

AUDIT COMMITTEE

MONDAY 16 MARCH 2015
7.00 PM

Forli Room - Town Hall

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

AGENDA

Page No

1. **Apologies for Absence**

2. **Declarations of Interest**

At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests or is a "pending notification " that has been disclosed to the Head of Legal Services.

3. **Minutes of the Meeting Held on 2 February 2015** 3 - 4

To approve the minutes of the meeting held on 2 February 2015.

4. **Use of Regulation of Investigatory Powers Act 2000 (RIPA)** 5 - 6

5. **Risk Management: Strategic Risks** 7 - 36

To receive an update on the strategic risks for the Council.

6. **External Audit: Draft Audit Plan 2014 / 2015** 37 - 72

To receive and approve the Draft External Audit Plan.

7. **Internal Audit: Draft Internal Audit Plan 2015 / 2016** 73 - 110

To receive and approve the Internal Audit Plan 2015 / 2016.

8. **Draft Annual Audit Committee Report** 111 - 124

To receive the Draft Annual Audit Committee Report prior to submission to Council.

9. **Effectiveness of the Audit Committee** **125 - 140**
To receive an update on the effectiveness of the Audit Committee together with an Action Plan to address any shortcomings.
10. **Ivatt Way - Enterprise** **141 - 142**
11. **Feedback Report** **143 - 146**



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 Karen S Dunleavy on 01733 452233 as soon as possible.

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<http://democracy.peterborough.gov.uk/documents/s21850/Protocol%20on%20the%20use%20of%20Recording.pdf>

Committee Members:

Councillors: M Lee (Chairman), C Harper (Vice Chairman), N Arculus, Thulbourn, Sylvester, F Fox, R Herdman, N Sandford and S Lane

Substitutes: Councillors: D Lamb, S Martin, J R Fox and J Okonkowski

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

Public Document Pack



MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 2 FEBRUARY 2015

Present: Councillors Lee (Chairman), Harper (Vice Chairman), Stokes, Thulbourn, F Fox, Herdman, Sandford and Lane.

Also in

Attendance: Councillor Seaton, Cabinet Member for Resources.

Officers in

Attendance: Steven Pilsworth, Head of Strategic Finance
Steve Crabtree, Chief Internal Auditor
Karen S Dunleavy, Governance Officer

Also in

Attendance: Julian Rickett, PricewaterhouseCooper

1. Apologies for Absence

Apologies for absence were received from Councillors Arculus, Lamb and Sylvester.

Councillor Stokes was in attendance as a nominated substitute.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of the Meeting held on 3 November 2014

The minutes of the meeting held on 3 November 2014, were approved as an accurate and true record.

4. Use of Regulation of Investigatory Powers Act 2000 (RIPA)

The Committee **noted** that there were no RIPA authorisations in this quarter.

5. External Audit: Annual Audit Letter and Grant Claims Annual Certification

The Head of Strategic Finance and Julian Rickett, PwC introduced a report to Members of the Audit Committee, which outlined the Annual Audit Letter and Grant Claims Annual Certification 2013/14.

Key points within the report included:

- Audit responsibilities;
- Audit findings;
- Matters arising;
- Other matters reported to those charged with governance;
- Annual certification report 2013/14;
- Results of certification work;
- Claims and returns certified; and
- Certification fees.

In response to questions raised by Members, Julian Rickett, PwC confirmed that the materiality amount in relation to grant claims was below the threshold agreed with Audit Committee.

The Committee:

Considered and endorsed the final report produced by External Audit in the following areas:

- i. 2013/14 Annual Audit Letter; and
- ii. 2013/14 Grant Claims: Annual Certification Report.

6. Feedback report

The Governance Officer and the Head of Strategic Finance introduced the report, which provided feedback on items considered or questions raised at the previous meeting of Audit Committee. It also provided an update on specific matters, which were of interest to the Committee or where the Committee had requested to be kept informed of progress.

The Committee:

Agreed that the Head of Strategic Finance would:

- i. Circulate the most recent Cabinet Member Decision Notice that required the use of the Invest to Save Scheme (ISS), to Members of the Audit Committee for comment on whether it contained the information they would expect; and
- ii. Arrange a briefing regarding the Asset Disposal Protocol.

The Committee Also Agreed:

That the Cabinet Member for Resources would hold a discussion with the Budget Working Group to raise whether it would be permissible to utilise Public Health funding to support the provision and maintenance of Peterborough City Council park and recreational spaces.

7. Work Programme

The Governance Officer submitted the latest version of the Work Programme for the Municipal Year 2014/2015 for consideration and approval. The standard report provided details of the proposed Work Programme for the Municipal Year 2014/2015 together with any training needs identified.

The Committee:

Noted and approved the 2014/2015 Work Programme.

The Committee also agreed:

That the Head of Strategic Finance would provide an update outlining any comments received regarding the ISS funding.

7.00pm – 7:30pm
Chairman

AUDIT COMMITTEE	AGENDA ITEM No. 4
16 MARCH 2015	PUBLIC REPORT

Cabinet Member responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member responsible:	Councillor Lee, Chair of Audit Committee	
Contact Officer(s):	Kim Sawyer, Director of Governance Ben Stevenson, Compliance Manager (Governance)	☎ 452 361 ☎ 452 387

REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) REPORT FOR 1 JANUARY 2015 TO 28 FEBRUARY 2015

RECOMMENDATIONS	
FROM : Kim Sawyer, Director of Governance	Deadline date : N/A
1. Audit Committee is asked to Receive, consider and endorse this report on the use of RIPA for the two months from 1 st January 2015 to 28 February 2015.	

1. ORIGIN OF REPORT

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 2014 / 2015.

2. PURPOSE AND REASON FOR REPORT

The purpose of this report is to provide an overview of the Council's use of RIPA powers in the two months from 1 January 2015 to 28 February 2015. This report is to be considered in accordance with its Terms of Reference 2.2.1.14 - 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. The Council will continue to fully investigate matters such as fly tipping with RIPA applications only made where necessary.
- 3.4 In terms of the Council's use of RIPA powers for this period, it can be reported that there has been one as detailed below, with judicial approval obtained.

Date of authorisation	Type of Covert Surveillance	Reason	Outcome
11 February 2015	Covert	Test purchasing of age restricted products	The operation is due to be carried out after this report has been produced

4. CONSULTATION

Consultation has taken place between the following parties:

- Director of Governance
- Chief Internal Auditor

5. ANTICIPATED OUTCOMES

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

6. REASONS FOR RECOMMENDATIONS

Given the authority's responsible and low use of these powers, it continues to receive information on the use of RIPA on a quarterly basis and a report detailing the specific usage when appropriate.

7. ALTERNATIVE OPTIONS CONSIDERED

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

8. IMPLICATIONS

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)

Covert Surveillance And Property Interference Revised Code of Practice

AUDIT COMMITTEE	AGENDA ITEM NO. 5
16 MARCH 2015	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton Cabinet Member for Resources	
Committee Member(s) responsible:	Councillor Lee, Chair of Audit Committee	
Contact Officer(s):	Kevin Dawson, Head of Resilience	Tel. 453464

RISK MANAGEMENT AND BUSINESS CONTINUITY

RECOMMENDATIONS	
FROM : Kevin Dawson, Head of Resilience	Deadline date : N/A
Audit Committee is recommended to:	
1. Consider and note the content of this report	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Audit Committee as a routine planned report on risk management and business continuity.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to provide an update on Risk Management and Business Continuity under its terms of reference 2.2.13 and to monitor the effective development and operation of risk management and corporate governance of the Council.

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 Strategic Risk Register was reviewed by the Corporate Management Team (CMT) on 17 February 2015 and a further review is due before the end of May 2015.
- 4.2 Work has now commenced on assessing and challenging current Departmental Risk Registers to ensure potential risks are identified and adequately managed. This has been carried out through meetings of the Risk Group which last met on 12 September 2014. Revised Departmental Risk Registers have now been received from Communities, Governance and Growth and Regeneration. Meetings also continue to be held with the all departments with a view of obtaining updated registers.
- 4.3 The Corporate Business Continuity Policy previously considered by this committee on 5 November 2013 has been reviewed and revised in line with revised international standards and approved by CMT on 24 June 2014.
- 4.4 The Corporate Business Continuity Plan is currently under revision to reflect the content of the newly issued Business Impact Assessment (BIA) and Service Business Continuity plan

templates. A public version of the plan will shortly be placed on the Peterborough City Council (PCC) Intranet and website.

4.5 The new BIA and Business Continuity templates have recently been reviewed by British Standards Institute who have confirmed both documents are fit for purpose and only require minor revision.

4.6 Key on going issues for 2014/15:

- Completion of a review of current risk management procedures by the Council's Internal Audit team;
- Quarterly review of Strategic (corporate) risk register by CMT;
- Coordination of Strategic and Departmental risk registers;
- Continuation of review and revision of \Service BC Plans;
- Regular risk "conversations" within and between services at all levels;
- Updates on Insite, web and E-Learning; and
- Strategic issues e.g. introducing and embedding RM/BCM into procurement processes, induction briefings and business plans.

5 ANTICIPATED OUTCOMES

5.1 That Members of the Audit Committee note and comment on the contents of this report.

6 REASONS FOR RECOMMENDATIONS

6.1 Risk management is a key component of the Council's Corporate Governance Framework which will take time to review and embed effectively.

7 ALTERNATIVE OPTIONS CONSIDERED

7.1 None

8 IMPLICATIONS

8.1 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)

9.1 Peterborough City Council Risk Management and Business Continuity Policies 2013/14

10 APPENDICES

- Appendix 1 Corporate Business Continuity Policy
- Appendix 2 Risk Management Policy
- Appendix 3 Strategic Risk Register



Corporate Business Continuity

Policy Document



DOCUMENT CONTROL

Title:	Peterborough City Council Business Continuity Policy			
Synopsis:	This document outlines the effective operation of the Business Continuity Management System (BCMS) and the organisation's implementation of BCM.			
Status:	FINAL DRAFT			
Date:	6 January 2015			
Document Owner(s):	Corporate Management Team (CMT)			
Author(s):	Kevin Dawson			
Change Control:	Version ID	Date of Issue	Change Description	Author
	0.1	Oct 2012		Kevin Dawson
	0.2	19 Oct 2012	Consultation with Internal Audit	Kevin Dawson
	0.3	5 Nov 2012	Consultation with Audit Committee	Kevin Dawson
	1.1	11 Feb 2014	Updated following review by Zurich & updated using new standard (ISO 22301)	Kevin Dawson
	1.2	28 th Oct 2014	Updated following new templates	Kevin Dawson

Version ID	Date of Submission	Submitted to	Approval and Sign Off
1.2	06.01.15	CMT	6 January 2015

GLOSSARY OF TERMS

BCM	Business Continuity Management	Holistic management process that identifies potential threats to an organisation and the impact to business operations that those risks, if realised, might cause, and which provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key interested parties, reputation, brand, and value creating activity.
BCMS	Business Continuity Management System	That part of the overall management system that establishes, implements, operates, monitors, reviews, maintains and improves business continuity.
BCP	Business Continuity Plan	Documented collection of procedures and information that is developed, compiled and maintained in the readiness for use in an incident to enable an organisation to continue to deliver its critical activities at an acceptable predefined level
BD	Business Disruption	An event whether anticipated (e.g. a labour strike) or unanticipated (e.g. a power cut), which causes an unplanned, negative deviation from the expected delivery of products or services according to the organisation's objectives.
BIA	Business Impact Analysis	Process of analysing key services and the effect that a business disruption might have upon them
CA	Critical Activities	Those activities which have to be performed in order to deliver the key products and services which enable an organisation to meet it's most important and time-sensitive objectives.
CCA	Civil Contingencies Act	Legislation placing a duty on Local Authorities to have business continuity arrangements in place.
CorA	Corrective Action	The process of reacting to an existing problem or nonconformity and fixing it.
DR	Disaster Recovery	The process, policies and procedures related to the recovery or continuation of technology infrastructure critical to an organisation following a business disruption
EMT	Emergency Management Team	The team that takes the lead role in planning for, coordinating a response to, and supporting the recovery from emergencies, incidents and business disruptions.
IMP	Incident Management Plans	Clearly defined and documented plan of action for use at the time of an incident, typically covering the key personnel, resources, services and actions needed to implement the incident management process.
KS	Key Services	The most important and time sensitive services delivered by the council.
MTPOD	Maximum Tolerable Period of Disruption	Duration after which an organisation's viability will be irrevocably threatened if products and service delivery can not be resumed
PA	Preventative Action	A process for detecting potential problems or nonconformities and eliminating them.
RTO	Recovery Time Objective	Target time set for resumption of product, service or activity delivery after an incident.

1. **The Scope and Objectives of the Business Continuity Management System (BCMS)** (ISO 22301:2012 Ref:4.3)

1.1 Requirements for Business Continuity

1.2 The BCMS shall provide evidence of:

- a clear expression of the organisation's Business Continuity Management (BCM) requirement
- controls and measures that manage its continuity risks
- monitoring and feedback on BCM performance and effectiveness
- continual improvement using objective measurement

1.3 In addition, the BCMS shall provide evidence of:

- a tailored BCM Policy aligned with organisational requirements
- viable organisational structures reflecting BCM roles and responsibilities
- an embedded "Plan-Do-Check-Act" management processes
- a full set of auditable documentation
- established BCM-specific processes, such as Business Impact Analysis (BIA) and Business Continuity Plan (BCP) production

1.4 Acceptable Level of Risk

1.5 Risk is essentially any feature of an organisation which is likely to prevent that organisation from achieving its primary aims. In general, the lower the risk the higher the performance is likely to be. A successful risk management policy therefore needs to take a holistic view of risk as being a potential feature of the whole organisation. The organisation is in turn composed of components which themselves may contain appreciable risk factors.

1.6 Legal and Regulatory Requirements

1.7 The Civil Contingencies Act 2004 requires Category 1 responders (this includes Peterborough City Council) to maintain plans to ensure that they can continue to exercise their functions in the event of an emergency so far as is reasonably practicable.

