk is defined by the Institute of Internal Auditors (IIA) as: "the uncertainty of an event occurring that could have an impact on the achievement of the objectives". The council recognises that there are risks in everything it undertakes and that it has a duty to manage these risks. This duty is to staff and those people working in the council, residents, service users and partners and funding agencies. Risk can have both negative and positive consequences, and it is the council's aim to minimise negative impacts and to exploit potential opportunities through a robust risk management process.

Risk management is defined by the Institute of Risk Management (IRM) as: "the process which aims to help organisations to understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure". The Business Continuity Institute (BCI) defines business continuity management (BCM) as: "a holistic management process that identifies potential impacts that threaten an organisation; provides a framework for building resilience and the capability for effective response; safeguards the interests of key stakeholders, reputation, brand and value-creating activities".

Under the Civil Contingencies Act 2004 (CCA) it is a statutory duty for local authorities to have in place fit for purpose business continuity plans. Risk management (RM) is not currently statutory for the council; however, as with BCM, it is in the interests of the organisation to have sound BCM and RM processes in place, in order to maintain efficient business operations, increase effective decision making and safeguard the interests of stakeholders.

Risk and business continuity management are coordinated centrally, within the Resilience Services, to increase overall organisational resilience and enable effective recovery from disruption. For further information on these services within Peterborough City Council, please contact: victoria.bales@peterborough.gov.uk.

Scope

This policy outlines strategic objectives with regard to risk management and business continuity within Peterborough City Council. How these objectives will be achieved is detailed in the accompanying strategy. It also sets out the standards and definitions the council will be working to, and outlines broad areas of responsibility.

This policy is published on Insite and the council website and is also available on request.

Risk Management and Business Continuity Objectives

The council undertakes risk and business continuity management to enable the achievement of the council's strategic priorities:

- Creating the UK's environment capital
- Creating strong and supportive communities
- Delivering substantial and truly sustainable growth
- Creating opportunities – tackling inequalities
- Providing value for money

Strategic and operational objectives which the council aims to achieve during business as usual and during a disruption, as far as reasonably practicable:

- Integration of risk management and business continuity into the culture of the council.
- Ensure compliance with laws and regulations.
- Demonstration of effective governance within the council.
- Enable the council to anticipate and respond to changing social, environmental and legislative conditions.
- Provide assurance regarding the management of significant risks.
- Support management in making decisions that pay full regard to risk considerations.
- Mitigation of all effects of a disruptive incident, including threat of litigation, potential financial losses and damage to council reputation.
- Deliver efficient operations, effective processes and efficacious strategies.
- Minimisation of injury, damage, loss and inconvenience to all stakeholders, (including staff, residents, service users, assets etc.), arising from, or connected with, the delivery of council services.
- Increased supply chain resilience.
- Raised awareness of the need for business continuity and risk management by all those connected with the delivery of services (including partners, delivery agents etc).
- A common language and understanding and a joined up and fully coordinated approach with regard to risk management activities throughout the organisation.
- Openness and honesty in all risk communications, and effective reporting procedures throughout the council.
- Introduction of a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice.

Responsibilities

A full reporting structure and further details of roles and responsibilities are outlined in the strategy. Broad areas of responsibility for risk management are:

Elected Members have a responsibility to understand the strategic risks that the council faces, and should oversee the effective management of risk by PCC officers.

The Chief Executive is accountable to Members for the effective management of risk within the council and will ensure that appropriate procedures, resources and skills are introduced in order to achieve this.

The Corporate Management Team will be responsible for monitoring the strategic risk register and receiving notifications of significant risks from departmental risk registers.

The Resilience Services Manager is responsible for leading the BCM and RM processes. This includes promoting BCM and giving generic advice to the local commercial and voluntary sector, which is also statutory for the council under the CCA.

Heads of Service will be expected to commit appropriate resources to risk management and business continuity within their areas.

All staff have a responsibility to make themselves aware of risk management in everyday duties and to report risk issues as appropriate.

Risk Description and Consequences	Current Risk Rating	Direction	Reasons for change	Current Controls	Further Actions Identified	Last Review	Next Review
Growth agenda. Striking a balance between meeting statutory obligations to maintain provision of schools, roads etc and investment in expansion and growth.		◀▶		Ongoing discussions with developers and focus groups.	Investigate and maximize all investment opportunities.	Oct-11	Apr-12
Meeting Environment Capital / climate change aspirations. Significant funding and investment is required to achieve city council's green aspirations.		◀▶		Stream of government funding: e.g. sustainable travel and European funding schemes.	Possible creation of company producing energy from solar and wind sources.	Oct-11	Apr-12
Impact of social demographic change. Ageing population, migration, disability etc. placing increased demand on services as local government funding from Government decreases.		◀▶		Ongoing monitoring and review. Financial impact evaluation.	Continuously under review.	Oct-11	Jan-12
Corporate manslaughter/ health and safety incident. Failure of the health and safety system to prevent a death or serious injury that could have been prevented.		◀▶		Robust arrangements and training in place.	Create more visibility and clarity in reporting processes and arrangements around new partnerships with other organisations. Improve strategic approach to health and safety and increase training.	Oct-11	Apr-12
Homelessness. Potential for increase in homelessness as a result of legislative and housing benefit changes and the challenging financial climate. Potential for increase in rough sleeping and temporary accommodation costs if unable to meet demand for social/private rented accommodation		◀▶		Review and transformation of housing services to ensure appropriate controls are in place; working closely with housing associations to assess and prepare for the impact of change.	Assess impact of benefits reform.	Oct-11	Jan-12