1.8 The duty relates to all functions, not just emergency response functions. Category 1 responders must have regard to assessments of both internal and external risks when developing and reviewing business continuity plans. These plans may take the form of generic plans, which set out the core of a Category 1 responder's response to any BC incident, or specific plans dealing with particular risks, sites or services.

1.9 There must be a clear procedure for invoking the business continuity plan and it must include arrangements for exercises for the purpose of ensuring the plan is effective. Plans should be exercised at least once a year, with a full live scenario once every three years. Arrangements should be included for the provision of training to those involved in implementing the plan and plans must be reviewed and kept up to date. The training of these individuals should be at least annually or after every major restructure. Category 1 responders are required to publish aspects of their BCPs insofar as making this information available is necessary or desirable for the purposes of dealing with emergencies.

1.10 Interested Parties

1.11 An interested party is a person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity.

For a local authority, typical examples may include:

- staff
- customers
- suppliers
- regulators
- governing bodies
- elected members
- representative bodies
- other local authorities

1.12 Details of interested parties are documented in Teams BIA's.

2. Business Continuity Management Policy (ISO 22301:2012 Ref: 5.3)

2.1 Purpose:

2.2 The purpose of this policy is to formalise the BCMS used by Peterborough City Council (PCC) and to provide guidelines for developing, maintaining and exercising Business Continuity Plans (BCPs). This policy establishes the basic principles and framework necessary to ensure emergency response, resumption and recovery of the organisation's activities during a business disruption.

2.3 Scope:

2.4 This policy applies to all Council staff, facilities and IT systems at all locations. The Council shall be prepared for scenarios including, but not limited to loss of premises, loss of staff, supplier failure, loss of I.T, loss of data and loss of utilities. These events may be localised, impacting a single location or county-wide impacting multiple locations. This policy provides guidance for the resumption and recovery of time sensitive activities in accordance with recovery time objectives.

2.5 Policy:

2.6 PCC recognises the potential strategic, operational, financial and interested parties' risks associated with a business disruption and the importance of maintaining Council's business processes in the event of a business disruption. Business continuity policy and planning are fundamental to ensure against adverse organisational and reputational risk of a business disruption.

2.7 All arrangements will comply with this policy and the Resilience Team will monitor the consistent application of the BCMS to ensure that the Corporate Management Team (CMT) can make decisions based on harmonised information.

2.8 Responsibilities:

2.9 The PCC CMT is responsible for this policy and for ensuring that it is communicated to all persons working for, or on behalf of, the organisation.

2.10 All levels of management within PCC have a responsibility for maintaining business continuity arrangements within their area of business with overall responsibility lying with the Chief Executive Officer.

2.11 Business Impact Analysis and Risk Assessment:

2.12 All activities undertaken by the Council that are involved in providing a service to the community should be included in BIA's. The Critical Activity Analysis holds all critical activities and can be used during an incident to determine recovery priorities.

- 2.13 A BIA will be undertaken by Team Managers to identify critical activities (high priority activity). This will happen once a year; after a Council restructure or after an incident where the Corporate Business Continuity Plan was activated. It shall also identify the recovery time objectives (RTO) and impact of activity not being delivered.
- 2.14 Critical activities will be risk assessed and the owner of that critical activity will take the appropriate loss mitigation or risk treatment measures.
- 2.15 Business Continuity Plans:
- 2.16 CMT shall sponsor the development of the Corporate BCP to assist recovery from an organisation wide crisis and provide, at the very minimum, strategic decisions upon which critical activities should be recovered before others.
- 2.17 BCPs will also be prepared at a Team or Service level, as appropriate, and be owned and signed off by the senior management within this area of business. These plans will cover localised business disruptions and set out processes for recovering critical activities within their RTO and the medium term actions to return to 'business as usual'. These plans will also support the Corporate BCP work effectively.
- 2.18 Specific plans for Services delivered at the Council might be necessary if business operations are significantly different and the Service BCP template isn't suitable; an example is Clare Lodge.
- 2.19 Plans shall anticipate the impact from a variety of probable scenarios, including loss of premises, loss of staff and loss of IT/Telecomms. The BC policy and planning should recognise that staff are the most important asset of Council for ensuring the necessary ability of the Council to continue critical business processes in spite of an incident.
- 2.20 Testing:
- 2.21 The Corporate BCP should be tested annually to ensure credible recovery preparedness. The scope, objectives, and measurement criteria of each test shall be determined and coordinated by CMT on a *per event* basis. Test results shall be shared across the organisation.
- 2.22 Authors or owners of Service BCPs will undertake to carry out tests annually (for example confirming contact numbers and checking the location of resources) to guarantee the accuracy of this information.
- 2.23 Corporate Communications:
- 2.24 The overarching and department/service-specific BCPs shall include mandatory instructions, advice, process, procedure or guidance concerning internal and external communications. External communication during time of crisis is a critical activities. The CMT shall work with Corporate Communications to develop the process and messages that will be communicated to the media and to staff in the event of a county-wide or department/service-specific business interruption.
- 2.25 BCP Maintenance and Management Reporting:
- 2.26 The Corporate BCP and Service BCP's shall be updated annually using the templates provided by the Resilience Team. All PCC departments shall update their BCPs as often as changes require. Major updates should be incorporated as soon as possible and not held to the pre-arranged schedule. Reporting business continuity planning status and progress is a key element of creating an effective BC program in the organisation.

2.27 Business Continuity Programme Governance:

2.28 As demonstrated in this policy, Business Continuity is an institutional concern affecting all departments and therefore must receive senior management guidance and oversight. A formal BC programme governance structure shall be developed to ensure effective decision-making and alignment with ISO 22301:2012.

2.29 Policy Compliance:

2.30 Consistent compliance with this policy is essential to its effectiveness. All PCC Services and Directorates are expected to adhere to this policy and to follow it consistently.

3. **Provision of Resources** (ISO 22301:2012 Ref: 7.1)

3.1 The organisation shall determine and provide the resources needed that will:

- Achieve its business continuity policy and objectives;
- Meet the changing requirements of the organisation
- Enable effective communication on business continuity management system matters, internally and externally; and
- Provide for the ongoing operation and continual improvement of the business continuity management system.

3.2 CMT has appointed the Chief Executive as the person with appropriate seniority and authority to be accountable for the BC Policy and its implementation.

3.3 The Resilience Manager has been appointed to implement and maintain the BCMS.

3.4 Each Service/Directorate shall identify at least one BC Champion who will coordinate the assessment of key services through the BIA and produce Service/Directorate level BCPs.

3.5 Further BC Champions may be appointed as dictated by the requirement to deliver key activities.

3.6 BC roles, responsibilities, competencies and authority shall be defined and documented within each BCP. Dependent on individual BCPs these will include:

- telecommunications and information systems
- office buildings and facilities
- service facilities
- plant and equipment
- personnel

4. **The Competency of Personnel, Training and Awareness Programmes**

(ISO 22301:2012 Ref: 7.2 & 7.4)

4.1 The Council shall ensure that personnel who are assigned business continuity responsibilities are competent to perform the required tasks by creating a competence development programme as a way of providing training, education and support.

4.2 The Resilience Team will be responsible for providing training to individuals that they have identified as having a role within the Service BCP's.

- 4.3 The Resilience Team will provide training to individuals who have a responsibility to develop and maintain business continuity arrangements.
- 4.4 The Council shall ensure that persons working under its control will have an appropriate awareness of the BCMS. This shall be achieved through an awareness programme.
- 5. BCM Exercising (ISO 22301:2012 Ref: 8.5)**
- 5.1 The Council shall exercise its BC arrangements to ensure that they meet business requirements by creating an exercise programme. The organisation shall:
- develop exercises that are consistent with the scope and objectives of the BCMS;
 - have a programme approved by CMT to ensure exercises are carried out at planned intervals and when significant changes occur;
 - carry out a range of different exercises that taken together validate the whole of its business continuity arrangements;
 - plan exercises so that the risk of an incident occurring as a direct result of the exercise is minimized;
 - define the aims and objectives of every exercise;
 - carry out a post-exercise review of each exercise that will assess the achievement of the aims and objectives of the exercise; and
 - produce a written report of the exercise, outcome and feedback, including required actions.
- 6. Maintaining and reviewing BCM arrangements (ISO 22301:2012 Ref: 9.1)**
- 6.1 The Council will review annually or after significant changes occur, its BCM arrangements and capability to ensure their continuing suitability, adequacy and effectiveness.
- 6.2 The review of BC arrangements shall be conducted either through self-assessment or audit.
- 6.3 The self-assessment programme will be coordinated by the Resilience Team in conjunction with the plan owner/author and action will be taken to address the gaps identified in the assessment.
- 6.4 In the event of an incident that results in the invocation of the Corporate Business Continuity Plan or a Service BCP, a post-incident review shall be undertaken to:
- identify the nature and cause of the incident;
 - assess the adequacy of management's response;
 - assess the organisation's effectiveness in meeting its recovery time objectives;
 - assess the adequacy of the BC arrangements in preparing employees for the incident; and
 - identify improvements to be made to the BC arrangements.
- 6.5 It is the responsibility of all services to inform the Resilience Team of all invocations via the actions outlined in Service BCP's and to coordinate post incident review and inform CMT annually on the organisations state of preparedness.
- 7. Internal Audit (ISO 22301:2012 Ref: 9.2)**
- 7.1 The guidance states that the organisation shall ensure that internal audits are conducted triennially to determine whether the BCMS:

- conforms to planned arrangements for BC, including the requirements of this BCM standard; and
- has been properly implemented and is maintained; and
- is effective in meeting the organisation's BCM policy and objectives; and
- provides information on the results of audits to management.

7.2 The audit programme(s) shall be planned, established, implemented and maintained by the organisation, taking into account the BIA, risk assessment, control and mitigation measures and the results of previous audits.

7.3 Audit procedure(s) shall be established, implemented and maintained that address:

- the responsibilities, competencies and requirements for planning and conducting audits, reporting results and retaining associated records; and
- the determination of audit criteria, scope, frequency and methods.

Selection of auditors and conduct of audits shall ensure objectivity and the impartiality of the audit process.

8. Management review of the BCMS

8.1 CMT shall review the organisation's BCMS at planned intervals and when significant changes occur to ensure its continuing suitability, adequacy and effectiveness. This review shall include assessing opportunities for improvement and the need for changes to the BCMS, including the business continuity management policy and business continuity management objectives. The results of the reviews shall be clearly documented and records shall be maintained.

8.2 The Management review shall include appraisal of:

- the status of actions from previous reviews;
- the performance of the management system including trends apparent from nonconformities and corrective actions, the results of monitoring and measurement, and audit findings;
- changes to the organisation and its context that might impact the management system; and
- opportunities for continual improvement.

8.3 The output from the management review shall include any decisions and actions related to:

- varying the scope;
- improving the effectiveness ;
- modifying the strategy and procedures, including changes to:
 - business requirements;
 - resilience requirements;
 - business processes affecting the existing business requirements;
 - statutory, regulatory and contractual requirements; and levels of risk and/or levels of risk acceptance;
- resource needs; and funding and budget requirements.

9. Preventive and Corrective Actions

9.1 PCC shall improve the BCMS through the application of preventive and corrective actions. Any preventive or corrective action taken shall be appropriate to the magnitude of the problems and commensurate with the business continuity policy and

organisational objectives. Changes arising from preventive and corrective actions shall be reflected in the BCMS documentation.

10. Continual Improvement

The organisation shall continually improve the effectiveness of the BCMS through the review of the business continuity policy and objectives, audit results, analysis of monitored events, preventive and corrective actions, and management review.



Risk Management Policy

Peterborough City Council

Purpose: To provide clear evidence of the effective operation of a Risk Management Policy and the organisations role in implementing the process.

RISK MANAGEMENT POLICY

Document Control

Title:	Peterborough City Council Risk Management Policy			
Synopsis:	This document outlines the effective operation of a Risk Management Policy and the organisations implementation of the process.			
Status:	Final v4.6			
Date:	December 2014			
Document Owner(s):	Corporate Management Team (CMT)			
Author(s):	Kevin Dawson			
Change Control:	Version ID	Date of Issue	Change Description	Author
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	0.2	19 Oct 2012	Consultation with Internal Audit	Kevin Dawson
	0.3	5 Nov 2012	Consultation with Audit Committee	Kevin Dawson
	0.4	10 June 2013	Revisions following discussions with C Exec & Operations director	Kevin Dawson
	0.5	20 May 2014	Revisions following Zurich review	Kevin Dawson
	0.6	30 Dec 2014	Revisions to incorporate PCC annual statement of risk appetite	Kevin Dawson

Version ID	Date of Submission	Submitted to	Approval and Sign Off
1.0	13 November 2012	CMT	Not signed off and further discussions to be held with Chief Executive
2.0	11 June 2013	CMT for approval	09 July 2013 Kevin Dawson
3.0	20 May 2014	CMT for approval	27 May 2014 CMT members
4.0	6 January 2014	CMT for approval	

RISK MANAGEMENT POLICY

This document sets out the risk management policy for Peterborough City Council.

Risk Management Vision

Peterborough City Council is committed to effective risk management arrangements as a means of supporting the achievement of the Council's strategic objectives.

The risk management vision is to consolidate and improve our risk management arrangements to bring the following benefits:

- Better **communication** vertically about key issues, early and often, and horizontally, learning lessons and reducing duplication of effort
- **Consensus** about the main risks in different parts of the organisation
- **Confidence** that the key risks are recognised and are being managed, both by the Council and its partners.
- **Clarity** and focus: directing resources to risks that matter away from risks that don't, and fewer surprises.
- **Taking more risks and exploiting opportunities**, because they are understood and managed.

Risk Management Principles

The Council's approach to risk management is built on the following principles:

- The political leadership and senior management of the Council are **committed** to effective risk management
- Risk management operates within a culture of **transparency** and **openness**; we encourage risks to be raised and escalated as appropriate
- Risk management arrangements are **dynamic**, flexible and responsive to developments
- The process of risk management is simply a means to ensure appropriate action to take opportunities and mitigate risks
- The risk management process must be consistent, clear and straightforward and result in timely information that helps informed decision making
- Risk management is **integrated** with other key business processes such as planning, decision making, performance management and programme management
- Risk management has links to many other management disciplines and we encourage sharing of information and joint working as necessary
- The risk management approach is also beneficial in managing any risks associated with the delivery of opportunities.