Risk Description and Consequences	Current Risk Rating	Direction	Reasons for change	Current Controls	Further Actions Identified	Last Review	Next Review
Crime and anti-social behaviour reduction and a breakdown in community cohesion. An increase in reported crimes as a result of social changes and financial pressures could lead to increased costs to the public sector, lack of community cohesion and increased threat of crime.		▼	Fewer crimes being reported	Restructure of neighbourhood services to combine city council and police community safety teams. Continual development of the Safer Peterborough partnership. Development of the family recovery programme (assisting families who are most in need of support and access to services). Launch of integrated offender management scheme, which targets and rehabilitates Peterborough's most prolific offenders in order to reduce the number of victims of crime.	Continued work to enhance community partnerships such as Operation CAN-do (10 year project to regenerate Millfield and New England), neighbourhood committees, police neighbourhood panels etc. Monitor numbers and types of reported crimes.	Oct-11	Apr-12
Safeguarding. Failure of the safeguarding system to prevent a child or vulnerable adult's death or serious injury.		▲	Increased pressure on capacity and adverse Ofsted report.	Continuous development of policies and procedures. Routine performance management. Implementation of quality assurance processes.	Detailed audit of files and case loads. Ongoing consultation with partner agencies. Review of senior management.	Oct-11	Jan-12
School places. Failure to provide suitable schools for the needs of children and families in the city and to improve performance in educational attainment could lead to needs of vulnerable children not being met, inadequate number of school places available and failure to provide innovative curriculum.		◀▶		Regular reviews to ensure maximum places are taken in schools where all building works are undertaken.	Development of building programme to create additional 8,000 spaces in the next five years. City of Peterborough Academy (Formerly Hereward Community College) to reopen in 2012 and create additional secondary places.	Oct-11	Apr-12
Financial position. The city council plans to deliver £28 million of savings in 2011-12. If additional budget demands emerge, for example due to prolonged economic downturn, further pressure is placed on the budget.		▲	General financial climate.	Early development of medium-term financial strategy. Senior management team monitoring financial plans. Budget position monitored on a monthly basis.	Ongoing budgetary control process will monitor current year position.	Oct-11	Jan-12
Industrial action. Long-term widespread industrial action could affect delivery of city council services.			New risk.	Positive relations with trade unions. Robust contingency plans in place.	Continuous monitoring. Update business continuity plans within critical services.	Oct-11	Ongoing

AUDIT COMMITTEE	AGENDA ITEM No. 5
6 FEBRUARY 2012	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Committee Member(s) responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	John Harrison, Executive Director -Strategic Resources	☎ 452 398

EXTERNAL AUDIT REPORTS

R E C O M M E N D A T I O N S	
FROM : PricewaterhouseCoopers	Deadline date : N/A
The Committee is asked to consider, and endorse the final reports produced by External Audit in the following areas:	
<ul style="list-style-type: none"> (i) 2010/11 Annual Audit Letter; (ii) Grant Claims: Annual Certification Report 	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee in line with its Work Programme for 2011/12.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to introduce various reports from PricewaterhouseCoopers (PwC), the Council's external auditors, in accordance with the Committees' Terms of Reference – 2.2.6 *To consider the external auditors annual letter, relevant reports, and the report to those charged with governance.*

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. ANNUAL INSPECTION LETTER

- 4.1 During the year, PwC have undertaken various reviews on behalf of the authority. The following reports have been received and agreed with senior management. PwC will be in attendance to discuss matters arising in each report.

Appendix	Report	Issue Date
A	2010/11 Annual Audit Letter	November 2011
B	Grant Claims : Annual Certification Report	January 2012

4.2 2010 / 2011 Annual Audit Letter (Appendix 1)

The External Auditor and the Audit Commission Relationship Manager produce an Annual Audit Letter reviewing the Council's arrangements and progress in relation to the Audit of the Accounts. Cabinet will also consider this report in February 2012.

Grant Claims : Annual Certification Report (Appendix 2)

Annual report into the review and verification of grant claims across PCC.

5. CONSULTATION

The various appendices have been discussed, and actions agreed by senior management at various times before being finalised. In addition, will Cabinet discuss and approve their content.

6 ANTICIPATED OUTCOMES

Acknowledgement and approval of the works undertaken by External Audit.

7 REASONS FOR RECOMMENDATIONS

Audit Committee to note the contents of the report and to comment on issues identified within the various commissioned works.

8 ALTERNATIVE OPTIONS CONSIDERED

None

9 IMPLICATIONS

Implications have been identified separately in each agreed Action Plan

10 BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)
None

11 APPENDICES

- Appendix 1 – 2010/11 Annual Audit Letter
- Appendix 2 - Grant Claims: Annual Certification Report

Government and Public Sector
***Peterborough City
Council***

Annual Audit Letter

2010/11 Audit

November 2011

The Members of the Audit Committee
Peterborough City Council
Town Hall
Bridge Street
PETERBOROUGH
PE1 1HG

November 2011

Ladies and Gentleman

We are pleased to present our Annual Audit Letter summarising the results of our 2010/11 audit. We look forward to presenting it to Members at the Audit Committee meeting on 6 February 2012.