RISK MANAGEMENT POLICY

Risk Management Framework

The Council's Risk Management Framework is described below and shown in the diagram in **Appendix A** (Risk Management flowchart). The Process sets out the overall arrangements for the operation of risk management at Peterborough; it therefore encapsulates the risk strategy of the organisation. An action plan will be put in place to ensure that this strategy is delivered, and this will be monitored by Audit Committee.

The Council is working towards greater synergy between Risk Management and Planning and Performance Management arrangements to assess performance in terms of its compliance with the organisations risk appetite.

The internal audit team provides assurance on the adequacy of Risk Management arrangements to the Audit and Accounts Committee, as shown in Appendix C (attachment required).

The table below sets out the framework and the expectations of its key elements:

Organisational Risk Management Arrangements	
<i>Element</i>	<i>Peterborough's expectation</i>
Cabinet	<ul style="list-style-type: none"> • Considers risk in its planning decisions; • Sets the overall risk appetite for the organisation; • Monitors the performance of management in mitigating strategic risks; • Makes decisions with due regard to risk considerations.
Lead Member for Risk Management	<ul style="list-style-type: none"> • Champions the operation of effective risk management operations at Council.
Scrutiny	<ul style="list-style-type: none"> • Holds Members and Officers to account for effectiveness of risk management in decision making and achievement of objectives
Corporate Management Team (CMT)	<ul style="list-style-type: none"> • Owns and leads the corporate risk management process; • Reviews and challenges the Corporate Risk Register on a quarterly basis; • Receives urgent risk reports as necessary • Individually, arranges for quarterly review of Directorate level risk registers.
Lead Officer for Risk Management	<ul style="list-style-type: none"> • Acts as a champion for risk management within the organisation
Members of Corporate Management Team	<ul style="list-style-type: none"> • Review and challenge their respective risk registers on a quarterly basis and more often if appropriate.
Risk Owners	<ul style="list-style-type: none"> • Accountable for determining and implementing the action required to manage risks and opportunities; • Review and report on effectiveness of actions on a quarterly basis.

RISK MANAGEMENT POLICY

Organisational Risk Management Arrangements	
<i>Element</i>	<i>Peterborough's expectation</i>
Project and Programme Sponsors, Procurement leads. (Business Transformation)	<ul style="list-style-type: none"> • Ensure risk registers are used to record and manage risk at programme and project level; • Ensure risks are escalated into the corporate risk management process as necessary
Managers/Heads of Service	<ul style="list-style-type: none"> • Are alert to risks arising from business as usual and manage and escalate these as necessary.

Risk Management support, guidance, challenge, policy and strategy, co-ordination	
<i>Element</i>	<i>Peterborough's expectation</i>
Resilience Service	<ul style="list-style-type: none"> • Implements the overall risk management strategy and approach, in consultation with key stakeholders; • Works to increase awareness of the importance of risk management; • Supports the risk escalation and reporting process, in particular the Corporate Risk Register; • Maintains an oversight of risk issues across the organisation, reviewing, challenging and identifying trends and advising CMT accordingly.
Audit Committee	<ul style="list-style-type: none"> • Oversees the implementation of the organisation's risk management strategy; • Acts as a communication and challenge mechanism for risk issues across the organisation, reviewing, challenging and identifying trends and advising Executive / Corporate Directorate Management Teams accordingly; • Review and challenge Service and Corporate Directorate risk registers on a rotational basis.
Risk Group	<ul style="list-style-type: none"> • Co-ordinate and implement the Service / Corporate Directorate risk management strategy in line with the overall organisational approach; • Work to increase awareness of the importance of risk management across their area; • Support the risk escalation and reporting process, in particular, maintain and update the Service and Corporate Directorate Risk Registers; • Monitor and report on any necessary action to implement risk control measures. • Challenge and support managers to ensure the effectiveness of the risk management process in their area.

RISK MANAGEMENT POLICY

Assurance, oversight, policy & strategy approval	
<i>Element</i>	<i>Peterborough's expectation</i>
Audit Committee	<ul style="list-style-type: none">• Oversee the risk management arrangements in place within the organisation• Monitor the effectiveness of risk management processes and culture;• Holds managers to account for risk mitigation work;
Internal Audit	<ul style="list-style-type: none">• Uses intelligence on risk to inform the audit planning approach;• Gives assurance on the effective management of risk to senior managers, the Audit and Accounts Committee and other bodies as necessary.• Examination of corporate risk registers as part of the planning during the audit process

RISK MANAGEMENT POLICY

The Risk Management Process

Risk identification, assessment and recording

At whichever level it is operated, the standard risk management process involves four key stages:

- Identify key risks: use the standard risk register template to record these; use the risk category prompts/service plans to assist the identification of risk;
- Analyse the risk to assess the likelihood of it occurring and the impact should it occur using the standard corporate impact and likelihood criteria (if appropriate these can be modified in discussion with the Business Transformation Team); use the standard risk register to record this;
- Take action to control the risk; contingency plan for risk exposure/occurrence; record details in the standard risk register template.
- Review and report upon progress on a quarterly basis.

Risks can be identified, assessed and included on the appropriate risk register at any time in the year.

Risk registers

The Council adopts a consistent approach to risk registers:

- They are owned and maintained at the following levels:
 - At CMT and Executive Directorate level (each Corporate Managerial Team member therefore having a risk register)
 - For projects and programmes, in line with guidance provided by the Business Transformation Team
 - For significant value contracts above European Union thresholds
 - For any other area identified as necessary as approved by Cabinet, for example, for a financial recovery plan.
- They are held on a universal spreadsheet template (**Appendix C**) using the corporate risk scoring approach.

Escalation of risks

Where it is considered that a risk cannot be effectively mitigated by a risk owner it will be important to escalate this up the risk hierarchy as shown in **Appendix B** (Risk Management Process).

RISK MANAGEMENT POLICY

Risk appetite

The risk appetite is the level of likelihood/impact, whether it is stated financially or otherwise, above which it is judged that a risk requires direct and urgent management action. To determine the risk appetite consider:

- capacity to manage the risk should it occur;
- potential impacts upon service delivery and financial resources;
- capacity to take action to reduce / remove the risk;
- the effect that managing one risk may have on another.

The corporate risk appetite applies to Corporate Management Team level risks and to Strategic Risks and is applied at all times. The corporate risk appetite is set by CMT by the approval of the council's annual statement of risk appetite which confirms the appropriate level of risk that the Council is willing to take in order to achieve its desired aims and objectives.

Risk review and reporting

Departmental Risk Registers will be reviewed by individual DMT's on a quarterly basis and more often if appropriate. After this review the Risk Group will meet to share updates on the development of risks and of mitigating action. Based on this discussion the Lead Officer will prepare an update report for CMT which will then be used to inform the quarterly review of the Corporate Risk Register. The report will cover:

- Progress of risk management action plans
- Risks managed down to acceptable levels
- Significant emerging risks, their severity/likelihood score and what action is to be taken.
- Project risks impacting on both Strategic and Departmental Risk Registers

The Corporate Risk Register will be updated as necessary by CMT and departmental risk register holders will be advised accordingly.

RISK MANAGEMENT POLICY

Areas for Review and Development

Role of Risk Group	<ul style="list-style-type: none">• Ensure that the team acts successfully to challenge and support risk management and to identify key issues for escalation
Risk Reporting	<ul style="list-style-type: none">• Assessing the opportunities for reviewing Service Plans/VERTO project management system for risk reporting
Standardisation and consistency	<ul style="list-style-type: none">• Ensuring the quality of risk registers included quality of risk description
Ensuring action to mitigate risks	<ul style="list-style-type: none">• Review the management action arrangements
Embedding risk management into key business processes	<ul style="list-style-type: none">• Ensuring risks are considered as part of integrated planning and performance reporting• Ensuring risks relating to decisions are clearly presented
Promote the updated approach	<ul style="list-style-type: none">• Approval by CMT; visits to DMTs; support and advice
Role of Members	<ul style="list-style-type: none">• Offering training aimed at ensuring members understand the risk management process and expectations upon officers

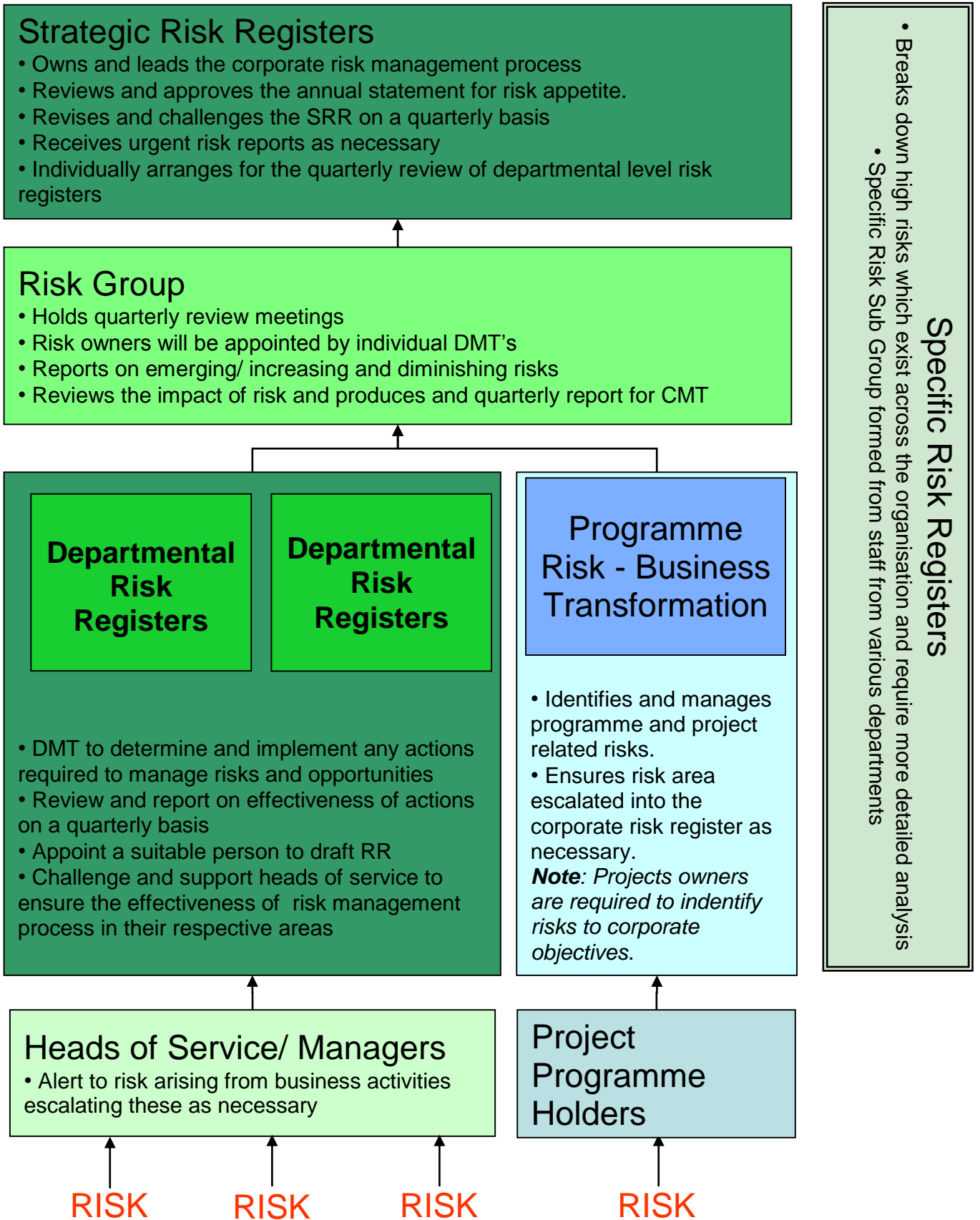
Appendices

Appendix A - Risk Management Framework

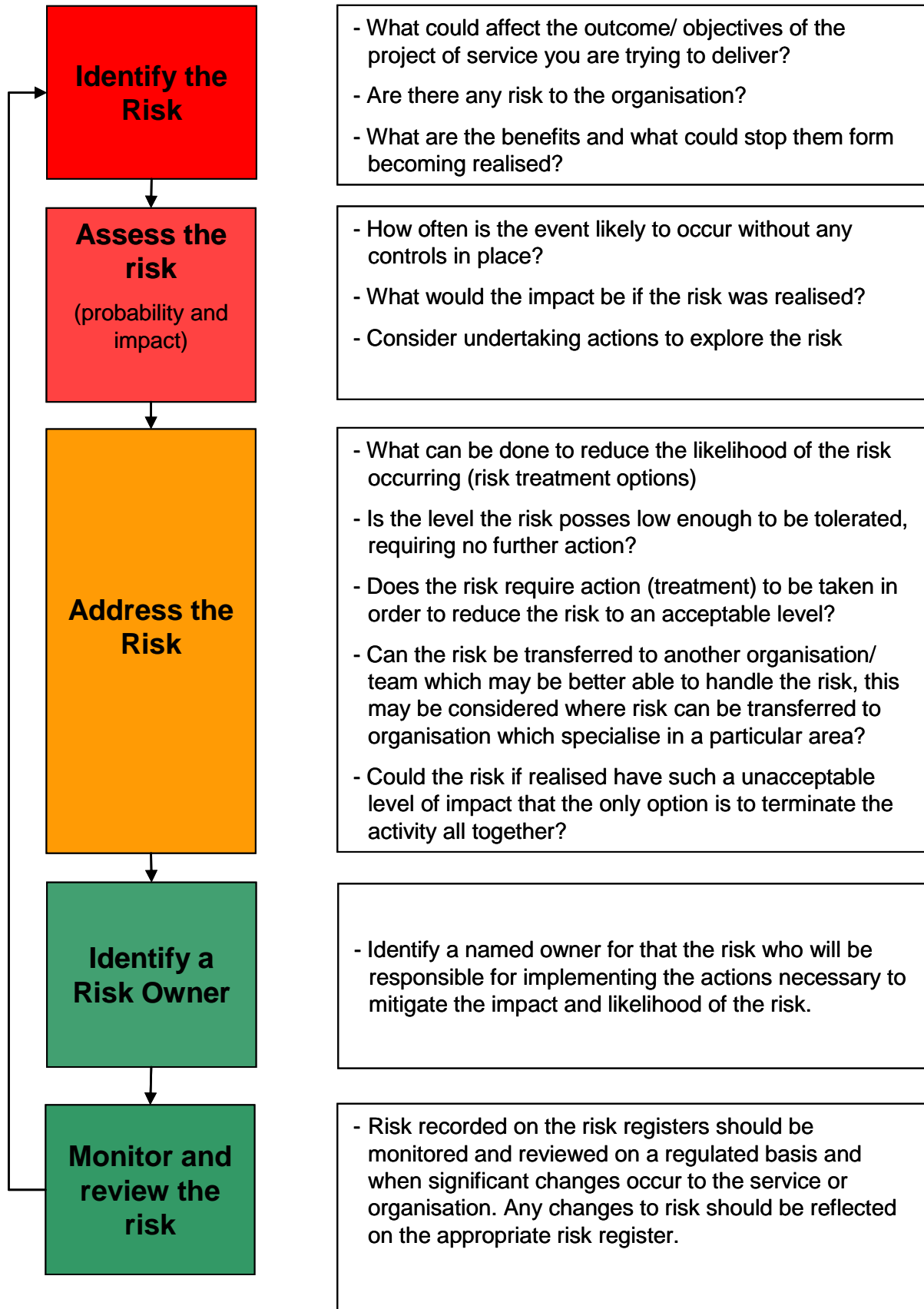
Appendix B - Risk Management Process

Appendix C - Example Risk Register and Risk Matrix

Appendix A: Risk Management Framework



Appendix B: Risk Management Process



RISK MANAGEMENT POLICY

Appendix C: Example Risk Register and Risk Matrix

Ref	Risk	Description	Consequences	Priority	L	I	Current Score	Previous/Initial Score	Direction	Reasons for change	Current Controls	Actions	Who	When	Review Date	Remarks
	<i>name of risk</i>	<i>brief description of risk event</i>	<i>threats & opportunities arising</i>	A Educ B Cult C Safg D Com E Env F Grow	Likelihood 1 (L) - 5 (H)	Impact 1 (L) - 5 (H)		<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>	<i>any other comments etc</i>
	Winter gritting	Insufficient budget available based on last year's experience	Reputational damage; increased potential for traffic incidents; increased claims against council etc		5	4	20	0	◀▶		Capacity bid put forward Sept 2010 to increase budget to cover estimated number of runs	Review gritting programme each week throughout winter period. Provide information to finance in relation to likely overspend				

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Risk Matrix

	5	5	10	15	20	25
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	

Impact

Review 12 months
Review 6 months
Review 3 months

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.

RISK MANAGEMENT POLICY

Likelihood and Impact Descriptors

1: Negligible		Little likelihood of risk occurring except in exceptional circumstances
	Service Interruption	None noticeable
	Objectives/Projects	Insignificant slippage
	Financial	up to £10k
	Compliance	Minor non-compliance
	Reputational	Internal PCC only
	Environmental	No noticeable impact
2: Low		Unlikely to occur in next 10 years
	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
3: Moderate		Reasonable chance of occurring in next 5 years
	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
4: Significant		Likely to occur more than once in next 12 months
	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
5: Very High		More likely to occur than not at least once in next 12 months
	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 MANAGEMENT POLICY

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Strategic Risk Register

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Ref	Risk	Description	Consequences	Priority	L	I	Current Score	Previous /Initial Score	Direction	Reasons for change	Current Controls	Actions	Who	When	Review Date	Remarks
	Name of risk	Brief description of risk event	Threats & opportunities arising	A Educ B Cult C Safg D Com E Envvt F Grow	Likelihood 1 (L) - 5 (H)	Impact 1 (L) - 5 (H)		If new risk, score on assumption no controls are in place		Change in impact, likelihood, objective etc(ALT return to use bullet points etc)	To measure success of controls. What is already in place to mitigate risk. (ALT return to use bullet points etc)	Further actions required to mitigate risk or maximise opportunity. (ALT Return to use bullet points etc)	Officer(s) responsible	Target date	All registers reviewed at least 6 monthly unless red status specified, 3 monthly review then required.	Any other comments etc
1	Failure to plan for/realise implications of Growth Agenda	The city has an ambitious growth agenda and growth supports the Council's income through business rate growth and New Homes Bonus. However, there is also a significant cost to growth through the need to upgrade and provide new infrastructure. Funding for infrastructure is increasingly channeled through the Local Enterprise Partnership There is a need to maintain a focus and capacity to deliver growth.	Inability to fulfil statutory obligations eg provision of roads and schools. Budget implications.	E F	2	4	8	12	▼	Currently unable to accurately predict future levels of business rate income.	Robust viability discussions with developers. Focused Section 106 team and CIL to be implemented in April 2015 monitoring residential land supply.	Development of system to forecast future levels of business rates. Co-ordinated approach between the Council and Opportunity Peterborough to influence LEP investment decisions. Joint Venture company, Peterborough Investment Partnership, now established to deliver growth projects. Long term capital investment plan for new infrastructure.	Simon Machen		Jul-15	
2	Impact of social demographic change	Insufficient capacity to support increased demand on specialist services as a result of ageing population, increased birth rate, migration and disability. Services include foster carers, adoption placements, special school places, residential nursing places and domicillary care capacity.	Significant additional financial costs to support need within the independent sector typically in and around the city.	A B C D	3	4	12	16	▼		Ongoing monitoring and review. Financial impact evaluation.	Finalisation and implementation of Prevention, Early Help and Demand Management Strategy including workforce reform, development of community capacity and resilience and Customer Experience Programme. SEN strategy. Adult Social Care enablement and prevention models to be implemented. CWD work programme includes a prevention work stream.	Wendi Ogle-Welbourn	Ongoing	Sep-15	
3	School Places	Failure to provide our legal requirement for every child of statutory school age to access a place and within a 'reasonable' distance from their home (less than 2 miles for 4 to 8 year olds and up to 3 miles for 9 to 16 year olds) Impact of further inward migration as EU borders open up increasing demand. Cut in Government funding for school places	1) Significant additional costs incurred in terms of transport, 2) impact on schools in terms of attendance, less engagement from parents and increased churn of pupils when places become available nearer to home - all having a significant impact on outcomes. 3) Potential legal action from parents for failure to meet legal requirements	A	5	4	20	20	◀▶	Latest new intake allocations (reception and year 7) suggest we will have less than 1% of school places surplus. Shortage of places in existing reception, year 1, y10 and y11. Government have announced no basic need funding - £4m gap in next 2 F/Y	1) Updated School Organisation plan has focussed where capital resources need to be targeted. 2) Sufficient resources identified in MTFP to support known requirements in the next 3 years if forecasts remain accurate 3) Quality of relationship with schools means school have overadmitted to support the LA	1) Keep under review. 2) Local and national lobbying 3) Continue to review options around reducing costs including modular technology, use of existing buildings and procurement savings 4) Plans for emergency places being developed including pulling forward schemes and additional mobiles 5) Continue to monitor in year admissions and trends around numbers leaving the city.	Jon Lewis	Ongoing	May-15	Review in line with allocation rounds (Secondary end of March, Primary mid April)
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 the organisation and individuals concerned, potential for financial loss, litigation etc.	C	2	4	8	8	◀▶		Robust arrangements and training in place including regular internal auditing of policies and procedures.	1) Regular review of H&S Policy. 2) Focused auditing by dedicated team. 3) Training of senior management on H&S duties and responsibilities to be introduced. There is a full review taking place of all externalised contracts ensuring the appropriate contractual obligations are in place for each provider and that where our own properties are occupied the appropriate testing and monitoring schedules are in place.	Corporate Management Team	Ongoing	Jun-15	

Strategic Risk Register

Date: 05 March 2015

Ref	Risk	Description	Consequences	Priority	L	I	Current Score	Previous /Initial Score	Direction	Reasons for change	Current Controls	Actions	Who	When	Review Date	Remarks
5	Crime and ASB Reduction /Cohesion	Increase in several crime types including ASB, and an increase in community tensions as a result of broader social changes, financial pressures and national/international events.	Increased costs across the public sector; increased fear of crime; reduced confidence in public sector; community tensions and conflict.	D	2	4	8	8	◀▶		1) Community and Safety model in place including daily risk management profiling. 2) Community and Safety model co-locates staff from the council, Police, Fire service and Cross Keys Homes, all sharing data and intelligence. 3) Strategic Cohesion Strategy in place, supported by Cohesion Board, Tension Monitoring Group and Hate Crime Task and Finish Group. 4) Crime and community safety performance is scrutinised bi-monthly in detail at the Safer Peterborough Partnership.	1) Maintain strong focus on daily risk management and longer term performance monitoring. 2) Employ Community Connectors from higher risk communities to act as a bridge between communities and the public sector. 3) Continue to develop the Community and Safety model incorporating more partners where relevant.	Adrian Chapman	Sep-15	Sep-15	
6	Safeguarding	Failure of safeguarding functions to prevent a child or vulnerable adult's being placed at significant risk of harm.	Significant risk to council both in terms of potential intervention from the government and media attention.	C	3	5	15	15	◀▶		1) Implementation and continuing development of the Multi-Agency Safeguarding Hub 2) Recruitment of permanent managers and social workers in ASC and CSC 3) Accountability to Achieving Outstanding Board, CMT & Scrutiny 4) Performance management and Quality Assurance function strengthened 5) New Joint Commissioning board 6) Workforce Development training programme. 7) Development of Safeguarding Adults Board chaired by chair of PSCB resulting in robust multi-agency procedures in place for both Boards, with supporting guidelines and protocols being developed.	1) Sustain current improvement journey and adhere to Achieving Outstanding improvement plan; 2) Permanent leadership team recruited to/in place - recruitment and retention package for social workers under review; 3) Continuing focus on high priority areas including domestic violence and child sexual exploitation; 4) Practice development emphasising continuing importance of evidencing management oversight and journey of child in work with families Adults: 1) Care Act brings significant changes to the role of the SAB and the nature of enquiries to be undertaken. Revised procedures under developmt 2) Strengthened board arrangements 3) Consultant practitioners in frontline teams	Wendi Ogle-Welbourn	Ongoing	Jun-15	
7	Information governance	The council's management of information data on a day to day basis	Lack of controls could subject the council to significant risk from litigation, financial penalties and loss of reputation .	B C D	3	4	12	16	▼	New risk	1) Strategic Governance Board oversees and monitors the correct handling of information data 2) Dedicated team set up to oversee correct handling of information data. 3) Information Governance Group set up to monitor and introduce measures to aid compliance 4) Cross PCC Information Risk Group set up	1) New policies introduced re-Information governance, Data Protection, FOI and handling emails. 2) Mandatory training and awareness sessions held for all staff 3) Corporate Induction raises awareness to all new staff. 4) Comprehensive work plan being driven by dedicated group. 5) Information governance risk registers being finalised with individual departments	Kim Sawyer	Ongoing and quarterly review by CMT (data security). Oversight by SGB.	Jun-15	

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Strategic Risk Register

Date: 05 March 2015

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Ref	Risk	Description	Consequences	Priority	L	I	Current Score	Previous /Initial Score	Direction	Reasons for change	Current Controls	Actions	Who	When	Review Date	Remarks
8	Financial Position	The Council has plans to deliver £25m of savings in 2015-16. Risk that some items may not be deliverable, or that additional budget pressures emerge (e.g. due to risks 1 and 3 above, or prolonged economic downturn). Also the changes to council tax benefit and business rates place risk of increased cost with the council Over the medium term, the MTFS outlines deficits in future years that will need to be tackled. There may also be an emergency budget from an incoming government	Council cannot overspend, so savings will have to be found elsewhere in the councils budget	A B C D E F	3	5	15	20	▼		Plans for implementation of savings proposals developed during development of medium term financial strategy. RAG status of plans will be monitored by CMT. Budget position will be monitored through monthly budgetary control process in year. Financial papers published and in public domain prior to approval to enable full consultation	See current controls.	John Harrison	Ongoing monthly monitoring MTFS refresh to start post election	Jun-15	
9	NHS funding and organisation	Challenged health economy. Risk to hospital services in the light of continuing financial crisis facing PSFHT.	Lack of appropriate investment in key services and consequential pressures on both adult and children social care budgets. Lack of hospital discharge provision and hospital beds. Insufficient investment in mental health services for adults and children.	A C D	3	5	15	10	▲		Regular meetings set up with CCG and Health Providers - PSFHT, CSS, UCP and CPFT; alongside Cambridgeshire and Peterborough whole system transformation group.	BCF plan agreed and implementation plans in place. Negotiating additional capacity from CCG for CAMHS.	Wendi Ogle-Welbourn	Ongoing	Jun-15	
10	Strategic Partnerships (Amey, Serco, Skanska, Opportunity Peterborough and Vivacity) fail to deliver as per expectations, prejudicing the Authority's ability to secure the desired outcomes on behalf of citizens	The Council has vested delivery of a number of key services in Strategic Partners; there are reputational and financial risks to PCC if delivery is not at either the price or to the quality envisaged at the time of the contracts being entered into.	PCC needs to ensure firm governance arrangements (see separate entry) managed by the Executive Director Resources and the Director of Growth and Regeneration - that allows for ongoing debate about delivery and priorities. Failure to take a whole-systems approach to the management of the Strategic Partnerships will increase the risk of underperformance and financial and reputational costs to the Council.	D B C	2	3	6	6	◀▶	New risk	There are strategic partnership boards in place for Amey, Skanska and Serco (and boards for Opportunity Peterborough and Vivacity)	1) Day-to-day relationships and issues are managed between the Executive Director Resources & the Director of Growth and Regeneration (with their respective teams) and the 5 Partners; 2) Strategic oversight is provided by the existing Strategic Partnership Boards for Amey, Opportunity Peterborough, Skanska and Serco 3) Reporting is also undertaken to the relevant scrutiny committees	John Harrison/ Simon Machen	Ongoing	Sep-15	

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AUDIT COMMITTEE	AGENDA ITEM No. 6
16 MARCH 2015	PUBLIC REPORT

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

EXTERNAL AUDIT: AUDIT PLAN 2014/15

RECOMMENDATIONS	
FROM : PricewaterhouseCoopers	Deadline date : N/A
<p>The Committee is asked to:</p> <ol style="list-style-type: none"> 1. Consider the External Audit Plan for 2014/15 and consider points raised by PwC in the document: <ul style="list-style-type: none"> • Proposed scope, comfortable with the audit risks, and approach; • Consider and respond to matters relating to fraud (page 12 and 13); • Consider and respond to the PwC view on the value of trivial misstatements (page 9); and • Approve proposed audit fees for the year; 2. Provide comment on any amendments necessary; and 3. Approve the Plan. 	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee in line with its Work Programme for 2014/15.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to consider and respond to the Audit Plan for 2014/15 from PricewaterhouseCoopers (PwC), the Council's external auditors, in accordance with the Committees' Terms of Reference:

2.2.1.5 To consider the external auditors annual letter, relevant reports, and the report to those charged with governance, and

2.2.1.7 To comment on the scope and depth of external audit work and to ensure it gives value for money.

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. EXTERNAL AUDIT PLAN

4.1 The Audit Plan has been prepared to inform the Council about the responsibilities of its external auditors and how those responsible will be discharged. It has been discussed and agreed jointly by Council representatives and External Audit (PricewaterhouseCoopers (PwC)).