Yours faithfully

PricewaterhouseCoopers LLP

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

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. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

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PricewaterhouseCoopers LLP is a limited liability partnership registered in England with the registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London, WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.

Introduction

The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the 2010/11 audit work we have undertaken at Peterborough City Council that is accessible for the Authority and other interested stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance in the following reports:

- Audit report for the 2010/11 Statement of Accounts, incorporating the value for money conclusion;
- Report to management on matters arising from our interim audit; and
- Report to those charged with Governance (“the ISA 260 report”).

We shall also present our report on the certification of claims and returns to the Audit Committee meeting on 6 February 2012.

The matters reported here are those that we consider are most significant for the Authority.

Scope of work

Our audit work is conducted in accordance with the Audit Commission’s Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements;
- reviewing the Annual Governance Statement;
- forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission.

Our 2010/11 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2011.

Audit Findings

Accounts

We audited the Authority's Statement of Accounts in line with approved Auditing Standards and issued an unqualified audit report on 28 September 2011. The most significant matters that we discussed with management during the course of our work were in relation to the conversion to International Financial Reporting Standards ("IFRS") and the valuation of the Authority's properties.

IFRS compliance

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom required that the Authority's accounts be produced in accordance with IFRS. 2010/11 was the first year in which the Authority was required to produce IFRS compliant accounts with compliant comparatives. This was a significant challenge for the Authority and we were pleased to report that the track record the Authority established of producing excellent working papers continued.

Valuation of property plant and equipment

In response to the requirements of International Standards on Auditing, which were clarified this year to the extent that our work on valuations had to increase compared to previous years, we reviewed the methodology used by management and engaged our internal valuation team to review the valuation methods and assumptions used by the Council's valuers. Our testing did not identify any significant issues to bring to your attention.

We discussed these and other matters arising from our audit with the Audit Committee on 26 September. Further more detailed matters arising have been discussed with the Executive Director of Strategic Resources and included in our Report to Management, referred to below. There are no other matters which we wish to draw to the attention of Members in this Letter.

Economy, efficiency and effectiveness

Our Use of Resources Code responsibility required 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 guidance issued by the Audit Commission, in 2010/11 our conclusion was 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.

We issued an unqualified value for money conclusion.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts. We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Summary of Recommendations

We provide an annual summary of recommendations to the Executive Director of Strategic Resources and his team in a Report to Management. This was presented to the Audit Committee on 26 September 2011. Management provided the Audit Committee with an update on its responses to those recommendations at the meeting on 7 November 2011 and will provide a further update at the meeting on 6 February 2012.

We did not report any other recommendations within our report to those charged with Governance (ISA (UK&I) 260).

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

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The Members of the Audit Committee
Peterborough City Council
Town Hall
Bridge Street
PETERBOROUGH
PE1 1HG

9 January 2012

Ladies and Gentlemen

Annual Certification Report

We are pleased to present our Annual Certification Report summarising the results of our 2010/11 certification work. We look forward to presenting this report to you at the Audit Committee on 6 February 2012.

The purpose of this report is to provide an overview of the results of certification work we have undertaken at Peterborough City Council between March 2011 and December 2011 that is accessible for members and other interested stakeholders.

We consider the results of certification work when performing other Code of Audit Practice work at the Authority, including for our conclusions on the financial statements and use of resources.

Scope of work

Grant-paying bodies pay billions of pounds in grants and subsidies each year to local authorities and often require certification, by an appropriately qualified auditor, of the claims and returns submitted to them.

Certification work is not an audit but a different kind of assurance engagement. This involves applying prescribed tests, which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

The Audit Commission is required by law to make certification arrangements for grant paying bodies when requested to do so and sets thresholds for claim and return certification, as well as the prescribed tests which we as local government appointed auditors must undertake. PricewaterhouseCoopers certifies claims and returns as they arise throughout the year to meet the audited claim/return submission deadlines set by grant paying bodies, in accordance with our role as appointed auditors to the Council.

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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

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Results of Certification work

During the period March 2011 to December 2011 we certified 7 claims and returns. Of these, 2 were qualified although none were amended, being the Teachers' Pension Return and the Housing and Council Tax Benefits grant claim. We note that the qualifications on these claims were generally minor in nature.

The Council continues to monitor grant income centrally in Strategic Finance. A quality review arrangement also exists that provides a check on grant claims before they are submitted to us for audit. These arrangements ensure that the grant claim certification process at the Council is efficient; there were no significant issues in 6 of the 7 claims and returns noted above. The comments in the rest of this report concerning Housing and Council Tax Benefits grant claim grants should be set in the context of a process, described above, that from an audit perspective is generally robust.

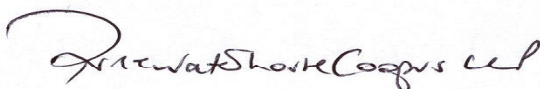
We experienced some issues in the certification of Housing and Council Tax Benefits grant claim. In carrying out our testing we identified errors regarding misclassification of expenditure within rent allowances, council tax benefit and modified schemes. Our testing of rent allowances also identified one case of underpaid benefit. As this error type would always result in an underpayment of benefit additional testing was not performed as per Audit Commission guidance.