4.2 The Plan (Appendix A) 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.

4.3 There are a number of sections within appendix 1 as follows:

a) Executive Summary – contains the introductory paragraph, framework for the audit, and details of responsibilities.

b) Audit approach – explanation of the aspects of PwC work:

- PwC methodology and independence.
- Risk Assessment - an explanation of the categories of audit risk applied to the financial statements.
- Financial Statements risks - identification to enable PwC to determine where audit effort should be focused. There are a mix of types of risks identified, from the general risk such as management override of controls and fraud which any organisation would face and are not specific to the Council, and those more specific to the Council, such as the property valuation assumptions and methodologies used by the Council's external valuers and the accounting treatment of schools' non-current assets following clarification in the Code of Practice on Local Authority Accounting 2014-15.
- An explanation of the types of materiality – this is set in accordance with national auditing guidelines and standards and has been increased by PwC this year to £500k from £350k last year. A calculation is made because if misstated amounts below this level are found the correction of them will not have a material effect on the Statement of Accounts. If however the misstatement has arisen due to a control issue rather than a technical accounting adjustment, it will be reported to the Audit Committee in the Annual Report to Management. The term "clearly trivial" is used and defined nationally by audit practices, it is not a word used and defined by the Council.
- An explanation of robust testing including where and when the work is undertaken.
- Work required to conclude on the Use of Resources.

There is also an explanation of the work carried out on the Annual Governance Statement, Whole of Government Accounts and the aim to provide meaningful conclusions.

c) Risk of fraud – this contains:

- a clarification of roles to mitigate the risk
- explanation of the conditions under which fraud may occur and
- the request to the Audit Committee from PwC on your views on fraud.

d) Audit engagement team – contact details of team and responsibilities of each team member.

e) Audit Fees – confirms the fees .

f) Appendix A – Independence threats and safeguards.

g) Appendix B – Communications Plan.

h) Appendix C – Audit Quality.

i) Appendix D – Other Engagement Information, including details of electronic communication, access to working papers and overseas processing of information, quality arrangements and events arising between signature of accounts and their publication.

j) Appendix E – use of service centres.

5. CONSULTATION

- 5.1 The Plan has been circulated to relevant officers for comment, including the Corporate Director –Resources, Service Director Financial Services, and the Chief Internal Auditor.

6 ANTICIPATED OUTCOMES

- 6.1 Approval of the External Audit Plan 2014/15.

7 REASONS FOR RECOMMENDATIONS

- 7.1 The Plan provides a summary of the Auditor’s proposed work for 2014/15. 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 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.

10 BACKGROUND DOCUMENTS

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

External Audit Plan 2014/15

11 APPENDICES

Appendix 1 – External Audit Plan 2014/15

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Peterborough City Council

External Audit Plan 2014/15

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Government and
Public Sector

March 2015

pwc

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

In April 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.

Executive summary

Background

We have prepared this audit plan to provide the Audit Committee of Peterborough City Council (the 'Authority') with information about our responsibilities as external auditors and how we plan to discharge them for the audit of the financial year ended 31 March 2015.

Framework for our audit

We are appointed as your auditors by the Audit Commission as part of a national framework contract and consequently we are required to incorporate the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for local government bodies (the 'Audit Code') as well as the requirements of International Standards on Auditing (UK & Ireland) ('ISAs').

The remainder of this document sets out how we will discharge these responsibilities and we welcome any feedback or comments that you may have on our approach.

We look forward to discussing our report with you on the 16 March 2015. Attending the meeting from PwC will be Julian Rickett.

Our Responsibilities

Our responsibilities are as follows:

Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).

Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.

Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.

Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.

Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.

Determine whether any other action should be taken in relation to our other responsibilities under the Audit Commission Act.

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Our audit engagement begins with an evaluation of the Authority on our 'acceptance & continuance database' which highlights an overall engagement risk score and highlights areas of heightened risk.

Audit approach

The PwC Audit

Our unique methodology involves our people, a tailored audit approach and our use of technology. Our 'smart' approach underpins your audit. The core elements of our audit are outlined below:

1. Client acceptance & independence
2. Deep business understanding
3. Relevant risks
4. Intelligent scoping
5. Robust testing
6. Meaningful conclusions

PwC's audit is built on a foundation of smart people, a smart approach and smart technology. This together with our six-step audit process, results in an audit that is robust, insightful and relevant.



Smart People + **Smart Approach** + **Smart Technology** = **The PwC Audit**

Client acceptance & independence

Our audit engagement begins with an evaluation of the Authority on our ‘acceptance & continuance system’ which highlights an overall engagement risk score and highlights areas of heightened risk.

At the beginning of our audit process we are also required to assess our independence as your external auditor. We have made enquiries of all PwC teams providing services to you and of those responsible in the UK Firm for compliance matters. We have set out in Appendix A the relationships that, in our professional judgement, may be perceived to impact upon our independence and the objectivity of our audit team, together with the related safeguards.

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

Deep business understanding

Strategic context

The Authority is operating in an increasingly challenging environment where many Local Government organisations are facing a continued reduction in funding from central government and increasing demand for their services, in particular in relation to social care.

Our risks identified later in this plan have been considered in the above context.

Relevant risks

Our audit is risk based which means that we focus on the areas that matter. We have carried out a risk assessment for 2014/15 prior to considering the impact of controls, as required by auditing standards, which also draws on our understanding of your business.

We determine if risks are significant, elevated or normal and whether we are concerned with fraud, error or judgement as this helps to drive the design of our testing procedures:

-
- | | |
|----------------------|---|
| ● Significant | Those risks with the highest potential for material misstatement due to a combination of their size, nature and likelihood and which, in our judgement, require specific audit consideration. |
| ● Elevated | Although not considered significant, the nature of the balance/area requires specific consideration. |
-

The table below highlights all risks which we consider to be either significant or elevated in relation to our audit for the year ended 31 March 2015.

Financial Statements risks

Risk	Categorisation	Audit approach
<p>Management override of controls</p> <p>ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit and is not therefore specific only to Peterborough City Council. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.</p>	<p>Significant ●</p>	<p>As part of our assessment of your control environment we will consider those areas where management could use discretion outside of the financial controls in place to misstate the financial statements.</p> <p>We will perform procedures to:</p> <ul style="list-style-type: none"> - Review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; - Test the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported deficit/surplus; - Review accounting estimates for bias and evaluate whether judgment and estimates used are reasonable (for example pension scheme assumptions, valuation and impairment assumptions); - Evaluate the business rationale underlying significant transactions outside the normal course of business; and - Perform unpredictable procedures targeted on fraud risks. <p>We may perform other audit procedures if necessary.</p>

Risk	Categorisation	Audit approach
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition.</p> <p>We extend this presumption to the recognition of expenditure in local government.</p> <p>This is a significant risk we consider on all our audits – it is not therefore specific to Peterborough City Council.</p> <p>Specifically, there are risks that:</p> <ul style="list-style-type: none"> - The Authority could adopt accounting policies or treat income and expenditure transactions in such a way as to lead to material misstatement in the reported income and expenditure position; and - 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 as a result of the continuing economic conditions pressurising many of the Authority's budgets. 	<p>Significant ●</p>	<p>We will perform detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk.</p> <p>For income, we consider that sales, fees and charges are areas of significant risk. We do not consider grant income, Council Tax and Business Rate income or interest income to be significant risks.</p> <p>For expenditure, we consider that non payroll service expenditure is an area of significant risk. We do not consider that housing and council benefits, payroll expenditure, depreciation and impairment, pension costs recognised due to the requirements of IAS 19, or interest expenditure to be significant risks.</p> <p>We will:</p> <ul style="list-style-type: none"> ● Evaluate the accounting policies for income and expenditure recognition to ensure that this is consistent with the requirements of the Code of Practice on Local Authority Accounting. ● Conduct tests of detail to obtain a high level of assurance over the significant risks described above. ● Conduct tests of detail over accounting estimates for income and expenditure (for example, provisions). ● Obtain an understanding and evaluate the controls relevant to the significant risks described above. <p>We will conduct tests of detail to obtain a high level of assurance over the significant risks described above.</p>

Risk	Categorisation	Audit approach
<p data-bbox="607 220 1093 284">Property valuation and accounting for capital</p> <p data-bbox="607 320 1093 719">The scale and complexity of the Council's estate presents a number of accounting challenges. The Council's measurement of its properties at fair value involves a range of assumptions and the use of external valuation expertise. ISAs (UK&I) 500 and 540 require us, respectively, to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.</p> <p data-bbox="607 735 1093 823">In our previous audits, we have identified accounting issues in this area including :</p> <ul data-bbox="607 831 1093 1182" style="list-style-type: none"> - The assumptions and methodologies used by the Council's external valuation expert; - The accounting for the construction of new Academy schools; and - The timing of movement of Assets under Construction to Property and therefore the depreciation start date. 	Elevated ●	<p data-bbox="1384 220 2112 252">We will:</p> <ul data-bbox="1384 284 2112 778" style="list-style-type: none"> • Challenge how management has satisfied itself that the key assumptions driving the revaluation of PPE and Investment Property at 31 March 2015 are appropriate for the circumstances of the Council; • Utilise our own valuation experts to review the work of the valuation experts engaged by the Council; • Test the source data used by the valuation experts engaged by the Council; and • Challenge how management has satisfied itself that the element of the PPE portfolio not subject to a formal revaluation as at 31 March 2015 is materially correct. • Consider the accounting treatment, with reference to any new schools construction, and their classification within the fixed assets note.

Risk	Categorisation	Audit approach
<p>Risk of inappropriate accounting for schools' non current assets</p> <p>The Code of Practice on Local Authority Accounting 2014-15 ('the Code') has clarified the approach local authorities should adopt in relation to schools balances.</p> <p>In addition, CIPFA's Local Authority Accounting Panel has issued a bulletin ("LAAP 101") that provides guidance on the accounting treatment of non-current assets used by schools.</p> <p>LAAP 101 notes that 'it is generally the case that for religious schools, non-current assets (such as the school buildings) are not owned by the school but by another legal body'.</p> <p>Therefore, the Council needs to carry out an exercise to ensure that it applies the guidance in LAAP 101 to its schools.</p>	Elevated ●	<p>We will audit the authority's approach to addressing the guidance in the LAAP bulletin.</p> <p>We will check that the authority has obtained sufficient evidence to enable it to form a conclusion as to whether the non-current assets of individual schools should be included within its balance sheet.</p>

**Overall
Materiality:
£10,243,000**

**Triviality:
£500,000**

*Intelligent scoping
Materiality*

	£
Overall materiality	10,243,000
Clearly trivial reporting de minimis	500,000

We set overall materiality to assist our planning of the overall audit strategy and to assess the impact of any adjustments identified.

For the year ended 31 March 2015, overall materiality has been set at 2% of 2013/14 gross expenditure . We will update this assessment as necessary in light of the Authority's actual results for 2014/15.

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are "clearly trivial" i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. We would like to seek the Audit Committee's views on this de minimis threshold.

Robust Testing

Where we do our work

As previously mentioned our audit is risk based which means we focus our work on those areas which, in our judgement, are most likely to lead to a material misstatement. In summary, we will:

- Consider the key risks arising from internal developments and external factors such as policy, regulatory or accounting changes;
- Consider the robustness of the control environment, including the governance structure, the operating environment, the information systems and processes and the financial reporting procedures in operation;
- Have regard to the findings of Internal Audit on our risk assessment and testing approach;
- Understand the control activities operating over key financial cycles which affect the production of the year-end financial statements;
- Validate key controls relevant to the audit approach; and
- Perform substantive testing on transactions and balances as required.

When we do our work

Our audit is designed to quickly consider and evaluate the impact of issues arising to ensure that we deliver a no surprises audit at year-end. This involves early testing at an interim stage and open and timely communication with management to ensure that we meet all statutory reporting deadlines. We engage early, enabling us to debate issues with you. We have summarised our formal communications plan in Appendix B.

Meaningful conclusions

We believe fundamentally in the value of the audit and that audits need to be designed to be valuable to our clients to properly fulfil our role as auditors.

In designing the Authority audit, our primary objective is to form an independent audit opinion on the financial statements; however, we also aim to provide insight.

Audit value comes from the same source as audit quality so the work that we do in support of our audit opinion also means that we should be giving you value through our observations, recommendations and insights. We will share insights and observations with you in our audit reports throughout the year.

We have also developed a Local Government Centre of Excellence which supports your audit team in all aspects of the audit, including sharing insight and observations gained from audit teams across the country.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: “Delivering Good Governance in Local Government”. The AGS is required to be presented by the Authority with the Statement of Accounts.