Testing of uncashed cheques identified an error of £391.83, due to incorrect inclusion of 2010/11 balances. Testing of modified schemes identified an error affecting two cases where the 10/11 War Pension Disablement rate had not been applied due to the claim not being reassessed.

Due to the identified errors, further testing was performed in line with Audit Commission guidance. Further errors were not identified. The overall effect of the identified errors on the subsidy claim was to reduce the amount of subsidy payable to the Council by £3,037, however the claim form was not amended for this.

All deadlines for submission of audited claims/returns were met. We also continue to work successfully with Internal Audit in respect of the Teachers' Pension Return. Fees for certification work are summarised in Appendix A.

Yours sincerely,



PricewaterhouseCoopers LLP

Appendix A: Certification Fees

The certification fees for each claim are set out below. An asterisk indicates that the claim was qualified:

Claim/Return	2010 /11 Fee (£)	2009/10 Fee (£)	2010/11 Amount claimed (£)
Housing and Council Tax Benefits	23,000*	21,000*	12,483,669
Housing and Council Tax Benefits – Additional work in respect of 2008/09	-	3,200*	n/a
Sure Start	5,000	5,000	9,820,919
Disabled Facilities	2,500	2,500*	685,000
East of England Development Agency – Peterborough Regional Partnership – Project 7213	-	4,000	1,485,981
East of England Development Agency – Peterborough Regional Partnership – Project 7085	4,000	-	1,800,000
East of England Development Agency – Peterborough Regional Partnership – Project 7611	4,000	-	765,990
Teachers’ Pension Return	4,800*	4,800*	n/a
National Non Domestic Rates Return	5,000	6,000	n/a
Total	48,300	46,500	

Note that the Teachers’ Pension Return relates to certification of amounts contributed by the Council to the Teachers’ Pension Scheme, hence the “2010/11 amount claimed” column is not applicable. The amount claimed is also not applicable for the National Non Domestic Rates Return as this also relates to contributions made by the Council.

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AUDIT COMMITTEE	AGENDA ITEM No. 6
6 FEBRUARY 2012	PUBLIC REPORT

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

ANNUAL GOVERNANCE STATEMENT - UPDATE

RECOMMENDATIONS	
FROM : John Harrison, Executive Director: Strategic Resources	Deadline date : N/A
1. The Committee is asked to: 2. <ol style="list-style-type: none"> a) Note the progress on the significant governance issues reported in the Annual Governance Statement 2010 / 2011; b) Note emerging issues to be reflected in the next Annual Governance Statement; and c) Consider whether additional areas of assurance are required. 	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee in line with its agreed Work Programme for 2011 / 2012.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The Annual Governance Statement (AGS) explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It is a requirement for a local authority to include this as part of the annual Statement of Accounts, as well as to comply with the requirements of the Accounts & Audit Regulations 2011.

This report is for Committee to consider under its Terms of Reference:

- 2.2.16 *To oversee the production of the authority's Statement of Internal Control and to recommend its adoption; and*
- 2.2.17 *To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.*

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. CURRENT POSITION

- 4.1 The AGS included within the Statement of Accounts for 2010 / 2011 was first brought before Audit Committee in June 2011. Following its approval this was subject to audit and verification by PricewaterhouseCoopers. They endorsed the AGS within their report to Committee on 26 September 2011 (Report 5: Pages 43–180).

4.2 Since the original statement, a number of governance changes have occurred, or are in the process of changing across the council which will need to be reflected in the next Statement. In addition, progress has also been made on the key governance issues identified at the time.

4.3 Progress on Governance Issues Identified In Annual Governance Statement

Area For Improvement	Progress To Date
<p><u>Use of Consultants</u></p> <p>Following an independent review of the use of consultants, various actions were identified to put in place improved governance arrangements.</p> <p>Lead Officer: Director of Strategic Resources</p>	<p>Ongoing monitoring arrangements have been implemented. Separate reports have been produced and submitted to Council for scrutiny.</p>
<p><u>Development of Neighbourhood Committees</u></p> <p>Following a corporate review of the operations of Neighbourhood Councils, a number of changes were agreed at Cabinet / Full Council in March / April 2011. Appropriate governance needs to be in place to ensure effective decision making and resource devolvement.</p> <p>Lead Officer: Head of Neighbourhood Services</p>	<p>The seven committees are split between three distinct areas of the city. All community areas / activities are covered. Minutes are maintained for all meetings. Community funds are allocated for each to spend following agreement within each meeting.</p>
<p><u>Delivery of Medium Term Financial Strategy</u></p> <p>Ongoing savings underpin the delivery of the MTFs. Regular monitoring needs to be in place to ensure successful delivery.</p> <p>Lead Officer: Head of Corporate Services</p>	<p>Regular reports are produced for Cabinet and Scrutiny and has been updated throughout to reflect changes in circumstances and new proposals.</p>

4.4 Emerging Issues during 2011 / 2012

Issue	Background
Bribery Act (from July 2011)	The Act created offences of offering or receiving bribes, bribery of foreign public officials and of failure to prevent a bribe being paid on an organisations behalf. It is designed to be applied proportionately based on risk and business conduct.
Localism Act (from November 2011)	The Act has devolved greater powers to councils and neighbourhoods and given local communities more control over housing and planning decisions.
Welfare Reform Bill	Various changes are proposed which will impact on how the Council pays and delivers its services.
Adult Social Care	Reintegration of Adult Social Care Services within the local authority environment from 2012.
Safeguarding	Process and delivery improvements are required following poor service inspections within Childrens Services.
School Governance	During 2011/ 2012 the governance arrangements for a few schools was the subject of concern. Audits and investigations have been carried out at these schools specifically focused on the areas of concerns identified.

4.5 Ensuring Compliance with Best Practice

Since 2003 / 2004, responsibility for preparing the Annual Governance Statement has been with the Chief Internal Auditor and this has been performed in line with the Chartered Institute of Public Finance Accountancy (CIPFA) guidance. In December 2010, CIPFA issued a statement on "*The Role of the Head of Internal Audit in Local Government*", which stated that the Head of Internal Audit should "*set out the framework of assurance that supports the Annual Governance Statement and identify Internal Audit's role within it, but should not be responsible for preparing the report.*" This will be reviewed prior to its submission with the Draft Accounts in June 2012.

5. **CONSULTATION**

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

6. **ANTICIPATED OUTCOMES**

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

7. **REASONS FOR RECOMMENDATIONS**

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

8. **ALTERNATIVE OPTIONS CONSIDERED**

None

9. **IMPLICATIONS**

None

BACKGROUND DOCUMENTS

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

- Accounts and Audit Regulations 2011
- Statement of Accounts: Annual Governance Statement 2010 / 2011
- The Role of the Head of Internal Audit in Local Government, CIPFA

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AUDIT COMMITTEE	AGENDA ITEM No. 7
6 FEBRUARY 2012	PUBLIC REPORT

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

REVIEW OF EFFECTIVENESS OF THE AUDIT COMMITTEE

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director: Strategic Resources	Deadline date : N/A
1. The Committee is asked to:	
a) Consider and approve the review and its conclusion that the Committee is operating effectively in all material respects.	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee in line with its agreed Work Programme for 2011 / 2012.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to present the results of the annual review of the Committee's effectiveness, carried out using the principles established by the Chartered Institute of Public Finance and Accountancy (CIPFA). The review uses a questionnaire approach as set out in the Audit Committee Handbook.

2.2 This report is for Committee to consider under its Terms of Reference:

- 2.2.17 *To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.*

3. TIMESCALE

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

4.1 In order to provide suitable assurance for the Annual Governance Statement (AGS), the Committee's work programme requires it to review its own effectiveness on an annual basis. Unlike the review of internal audit, this is not a statutory requirement but an element of best practice.

4.2 CIPFA published its Practical Guidance for Local Authority Audit Committees, which includes a short self-assessment checklist for councils to measure the effectiveness of their audit committees. This has been included within the Audit Committee Handbook.

The checklist has been used and critically appraised by the Chief Internal Auditor. Although the checklist and review have been developed and carried out in-house, it is believed that they are robust enough to withstand examination, particularly as they have had the benefit of independent appraisal via Internal Audit.

4.3 The resulting completed questionnaire is attached as **Appendix 1**. The review concludes that the Committee can demonstrate that overall it has been established in accordance with best practice and that it has operated effectively during the last year. The Committee should be alert to any changes in its membership and the expertise of its Members so that it can arrange suitable training. Secondly, the Committee is expected to provide challenge to the Cabinet and across the Council: some evidence of this is available for previous years but Members should consider how this could be ensured in future.

4.4 In order to continue to provide suitable information and ongoing training for Audit Committee members, it is proposed to circulate information circulars received from the CIPFA Better Governance Forum. Recent issues have covered *Countering Fraud; Strategic Risk Management; and Reviewing the Annual Governance Statement*. These documents provide further information on top of the Audit Committee Handbook on how to challenge and scrutinise work through the Committee. However, these are only available through membership of this forum, so are restricted documents. They will be issued separately to members.

5. **CONSULTATION**

The effectiveness review has been discussed with the Head of Corporate Services.

6. **ANTICIPATED OUTCOMES**

Inform Audit Committee that the governance and scrutiny arrangements in place continue to operate effectively.

7. **REASONS FOR RECOMMENDATIONS**

In accordance with best practice, Audit Committee is expected to be informed of any material governance issues which may impact on the Annual Governance Statement.

8. **ALTERNATIVE OPTIONS CONSIDERED**

The Committee can challenge and alter the detail or the conclusion of the review, however it is believed that the assessment is accurate and can be evidenced.