We will review the AGS to consider whether it complies with the CIPFA / SOLACE “Delivering Good Governance in Local Government” framework and whether it is misleading or inconsistent with other information known to us from our audit work.

Whole of Government Accounts

We are required to examine the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and issue an opinion stating in our view if they are consistent or inconsistent with the Statement of Accounts.

Value for Money Work

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission guidance includes 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 determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities. We have identified the following heightened risk relating to the Authority's financial resilience:

Risk

Savings Plans – financial resilience criterion

The Authority, in common with many local authorities, is experiencing increased pressures on many of its budgets. Current and forecast reductions in funding and changing demand for services require the Authority to deliver significant savings in the current and future years.

In the five years to 2015/16, the Authority has seen its government funding cut by £44m, which equates to nearly 39% of its government grant. For 2015/16, the cut in grant is £12.5m and additional pressures arise from the need to provide statutory services and implement legal changes totalling £12.5m. The revised budget gap for 2015/16 prior to any savings plans is £25m, increasing to £44.6m in 2019/20.

There is a risk that saving plans may not be robust and the Authority is unable to demonstrate that it has achieved value for money in its use of resources.

Audit approach

We will review your medium term financial plan and consider:

- How you manage the plan, and will investigate the reasons behind any significant variations from the plan;
- Your record in delivering savings;
- The governance structure in place to deliver the targets (including extent of Member involvement);
- The level and extent of accountability;
- Project management arrangements;
- Monitoring and reporting; and
- Progress on delivering the plan, including considering the assumptions and progress made in relation to individual savings plans.

Responsibilities in relation to the risk of fraud are different for auditors, management and the Audit Committee.

Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility	Management's responsibility	Responsibility of the Audit Committee
<p>Our objectives are:</p> <ul style="list-style-type: none">• To identify and assess the risks of material misstatement of the financial statements due to fraud;• To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and• To respond appropriately to fraud or suspected fraud identified during the audit.	<p>Management's responsibilities in relation to fraud are:</p> <ul style="list-style-type: none">• To design and implement programmes and controls to prevent, deter and detect fraud;• To ensure that the entity's culture and environment promote ethical behaviour; and• To perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.	<p>Your responsibility as part of your governance role is:</p> <ul style="list-style-type: none">• To evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate 'tone at the top'; and• To ensure any alleged or suspected instances of fraud brought to your attention are investigated appropriately.

Conditions under which fraud may occur



Your views on fraud

We enquire of the Audit Committee:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistleblower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

The senior audit team members are:

**Julian Rickett; and
Karen McIntosh.**

Your PwC team

The individuals in your PwC team have been selected to bring you extensive audit experience from working with Local Authorities, the wider public sector. We also recognise that continuity in the audit team is important to you and the senior members of our team are committed to developing longer term relationships with you.

The core members of your audit team are:

Audit Team	Responsibilities
<p><i>Engagement Leader</i> Julian Rickett julian.c.rickett@uk.pwc.com 01603 883321</p>	<p>Engagement Leader responsible for independently delivering the audit in line with the Audit Code (including agreeing the Audit Plan, ISA 260 Report to Those Charged with Governance and the Annual Audit Letter), quality of outputs and signing of opinions and conclusions.</p>
<p><i>Engagement Manager</i> Karen McIntosh Karen.mcintosh@uk.pwc.com 01603 883360</p>	<p>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 260 Report and Annual Audit Letter.</p>
<p><i>Team Leader</i> Kotesh Choudary kotesh.choudary@uk.pwc.com 01223 552463</p>	<p>Responsible for leading the field team, including the audit of the statement of accounts, and governance aspects of our work. Regular liaison with the finance team.</p>

Your audit fees

The Audit Commission has provided indicative scale fees for local authorities for the year ended 31 March 2015. Scale audit fees in 2014/15 have been increased by £1,070 to reflect the fact that the changes to the Business Rates regime mean we no longer certify the National Non-Domestic Rates return, which means we have to undertake additional work as part of the audit of the accounts on those transactions.

The indicative audit fee compared to the actual fee for 2013/14 is as follows:

Audit fee	Actual fee 2013/14 £	Indicative fee 2014/15 £
Audit work performed under the Code of Audit Practice	143,640	144,710
- Statement of Accounts		
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources		
- Whole of Government Accounts		
Fee variation 1 (see note i)	3,506	-
Fee variation 2 (see note ii)	20,000	-
Certification of Claims and Returns	18,159	18,740
Other reporting Responsibilities (see note iii)	11,970	-
Total Audit Code work	197,275	163,450
Planned non-audit work (outside of the scope of the Code of Audit Practice)	-	9,840
- Teachers Pension Return 2013/14 Assurance Reporting (see note iv)		
Total Non-Audit Code work	0	9,840
Total Audit Fees	197,275	173,290

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 use, as planned, the work of internal audit;
- We do not review more than 3 iterations of the statement of accounts;
- We are able to obtain assurance from your management controls;
- No significant changes being made by the Audit Commission to the local value for money work requirements; and
- Our value for money conclusion and accounts opinion being unqualified.

If these prove to be unfounded, we will seek a variation order to the indicative fee, to be discussed and with you and the Audit Commission.

Notes

- i) As a result of the removal of the certification requirements in relation to National Non-Domestic Rates and Council Tax Support, we needed to undertake additional testing on these areas within the financial statements in order to obtain the necessary assurance for our audit opinion. This fee has been agreed and finalised with the Audit Commission.
- ii) We are currently in the process of agreeing a second fee variation for 2013/14 with the Audit Commission. This fee variation has been agreed by officers and relates principally to additional work undertaken on the value for money conclusion and in relation to additional testing on Property, Plant and Equipment as reported to you in the 2013/14 ISA 260 report. We will report the final position once it is confirmed. We anticipate that certain of the risks identified on pages 5-8 and 11 will again lead to additional fees over and above the indicative fee level. We will keep you informed of these fee implications as our audit work progresses.
- iii) The fee for our work on matters raised with us by electors / whistleblowers has been finalised and agreed by the Audit Commission.
- iv) Non audit work includes work of £9,840 in relation to the Teacher's Pensions Agency certification that the Authority engaged us to perform. This work was undertaken outside of the remit of the Audit Commission Code of Audit Practice and is therefore reported as non-audit work. Although the work was on the 2013/14 return, the work was undertaken within 2014/15 and therefore falls to be a fee within the 2014/15 year.

Appendices

Appendix A: Independence threats and safeguards

At the beginning of our audit process we are required to assess our independence as your external auditor. We have made enquiries of all PwC teams providing services to you and of those responsible in the UK Firm for compliance matters and we have set out below the relationships that, in our professional judgement, may be perceived to impact upon our independence and the objectivity of our audit team, together with the related safeguards.

Other services

Support provided by PwC	Value	Threats to independence and safeguards in place
<p>Role of the engagement leader – Julian Rickett.</p> <p>This is Julian’s 8th year as Engagement Leader to Peterborough City Council, one year longer than the 7 year maximum period set by the Audit Commission.</p> <p>This one year extension has been sought by us and approved by the Audit Commission following consultation with officers and the Audit Committee.</p>	n/a	<p>Self Interest Threat: the fees associated with the audit of Peterborough City Council are not significant in the context of the engagement leader’s overall audit portfolio.</p> <p>Self-review threat: there is no self-review threat as we are providing assurance on management completed accounts.</p> <p>Management threat: this does not arise as the Engagement Leader and PwC are not taking decisions which are the responsibility of management.</p> <p>Advocacy threat: this does not arise as the work will be limited to the testing of information provided by the Authority and does not result in advocacy. The Engagement Leader and PwC are carrying out reasonable assurance procedures and not providing assurance or advocacy on behalf of the client.</p> <p>Familiarity Threat: During his tenure as Engagement Leader, there have been changes in the Members of the Audit Committee and the Chair. We therefore do not consider there to be a familiarity threat.</p> <p>To mitigate any perceived threat, we have assigned an independent Quality Review Partner to this engagement to review the audit work undertaken including reviewing and challenging those areas identified in this plan as</p>

Certification of claims and returns within scope of the Audit Commission Code of Audit Practice (Housing Benefit Subsidy)

significant and elevated risks.

Intimidation Threat: We have concluded that this work does not pose an intimidation threat.

Self-interest threat: fees are not material in relation to the audit fees and PwC's total income.

Self-Review Threat: The audit team will conduct the grant certification and this has arisen due to our appointment as external auditors.

There is no self-review threat as we are certifying management completed grant returns and claims.

Management Threat: PwC is not required to take any decisions on behalf of management as part of this work.

Advocacy Threat: We will not be acting for, or alongside, management and we have therefore concluded that this work does not pose an advocacy threat.

Familiarity Threat: Work complements our external audit appointment and does not present a familiarity threat.

Intimidation Threat: We have concluded that this work does not pose an intimidation threat.

Work outside the scope of the Audit Commission Code of Audit Practice – procedures on the 2013/14 Teachers' Pensions Return

Self-interest threat: fees are not material in relation to the audit fees and PwC's total income.

Self-review threat: this does not arise as the work we undertook provided reasonable assurance over the accuracy of the teachers' pension return for 2013/14 and will not be relied upon by the PwC audit team as part of the audit of the main accounts for 2014/15.

Management threat: this does not arise as PwC are not taking decisions which are the responsibility of management.

Advocacy threat: this does not arise as the work will be limited to the testing of information provided by the Client and does not result in advocacy. PwC are carrying out reasonable assurance procedures and not providing assurance or advocacy on behalf of the client.

Familiarity threat: this does not arise as a separate

team from the audit team is being used to carry out this work.

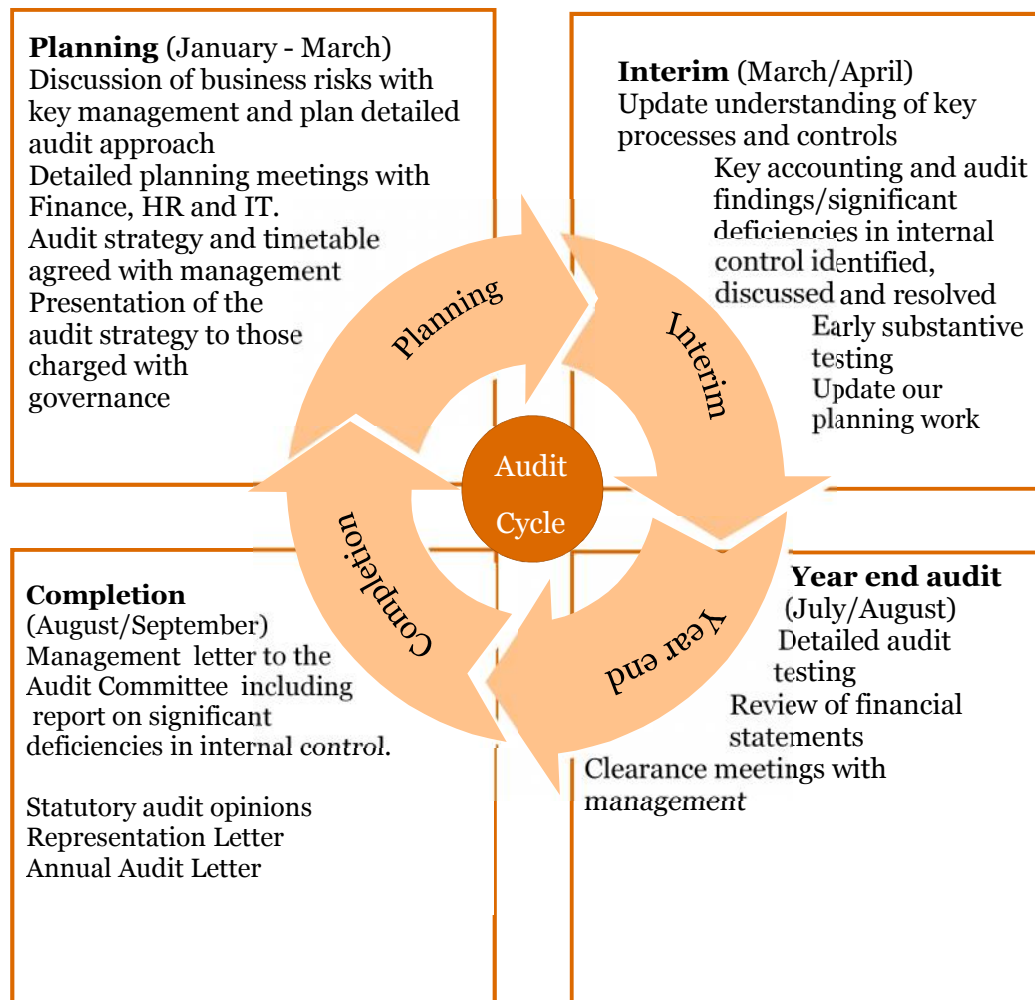
Intimidation Threat: We have concluded that this work does not pose an intimidation threat.

Relationships and Investments

Senior officers should not seek or receive personal financial or tax advice from PwC. Non-executives 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.

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

Appendix B: Communications Plan



Continuous Communication

- Continuous proactive discussion of issues as and when they arise; 'no surprises'
- Continuous evaluation and improvement of the audit
- Bringing you experience of sector and best practice

Appendix C: Audit quality

Quality is built into every aspect of the way that we deliver the Authority audit. We take great pride in being your auditors and in the value of assurance that the audit opinion provides. A timely, independent and rigorous audit is fundamental. This in turn necessitates getting the basics right – clarity on audit risks, scope, resource, timetables, deliverables and areas of judgement – which is supported by our team that has extensive experience and relevant training.

The table below sets out some of the key ways in which we ensure we deliver a high quality audit.