9. **IMPLICATIONS**

None

BACKGROUND DOCUMENTS

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

Audit Committee Effectiveness Checklist
CIPFA Better Governance Forum Briefing Papers

10. **APPENDICES**

- Appendix 1 - Review Of Effectiveness Of The Audit Committee: Self Assessment Checklist

REVIEW OF EFFECTIVENESS OF THE AUDIT COMMITTEE: SELF ASSESSMENT CHECKLIST

	ISSUE	YES	NO	N / A	COMMENTARY / EVIDENCE
1. ESTABLISHMENT, OPERATION AND DUTIES					
1.1	TERMS OF REFERENCE				
1.1.1	Does the audit committee have written terms of reference?	✓			The Terms of reference for the Audit Committee is included within the authority's Constitution. (Part 3 Delegations Section 2 Regulatory Committee Functions)
1.1.2	Do the Terms of Reference cover the core functions of an audit committee as identified in the CIPFA guidance?	✓			The CIPFA model has been used.
1.1.3	Are the Terms of Reference approved by the Council and reviewed periodically?	✓			Annual Council meeting approved creation of Audit Committee in May 2006 and the associated Terms of Reference. Annual reviews are in place for the Constitution – the last update issued was July 2011 (version 6).
1.1.4	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	✓			The Audit Committee is a Council appointed Committee comprising 7 Members. The quorum of the Committee is 4 Members in accordance with the Constitution. No member of the Audit Committee is a member of the Cabinet. At the present moment, the Council has taken the decision not to appoint separate independent representatives on the Committee.
1.1.5	Can the audit committee access other committees and Full Council as necessary?	✓			Chief Executive / Directors / Council body can refer issues to the Committee. This allows the Committee to submit recommendations and / or observations to the Council / Cabinet that the Committee considers appropriate or necessary.
1.1.6	Does the authority's Annual Governance Statement (AGS) include a description of the audit committee's establishment and activities?	✓			Has been included in the AGS.
1.1.7	Does the audit committee periodically assess its own effectiveness?	✓			There is no requirement to annually reassessment although this is seen as best practice. The latest review has been undertaken by the Chief Internal Auditor.
1.1.8	Does the audit committee make a formal annual report on its work and performance during the year to full council?		✓		An Annual Report for the Audit Committee was first produced in 2008 and subsequent years to 2010. It was not produced in 2011. <i>It is recommended that an Annual Report is produced following conclusion of the last Audit Committee meeting in each municipal year.</i>

	ISSUE	YES	NO	N / A	COMMENTARY / EVIDENCE
1. ESTABLISHMENT, OPERATION AND DUTIES					
1.2	MEMBERSHIP, INDUCTION AND TRAINING				
1.2.1	Has the membership of the committee been formally agreed and a quorum set?	✓			Membership is based upon agreed levels set out for all committees with representation based upon political group levels. With a membership of 7, quorate is based upon attendance of 4 members.
1.2.2	Is the Chair independent of the executive function?	✓			The Chair is not a member of Cabinet.
1.2.3	Has the audit committee Chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	✓			The Chair has received appropriate training throughout the year as well as the Audit Committee Handbook.
1.2.4	Are new audit committee members provided with an appropriate induction?	✓			Training is provided throughout the year to all Members. In addition a separate Audit Committee Handbook has been produced to assist in member development.
1.2.5	Have all members' skills and experiences been assessed and training given for identified gaps?	✓			Training is delivered to all prior to each committee meeting and revolves around the agreed work programme for the committee. Additional opportunities are made available throughout the year to ensure knowledge levels remain up to date.
1.2.6	Has each member declared his or her business interests?	✓			This is a requirement of all members and is held centrally within Democratic Services. It is also published on the Councils website. In addition, "Declarations of Interest" is a standard agenda item for each committee meeting.
1.2.7	Are members sufficiently independent of the other key committees of the council?	✓			No member of the Audit Committee is members of the Cabinet. The Committee reports direct to Council.

	ISSUE	YES	NO	N / A	COMMENTARY / EVIDENCE
1. ESTABLISHMENT, OPERATION AND DUTIES					
1.3	MEETINGS				
1.3.1	Does the audit committee meet regularly?	✓			Meetings are held throughout the year to coincide with business requirements which are set out in the Work Programme.
1.3.2	Do the terms of reference set out the frequency of meetings?			✓	Not required as meetings scheduled to meet business needs.
1.3.3	Does the committee calendar meet the authority's business needs, governance needs and the financial calendar?	✓			As per Work Programme
1.3.4	Are members attending meetings on a regular basis and if not, is appropriate action taken?	✓			Substitutes allowed for non-attendees. Attendance is monitored and recorded within the minutes and on the website.
1.3.5	Are meetings free / open without political influences being displayed?	✓			
1.3.6	Does the s151 officer or deputy attend all meetings?	✓			Deputy – all meetings. S151 Officer – accounts only.
1.3.7	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	✓			Chief Internal Auditor and External Audit regular attendees at meetings. Other officers attend for specific Work Programme items e.g. risk management.

	ISSUE	YES	NO	N / A	COMMENTARY / EVIDENCE
2. INTERNAL CONTROL					
2.1	Does the committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts and Audit Regulations) including the review of the effectiveness of the system of internal control?	✓			Findings of the annual review of effectiveness of the system of internal control are documented in the committee papers while considering the draft AGS. These are considered as a separate agenda item each June.
2.2	Does the audit committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?	✓			The AGS and the associated background documentation are reviewed and approved separately to the Statement of Accounts.
2.3	Does the audit committee consider how meaningful the AGS is?	✓			Full details of all working papers and background information are provided to ensure a fully informed decision can be reached.
2.4	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	✓			Reporting on adequacy of controls is within Internal Audit progress reports which are scheduled throughout the year on the Audit Committee agendas.
2.5	Has the audit committee considered how it integrates with other committees that have responsibility for risk management?	✓			Audit Committee is responsible for monitoring the effective development and operation of risk management in the Council.
2.6	Has the audit committee or the full council adopted "Managing the Risk of Fraud - Actions to Counter Fraud and Corruption?"	✓			Incorporated within the Audit Committee terms of reference. An Annual Fraud report detailing anti-fraud activities is issued.
2.7	Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	✓			As above
2.8	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	✓			The Internal Audit Plan is based on a risk-based approach which takes account of the risk management processes adopted across the Council. It is set out annually within the Audit Strategy.
2.9	Does the audit committee review the authority's strategic risk register at least annually?		✓		There have been delays in reporting risk management to the Audit Committee. This needs to improve to ensure compliance with agreed policy. It is scheduled for the current committee cycle (February 2012)
2.10	Does the audit committee monitor how the authority assesses its risk?	✓			Through the work of Internal Audit and also reviewing and approving the overall Risk Management Strategy and the risk register(s).
2.11	Do the audit committee's terms of reference include oversight of the risk management process?	✓			It is based upon the CIPFA model which makes reference to risk.

	ISSUE	YES	NO	N / A	COMMENTARY / EVIDENCE
3. FINANCIAL REPORTING AND REGULATORY MATTERS					
3.1	Is the committee's role in the consideration and / or approval of the annual accounts clearly defined?	✓			Set out in the Terms of Reference
3.2	Does the audit committee consider specifically: <ul style="list-style-type: none"> • The suitability of accounting policies and treatments • Major judgements made • Large write offs • Changes in accounting treatment • The reasonableness of accounting estimates • The narrative aspects of reporting 	✓			With the exception of large write offs – which are referred through Cabinet – all items are considered as part of the Statement of Accounts. These receive appropriate challenge and scrutiny through Audit Committee in June each year.
3.3	Is the audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	✓			Annual reports are provided by PricewaterhouseCoopers and included on the work programme.
3.4	Does the audit committee review the management's letter of representation?	✓			Annual review as part of the report to those charged with governance
3.5	Does the audit committee annually review the accounting policies of the authority?	✓			Documented within final accounts papers
3.6	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	✓			Annual training is provided to Audit Committee members prior to review of the Statement of Accounts.
3.7	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?		✓		Training is provided on key aspects of the agenda. Information circulars received from CIPFA will be issued to members as and when received

	ISSUE	YES	NO	N / A	COMMENTARY / EVIDENCE
4. INTERNAL AUDIT					
4.1	Does the committee approve, annually the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	✓			Internal Audit Strategy and Plan approved by Audit Committee in March each year.
4.2	Does internal audit have an appropriate reporting line to the audit committee?	✓			The Chief Internal Auditor has direct access and freedom to report in his own name and without fear or favour to all officers and members and particularly to those charged with governance (the Chair of the Audit Committee, the s.151 Officer, the Chief Executive, the Monitoring Officer and the Leader of the Council)
4.3	Does the audit committee receive periodic reports from internal audit including an annual report from the Head of Internal Audit?	✓			Following agreement of the Audit Plan, there is a half yearly progress report followed by an annual report and opinion.
4.4	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?		✓		This is recorded but not reported to Audit Committee. This will be reintroduced to ensure that implementation rates remain high.
4.5	Does the audit committee hold periodic private discussions with the Head of Internal Audit?		✓		
4.6	Is there appropriate cooperation between the internal / external auditors?	✓			Joint working arrangements to ensure effective coverage and avoiding duplication. Quarterly progress meetings are held.
4.7	Does the audit committee review the adequacy of internal audit staffing and other resources?	✓			Resource levels are reported annually. There is a direct review by approving the Annual Audit Plan.
4.8	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for internal audit in Local Government in the UK?	✓			Annual review – a report on effectiveness was considered by Audit Committee in June 2011, together with External Auditors statement on this compliance in their annual report.
4.9	Are internal audit performance measures monitored by committee?	✓			Key performance indicators are reported in the Annual Audit Opinion.
4.10	Has the audit committee considered the information it wishes to receive from internal audit?	✓			Committee work programme sets out appropriate requirements for the whole year.

	ISSUE	YES	NO	N / A	COMMENTARY / EVIDENCE
5. EXTERNAL AUDIT					
5.1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	✓			Annual report at same time as Internal Audit.
5.2	Does the audit committee hold periodic private discussions with the external auditor?		✓		
5.3	Does the audit committee review the external auditor's annual report to those charged with governance?	✓			Annual report on the Work Programme.
5.4	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	✓			Regular progress reports are produced.
5.5	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	✓			All key External Audit reports are presented to Committee
5.6	Does the audit committee assess the performance of external audit?	✓			Proposals from central government following the abolition of the Audit Commission will result in the Committee having an increased involvement in the selection and monitoring of the performance of future external auditors.
5.7	Does the audit committee consider / approve the external audit fee?	✓			This is considered by Cabinet and endorsed separately by Audit Committee.