Procedure	Description
People	Quality begins with our people. To ensure that every engagement team provides quality, we use carefully designed protocols for recruiting, training, promoting, assigning responsibility and managing and overseeing the work of our people. We invest significant amounts of time and money for the training and development of our audit professionals. Every new team member is carefully selected to ensure they have the right blend of technical expertise and industry experience to support the Authority audit.
Client acceptance and retention	Our client acceptance and retention standards and procedures are designed to identify risks of a client or prospective client to determine whether the risks are manageable.
Audit methodology	The same audit methodology is used for all Local Authority audit engagements, thereby ensuring uniformity and consistency in approach. Compliance with this methodology is regularly reviewed and evaluated. Comprehensive policies and procedures governing our accounting and auditing practice – covering professional and regulatory standards as well as implementation issues – are constantly updated for new professional developments and emerging issues, needs and concerns of the practice.
Technical consultation	Consultations by engagement teams, typically with senior technical partners unaffiliated with the audit engagement, are required in particular circumstances involving auditing, accounting or reporting matters including matters such as going concern and clinical quality issues. In addition, we regularly consult with our industry specialists in the Local Government Centre of Excellence and our accounting technical experts that sit on the Audit Commission Auditors' Group.

Procedure	Description
Technical updates	<p>PwC prepares numerous publications to keep both PwC staff and our clients abreast of the latest technical guidance.</p> <p>These include:</p> <ul style="list-style-type: none"> • A weekly publication covering the week's accounting and business developments; • A periodic publication providing in-depth analysis of significant accounting developments; and • A publication issued shortly after meetings of standard setters, including IFRIC and the EITF, to provide timely feedback on issues discussed at the meeting. <p>We also provide Local Government specific technical updates through regular publications issued by our Local Government Centre of Excellence and weekly conference calls for all Local Authority engagement teams during the final audit period. We will share our technical updates with you throughout the year.</p>
Independence standards	<p>PwC has policies and systems designed to comply with relevant independence and client retention standards. Before a piece of non-audit work can begin for the Authority, it must first be authorised by the engagement leader who evaluates the project against our own internal policies and safeguards and against your policy on non-audit services. Above a certain fee threshold, we then seek approval from the Audit Commission before proceeding with any work.</p>
Ethics	<p>Our Ethics and Business Conduct Programme includes confidential communication channels to voice questions and concerns 24 hours a day, seven days a week. Confidentiality helps us to ensure that we receive the candid information and that we respond with the appropriate technical and risk management resources.</p>
Independent review	<p>Our audits are subject to ongoing review and evaluation by review teams within PwC and also by the Audit Quality Review Team (AQRT, formerly the Audit Inspection Unit). The most recent report on PwC was issued in May 2014 and although there are some areas for development identified the general theme was that audit quality has continued to improve. The firm has developed action plans for all areas for development identified by the AQRT.</p> <p>As auditors appointed by the Audit Commission we are also required to comply with their annual Regulatory Compliance and Quality Review programme. The results for our 2013/14 audits are expected in 2015 and will be publicly available on the Audit Commission's website should you wish to take a look.</p>

Smart People

We deploy quality people on your audit, supported by a substantial investment in training and in our industry programme. The members of staff deployed on your audit have been primarily taken from our dedicated Government and Public Sector team. These staff members have a wide and deep knowledge both of the Authority and the local government sector.

Key members of the audit team including the engagement manager and team leader have been involved in the audit of the Authority for a number of years. This ensures continuity which is beneficial both for our people and your audit through ensuring that accumulated knowledge remains within the audit team, improving the quality of the audit we deliver.

We use dedicated IT specialists on the audit and share their insight and experience of best practices with you.

Smart Approach

Data auditing

We use technology-enabled audit techniques to drive quality, efficiency and insight.

In 2014/15 we anticipate the work will include:

- Testing manual journals using data analytics, ensuring we consider the complete population of manual journals and target our detailed testing on the items with the highest inherent risk.
- The production of a journals 'insight report' which shows the comparable use of journals across the organisation and explores some of the root causes. We use the data gathered as part of our journals testing to share our findings and observations with management.

Centre of Excellence

We have a Centre of Excellence in the UK for Local Government which is a dedicated team of specialists which advises, assists and shares best practice with our audit teams in more complex areas of the audit.

Our team has been working side by side with the Centre of Excellence to ensure we are executing the best possible audit approach.

Delivery centres

We use dedicated delivery centres to deliver parts of our audit work that are routine and can be done by teams dedicated to specific tasks; for example these include confirmation procedures, preliminary independence checks and consistency and casting checks of the financial statements.

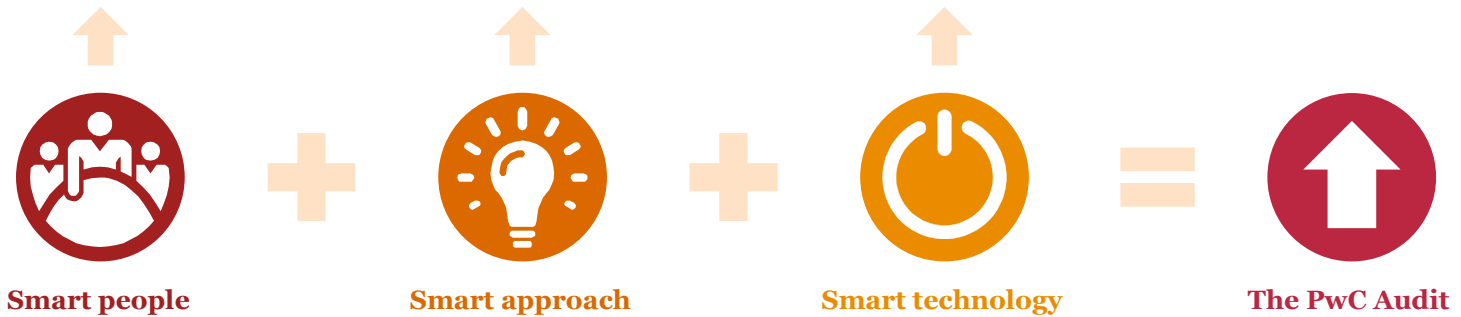
The use of our delivery centres frees up your audit team to focus on other areas of the audit.

We have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service delivery Centres in India and Poland for the facilitation of basic audit tasks, as highlighted earlier. We have also agreed with the Audit Commission how this will be regulated, together with their independent review of our internal processes to ensure compliance, with the Audit Commission requirements for off-shoring. Further information is included in Appendix E.

Smart Technology

We have designed processes that automate and simplify audit activity wherever possible. Central to this is PwC’s Aura software, which has set the standard for audit technology. It is a powerful tool, enabling us to direct and oversee audit activities.

Aura’s risk-based approach and workflow technology results in a higher quality, more effective audit and the tailored testing libraries allow us to build standard work programmes for key Authority audit cycles.



Our ‘smart’ approach underpins your audit

Appendix D: 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.

Overseas processing of information

Recently, as with other firms, we have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service Delivery Centres in India and Poland for the facilitation of basic audit tasks. Please refer to the letter at the end of this Appendix for further information on the types of tasks we may off-shore. We confirm that:

- When work is off-shored the firm delivering the audit remains entirely responsible for the conduct of the audit. As such the data will be subject to similar data quality control procedures as if the work had not been off-shored, maintaining the security of your data.
- All firms within the PricewaterhouseCoopers network, including the PwC Service Delivery Centres, have signed an intra-group data protection agreement which includes data protection obligations equivalent to those set out in the EU model contract for the transfer of personal data to data processors outside of the European Economic Area.
- We shall comply at all times with the seventh principle in Part 1 of Schedule 1 to the Data Protection Act 1998.
- Your audit team members will remain your key audit contacts, you will not need to communicate with our overseas delivery teams.
- The audit team members are responsible for reviewing all of the work performed by the overseas delivery teams.
- We already successfully use a UK based delivery centre for financial statements quality checks and that this service will remain in the UK.

If you have any questions regarding this process or if you require further information then please contact Julian Rickett.

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 Richard Bacon, our Government & Public Sector Assurance Lead Partner at our office at Cornwall Court, Birmingham, B3 2DT, or James Chalmers, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6NN. 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 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.



Appendix E: Use of service centres

Private & Confidential

John Harrison, S151 Officer
Peterborough City Council
Town Hall
Bridge Street
PETERBOROUGH
PE1 1HG

25 February 2015

Dear John

Working more efficiently

As you know the Audit Commission recently tendered the audit work previously delivered by the District Audit service. This realised significant savings which have been passed on to your organisation in a reduction to your scale fee of around 40%.

As a result of this tender, suppliers have sought for opportunities to increase efficiency, whilst maintaining the level of quality. One principle which has recently been established is that certain basic parts of the audit can be off-shored. This is common practice in the private sector. When work is off-shored the firm delivering the audit and thus your audit team, remains entirely responsible for the conduct of the audit. As such the data would be subject to similar data quality control procedures as if the work had not been off-shored, maintaining the security of your data.

Examples of the work that can be off-shored are:

- Request for confirmations (Receivables, Bank or Payables);
- Verification/vouching of information to source documentation (e.g. agreeing a payable balance to invoice);

- Financial statements review;
- Mathematical accuracy checks of data;
- Research; and
- Preparation of lead schedules.

Recently, as with other firms, we have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service delivery Centres in India and Poland for the facilitation of basic audit tasks, as highlighted above. We have agreed with the Audit Commission how this will be regulated, together with their independent review of our internal processes to ensure compliance, with the Audit Commission requirements for off-shoring.

If you have any questions regarding the above, please do not hesitate to get in touch.

Yours sincerely

Julian Rickett

Engagement Leader



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.

This document has been prepared only for Peterborough City Council and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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130610-142627-JA-UK

AUDIT COMMITTEE	AGENDA ITEM No. 7
16 MARCH 2015	PUBLIC REPORT

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

DRAFT INTERNAL AUDIT PLAN 2015 / 2016

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director: Resources	Deadline date : N/A
<p>The Committee is asked to examine the draft Internal Audit Plan for 2015 / 2016 and:</p> <ol style="list-style-type: none"> 1. Identify any areas for further consideration; 2. Approve the draft Audit Plan and Audit Strategy; 3. Note the contents of the Internal Audit Charter; 4. Note the contents of the Code of Ethics; and 5. Note the performance indicators set for the service. 	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee in line with its agreed Work Programme for 2015 / 2016.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to ensure that the Council reviews and agrees the audit activity for the next audit year.

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

- 2.2.1.1 To consider the annual report and opinion of the Executive Director Strategic Resources and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements; and
- 2.2.1.16 To consider the Councils 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 This report provides an overview of the stages followed prior to the formulation of the Annual Audit Plan for 2015 / 2016. The Annual Audit Plan will then serve as the work programme for Internal Audit and provide the basis upon which the Chief Internal Auditor will subsequently give Audit Opinions on Peterborough City Council's (PCC) system of internal control and risk management, and corporate governance arrangements for 2015 / 2016.
- 4.2 Members' attention is also drawn to the fact that the Audit Charter has been presented for approval. While this has been reviewed regularly, now, in accordance with Public Sector Internal Audit Standards, which came into effect from 1 April 2013, it has been necessary to reflect how the Internal Audit Service will operate in accordance with updated mandatory standards. The foundations of the Public Sector Internal Audit Standards however are not so fundamentally different to those requirements formerly specified in the CIPFA Code of Practice for Internal Audit, although the structure of the Charter must follow a prescribed format which defines the purpose, authority and responsibility of the Internal Audit activity, and clear definitions need to be given of those governance elements fulfilling responsibilities of the 'board' and 'senior management'
- 4.3 In accordance with legislative, regulatory and best practice requirements, PCC has made arrangements for a continuous internal audit to examine the accounting, financial and other operations of the organisation.
- 4.4 A number of key supporting papers have also been developed – e.g. Audit Charter (how we work), Code of Ethics (clarity on conduct) and Performance Indicators (how we monitor service delivery). In conjunction with these documents, an insight into future audit input envisaged is set out in the Strategy alongside a more detailed analysis of audit assignments being lined up for the next financial year.
- 4.5 Resources within the team and the plan are based on a full complement of staff, however one member of staff is due to reduce to 0.5FTE from 0.6FTE from 1 April resulting in a small reduction of auditable days from the previous year. The Chief Internal Auditor post continues to be shared with Cambridge City Council (40%) and South Cambridgeshire District Council (20%). The distribution of the remaining 40% allocated to PCC has changed during 2014 with the Chief Internal Auditor gaining management responsibility for the authority's Insurance and Fraud Investigations teams. Management time is estimated to be 20% internal audit focused and 20% insurance and fraud investigations (20% equating to 1 day per week). This has been factored into current and future plans.

5. THE AUDIT CHARTER

- 5.1 The Public Sector Internal Audit Standards have been primarily introduced to:
- Define the nature of internal auditing;
 - Set basic principles for carrying out internal audit;
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations.
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 5.2 As part of evidencing that these requirements are being adhered to, there is a duty on the Internal Audit Service to have an Audit Charter which demonstrates how these elements are being handled and managed. This was last presented to Audit

Committee in March 2014. The attached Charter covers off the above requirements, acknowledging too that some additional appendices have been needed to give further clarity on important issues such as the Code of Ethics and the Performance Indicators adopted by the Internal Audit function.

- 5.3 Finally, there is an obligation under the mandatory standards to review and re-present the Audit Charter to Audit Committee annually. The Charter has to be re-evaluated to confirm its ongoing validity and completeness, and thereafter, the documentation requires the scrutiny and endorsement of senior management and the Audit Committee. The Audit Charter can be found attached at **APPENDIX 1**.

6. CODE OF ETHICS

- 6.1 The Code of Ethics sets out the expected behaviours of Internal Audit staff in relation to service delivery and is attached at **APPENDIX 2**. The basis of standards of conduct for 2015 / 2016 remain unchanged with reference to those followed by Internal Audit in previous years, as the Code of Ethics developed for the current financial year was originally rewritten to mirror the incoming obligations in this area as per the Public Sector Internal Audit Standards.

- 6.2 Aside from the Code of Ethics, the Chief Internal Auditor in the role of the Chief Audit Executive will also be cognisant of and comply with requirements laid down in CIPFA's Statement on the Role of the Head of Internal Audit, and it is further acknowledged that all Internal Audit staff will operate in accordance with their own professional bodies' Code of Ethics, as well as any organisational Codes of Ethics or Conduct relating to their employer.