	ISSUE	YES	NO	N / A	COMMENTARY / EVIDENCE
6. ADMINISTRATION					
6.1	AGENDA MANAGEMENT				
6.1.1	Does the audit committee have a designated secretary from Committee / Member Services?	✓			Audit Committee is a formal committee of the council and each meeting is serviced by staff from Democratic Services.
6.1.2	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	✓			Papers are issued in accordance with council requirements
6.1.3	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	✓			Overarching work programme established which maps business needs
6.1.4	Are inputs for " <i>Any Other Business</i> " formally requested in advance from committee members, relevant officers, internal and external audit?	✓			This is not a standard agenda item, however when discussing future meetings via the Work Programme, suggestions are made for future issues, including reports and / or training needs
6.2	PAPERS				
6.2.1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	✓			Standard report format
6.2.2	Does the audit committee issue guidelines and / or a proforma concerning the format and content of the papers to be presented?	✓			Standard committee template utilised.
6.3	ACTIONS ARISING				
6.3.1	Are minutes prepared and circulated promptly to the appropriate people?	✓			Democratic Services produce minutes following each meeting and these are approved at the next one.
6.3.2	Is a report on matters arising made and minuted at the audit committee's next meeting?	✓			Follow up / Feedback reports are covered in the minutes and are then reflected on future agendas.
6.3.3	Do action points indicate who is to perform what and by when?	✓			Minutes indicate timescales and responsible officer.

AUDIT COMMITTEE	AGENDA ITEM No. 8
6 FEBRUARY 2012	PUBLIC REPORT

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

WORK PROGRAMME

1. ORIGIN OF REPORT

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

- Work Programme for the Municipal Year 2011 / 2012; and
- Draft Work Programme for 2012 / 2013.

2. UPDATE

2.1 Work Programme 2011 / 2012

The Work Programme (**Appendix 1**) is based on previous years agendas. The programme has been refreshed throughout the year in consultation with senior officers and the Committee membership to ensure that it remains relevant and up to date. In addition, any delays in reporting issues are recorded so that they do not drop off the committee agenda.

2.2 Draft Work Programme 2012 / 2013

The Draft Work Programme is attached at **Appendix 2**. Committee dates are to be agreed by Full Council at a later date.

3. APPENDICES

- Appendix 1 – Work Programme 2011/12
- Appendix 2 - Draft Work Programme 2012/13

WORK PROGRAMME FOR 2011 / 2012

APPENDIX 1

Date	Work Programme	Original Date	Key Officer
6 June 2011	First meeting 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 Internal Audit and External Audit; Risk Management; Finance Standards and Final Accounts Closure; and Governance, Fraud and Investigations.		Steve Crabtree
27 June 2011	Internal Audit: Annual Report 2010 / 2011 Review of Effectiveness of Internal Audit Fraud: Annual Report 2010 / 2011 Annual Governance Statement Statement of Accounts 2010 / 2011		Steve Crabtree Steve Crabtree Diane Baker Steve Crabtree Steven Pilsworth
5 September 2011	MEETING CANCELLED DUE TO INSUFFICIENT BUSINESS. RE-ALLOCATED ACROSS FUTURE MEETINGS		
26 September 2011	External Audit: Report To Management Audit of Statement of Accounts Investigatory Powers Act: Progress Report Q1	5 September 2011	Steven Pilsworth / PwC Steven Pilsworth / PwC Diane Baker
7 November 2011	Internal Audit: Half Year Update 2011 / 2012 Treasury Management Update Investigatory Powers Act: Progress Report Q2		Steve Crabtree Steven Pilsworth Diane Baker
6 February 2012	External Audit: Annual Audit Letter External Audit: Grant Claims Annual Certification Risk Management: Strategy and Risks Annual Governance Statement: Update Effectiveness of the Audit Committee (*NEW*)	5 September 2011	Steven Pilsworth / PwC Steven Pilsworth / PwC Stuart Hamilton Steve Crabtree Steve Crabtree
26 March 2012	Investigatory Powers Act: Progress Report Q3 Internal Audit: Strategy and Audit Plan 2012 / 2013 External Audit: Audit Plan Use of Consultants Information Governance: Data Incident Policy Audit Commission Update (*NEW*) Draft Annual Audit Committee Report (*NEW*)	6 February 2012 6 February 2012	Diane Baker Steve Crabtree PwC Steven Pilsworth Louise Tyers Steve Crabtree

	June	September	November	February	March
ACCOUNTS					
Draft Statement of Accounts 2011 / 2012	X				
International Financial Reporting Standards	X				
Statement of Accounts		X			
INTERNAL AUDIT / EXTERNAL AUDIT ACTIVITIES					
External Audit: Annual Audit Letter				X	
External Audit: Grant Claims Annual Certification				X	
External Audit: Audit Plan					X
Internal Audit: Annual Report 2011 / 2012	X				
Internal Audit: Review of Effectiveness	X				
Internal Audit: Mid Year Progress			X		
Internal Audit: Strategy and Audit Plan 2013 / 2014					X
REGULATORY FRAMEWORK					
Annual Governance Statement	X	X			
Risk Management: Strategy and Corporate Risks		X		X	
Fraud: Annual Report 2011 / 2012	X				
Investigatory Powers Act: Quarterly Progress Report		X	X		X
Treasury Management			X		
Effectiveness of the Audit Committee				X	
Contract Regulations *		X			
Financial Regulations *		X			
Draft Annual Audit Committee Report					X

* Subject to changes made during year

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