7. INTERNAL AUDIT STRATEGY AND AUDIT PLAN (APPENDIX 3)

- 7.1 The Internal Audit Strategy has the overarching purpose of establishing how the annual programme of audit assignments has been devised, in terms of the process followed when undertaking the annual audit needs assessment, the risk factors applied and how this information is then used to populate the Annual Audit Plans.

- 7.2 The Public Sector Internal Audit Standards recommends Internal Audit undertake annual assessments of the provisions in these areas and this is set out in the document.

- 7.3 The overarching objective of the Audit Plan is to provide a comprehensive programme of review work, sufficient to enable an informed annual opinion and to develop the organisation's Annual Governance Statement. We have produced an Audit Plan which satisfies the obligations of the Public Sector Internal Audit Standards, and provides an acceptable minimum level of audit coverage capable of generating the requisite audit assurances to the organisation, whilst also being affordable.

- 7.4 The Annual Audit Plan for 2015/16 totals 840 days, encompassing various assignments. The assignments have been developed to ensure that the Corporate Management Team and the Audit Committee have a clear understanding as to the direction of Internal Audit work over the course of the new financial year, but additionally that External Audit receive a steer as to the focus of individual audits over the coming year.

- 7.5 Summary details offers a starting point for more detailed audit planning meetings with management. However, the guidance therein should be viewed with some flexibility, as the scope and subsequent parameters for some audits may need to alter in the event of changing corporate priorities, and / or terms of reference

requiring adoption may not become wholly clear until discussions have been held with management as to the key priorities and risks facing service delivery, as well as due consideration being given to how forthcoming audits might potentially add further value for the organisation.

- 7.6 As in previous years, should any significant additional request work be required by Members or Officers, which leads to the potential for resources required exceeding the amount set aside, then the Chief Internal Auditor will establish the course of action to be taken in consultation with the Director of Resources and the Chair of Audit Committee. In the event of this occurring, a separate report will be produced to inform all Members of the Committee.

8 PERFORMANCE INDICATORS

- 8.1 As part of the ongoing appraisal of the service, various indicators have been set to ensure delivery against best practice and also to monitor individual and service performance. These are set out in **APPENDIX 4** and are referred through Committee as part of the reporting process.

9. CONSULTATION

- 9.1 The new Audit Plans proposals have been referred to / agreed with Service Director, Financial Services, as well as representatives of the Corporate Management Team.

- 9.2 It has also been submitted to External Audit for their comments.

10. ANTICIPATED OUTCOMES

- 10.1 In reviewing and approving the Audit Charter and related strategic and operational audit planning information, the Audit Committee is making appropriate provisions to ensure that the Internal Audit requirements as stated in the Local Government Finance Act 1982, c.32 and the Accounts and Audit Regulations 2011 are being properly met, and due support is being given to securing an Internal Audit Service, which is compliant with statutory internal auditing standards applicable to public sector organisations.

- 10.2 Approval of the Annual Plan and associated documents.

11. REASONS FOR RECOMMENDATIONS

- 11.1 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 and the Public Sector Internal Audit Standards. 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.

12. ALTERNATIVE OPTIONS CONSIDERED

- 12.1 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.

13. IMPLICATIONS

- 13.1 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.

14. BACKGROUND DOCUMENTS

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

- Public Sector Internal Audit Standards
- Accounts and Audit Regulations 2011
- Local Government Act 1972
- Committee papers
- Risk Registers




15. APPENDICES

- Appendix 1: Audit Charter
- Appendix 2: Code of Ethics
- Appendix 3: Audit Strategy and Audit Plan
- Appendix 4: Performance Indicators

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**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT CHARTER**

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KEY CONTACTS		
Steve Crabtree	Chief Internal Auditor	 384 557
Julie Taylor	Group Auditor	 384 559
Louise Cooke	Group Auditor	 384 558

February 2015

Next Review: By March 2016

1. INTRODUCTION

- 1.1 Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (the PSIAS), which took effect from the 1 April 2013, and are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) now provide a consolidated approach to promoting further improvement in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the whole of the public sector.
- 1.2 The PSIAS require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that defines the purpose, authority and responsibilities of the service provision. The Charter therefore establishes the position of the service within Peterborough City Council (PCC); its authority to access records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities. There is also an obligation under the PSIAS for the Charter to be periodically reviewed and presented to the Audit Committee, the Section 151 Officer and senior management. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness, and be circulated in accordance with the requirements specified above.

2. PURPOSE

- 2.1 In accordance with the PSIAS, Internal Auditing is defined as:

"An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

- 2.2 However, it should also be appreciated that the existence of Internal Audit does not diminish the responsibility of senior management to establish appropriate and adequate systems of internal control and risk management. Internal Audit is not a substitute for the functions of senior management, who should ensure that Council activities are conducted in a secure, efficient and well-ordered manner with arrangements sufficient to address the risks which might adversely impact on the delivery of corporate priorities and objectives.

3. AUTHORISATION

- 3.1 The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2003, as amended in 2006 and 2011, which state that *"a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control"*. This statutory requirement for continuous Internal Audit has been formally recognised and endorsed within PCC's Constitution.

- 3.2 Further, there are other requirements place upon the Chief Audit Executive (see Section 4: Organisation and Relationships), to fulfil all aspects of CIPFA’s Statement on the Role of the Head of Internal Audit in Public Sector Organisations, whilst the Council’s Constitution makes Internal Audit primarily responsible for carrying out an examination of the accounting, financial and other operations of the Council, under the independent control and direction of the Section 151 Officer. The role of Section 151 Officer at PCC is fulfilled by the Executive Director of Resources.
- 3.3 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation's:
- Records, documents and correspondence (manual and electronic) relating to any financial and other transactions;
 - Physical properties, i.e. premises and land, plus cash, stores or any other Council property; and
 - Personnel – requiring and receiving such explanations as are necessary concerning any matter under examination and generally assisting the Internal Audit activity in fulfilling its roles and responsibilities.
- 3.4 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

4. **ORGANISATION AND RELATIONSHIPS**

- 4.1 Within the PSIAS, the terms ‘Chief Audit Executive,’ ‘Board’ and ‘Senior Management’ are used to describe key elements of the organisation’s governance, and the ways in which they interact with Internal Audit. The PSIAS require that the terms are defined in the context of the governance arrangements in each public sector organisation, in order to safeguard the independence and objectivity of Internal Audit. At PCC, the following interpretations are applied, so as to ensure the continuation of the current relationships between Internal Audit and other key bodies at the Council. The following terms are explained:
- Chief Audit Executive
 - Board
 - Senior Management
 - External Audit
 - Other Internal Audit Service Providers
 - Other External Review and Inspection Bodies

4.2 Chief Audit Executive

At PCC, the Chief Audit Executive is the Chief Internal Auditor (CIA). This post also provides this role to South Cambridgeshire District Council (SCDC) and Cambridge City Council (CCC) as part of a shared management arrangement. A Memorandum of Understanding exists between all three and this agreement is subject to review. Each authority, as at February 2015, has its own internal staff providing the service. The CIA has a direct line of reporting to the Section 151 Officer at each Council and in response to requirements laid down within the PSIAS, it is further confirmed that the CIA has a direct reporting line and free and unfettered access to the Chief Executive should it be required.

4.3 Board

4.3.1 In the context of overseeing the work of Internal Audit, the 'Board' will be the Audit Committee of the Council, which has been established as part of the corporate governance arrangements at the Council. The Committee is responsible for the following with reference to Internal Audit:

- Internal Audit Plans;
- Progress and performance against approved plans;
- Annual Audit Opinion; and
- Compliance with standards.

4.3.2 Internal Audit will work closely with the committee to facilitate and support its activities. Moreover, the CIA also has a direct reporting line, and free and unfettered access to the Chair should it be needed.

4.4 Senior Management

In the context of ensuring effective liaison between Internal Audit and senior officers, Internal Audit has regular access to Directors and Heads of Service. 'Senior Management' for the purposes of this Charter are the Corporate Management Team of which the Section 151 Officer is a key member.

4.5 External Audit

Internal Audit interact with the Council's External Auditors – PricewaterhouseCoopers – in order to minimise any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties.

4.6 Other Internal Audit Service Providers

Internal Audit will also liaise with other Council's Internal Audit Service providers, where shared service arrangements exist. In such cases, a dialogue will be opened with the other Council's equivalent Chief Audit Executive to agree a way forward regarding the future auditing of 'shared' services, which will be both efficient and cost effective for all parties involved, and cause least disruption to the area(s) being audited.

4.7 Other External Review and Inspection Bodies

The Internal Audit Section confirms it will likewise co-operate with all external review and inspection bodies that are authorised to assess and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances arising from this work.

5. **OBJECTIVES AND SCOPE**

- 5.1 The provision of assurance services is the primary role of Internal Audit and there is a duty of care on the Chief Audit Executive to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This responsibility to evaluate the governance framework far exceeds examination of controls applying to the Council's core financial systems. Instead, Internal Audit is required to scrutinise the whole system of risk management, internal control and governance processes established by management.
- 5.2 Internal Audit also has a secondary role, whereby it will provide consultancy services which are advisory in nature and generally performed at the request of the Council to facilitate improved governance, risk management and control, and potentially contribute to the annual audit opinion.
- 5.3 A risk based Audit Plan will be developed each year to determine an appropriate level of audit coverage to generate an annual audit opinion, which can then be used to assist with the formulation of the PCC's Annual Governance Statement. Moreover, audit work performed will seek to enhance the Council's overall internal control environment. In the event of deficiencies in arrangements being identified during audit assignments, Internal Audit will put forward recommendations aimed at improving existing arrangements and restoring systems of internal control to a satisfactory level, where relevant.

- 5.4 In accordance with the PSIAS, the Internal Audit Service will evaluate and contribute to the improvement of:
- The design, implementation and effectiveness of the organisation's ethics related objectives, programmes and activities.
 - The effectiveness of the Council's processes for performance management and accountability.
 - The Council's IT governance provisions in supporting the organisation's corporate priorities, objectives and strategies.
 - The Council's risk management processes in terms of significant risks being identified and assessed; appropriate risk responses being made that align with the organisation's risk appetite, the capturing and communicating of risk information in a timely manner, and its use by staff, senior management and members to carry out their responsibilities and inform decision making generally.
 - The provisions developed to support achievement of the organisation's strategic objectives and goals.
 - The systems formulated to secure an effective internal control environment.
 - The completeness, reliability, integrity and timeliness of management and financial information.
 - The systems established to ensure compliance with legislation, regulations, policies, plans, procedures and contracts, encompassing those set by the Council and those determined externally.
 - The systems designed to safeguard Council assets and employees.
 - The economy, efficiency and effectiveness with which resources are used in operations and programmes at the Council.
- 5.5 In addition to the areas recorded above, where Internal Audit will give input to their continuing enhancement; the Service will also provide support to the Director in the discharge of his duties as the Section 151 Officer with responsibility for the probity and effectiveness of the Authority's financial arrangements and internal control systems.
- 5.6 **Managing the risk of fraud and corruption is the responsibility of management.** However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow fraud or corruption to occur and will monitor the extent and adequacy of risk controls built into systems by management, sharing this information with External Audit and other corporate investigators.
- 5.7 In the course of delivering services encompassing all the elements stated above, should any significant risk exposures and control issues subsequently be identified, Internal Audit will report these matters to senior management, propose action to resolve or mitigate these, and appraise the Audit Committee of such situations.

6. **INDEPENDENCE**

- 6.1 The Internal Audit Section operates within an organisational framework that preserves the independence and objectivity of the assurance function, and ensures that Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results. The framework allows the CIA direct access to and the freedom to report unedited, as deemed appropriate, to the Audit Committee, the Chief Executive, Section 151 Officer and the Corporate Management Team.
- 6.2 The CIA, from January 2014, has assumed line management responsibility for the Insurance function. Furthermore, from December 2014, this was increased to cover responsibility for the Corporate Investigations team, following the transfer of a number of employees to the Department of Works and Pensions. Any reviews within these activity areas will be kept separate and reviewed independently of the CIA.
- 6.3 The remaining Internal Auditors have no operational responsibilities or authority over any of the activities that they are required to review. As a consequence, they do not develop procedures, install systems, prepare records, or engage in any other activity, which would impair their judgement. In addition, Internal Auditors will not assess specific operations for which they were previously responsible, and objectivity is presumed to be impaired if an Internal Auditor provides assurance services for an activity for which they had responsibility within the previous 12 months. Internal Auditors may however provide consulting services relating to operations over which they had previous responsibility. The CIA will confirm to the Audit Committee, at least annually, the organisational independence of the Internal Audit activity.

7. **PROFESSIONAL STANDARDS**

- 7.1 PCC's Internal Auditors operate in accordance with the PSIAS, 2013.
- 7.2 The Internal Auditors are also governed by the policies, procedures, rules and regulations established by PCC. These include, but are not limited to Financial Regulations and Contract Standing Orders, the Anti-Fraud and Corruption Policy and the Code of Conduct. Similarly, the Council's Internal Auditors will be aware of external bodies' requirements (e.g. as identified by CIPFA) and all legislation affecting the Council's activities.
- 7.3 The Council's Internal Auditors will additionally adhere to the Code of Ethics as contained within the PSIAS. Internal Auditors will also demonstrate due professional care in the course of their work and consider the use of technology-based audit and other data analysis techniques, wherever feasible and considered beneficial to the Council. All working arrangements and methodologies, which will be followed by PCC's Internal Auditors are set out in the Audit Manual.

8. **AUDIT RESOURCES**

- 8.1 The CIA will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit management experience, to enable them to deliver the responsibilities of the role.
- 8.2 The CIA will ensure that the Internal Audit Service has access to staff that have an appropriate range of knowledge, skills, qualifications and experience to deliver requisite audit assignments. The type of reviews that will be provided in year include systems reviews, contract audits, grant certification work, consultancy input to new / modified systems, and special / fraud investigations. In the event of special investigations being required, there is limited contingency in the Audit Plans to absorb this work and this will be pursued in conjunction with the Corporate Investigations team. However, additional resources may need to be made available to the Internal Audit Service when such input is necessary.

9. **AUDIT PLANNING**

- 9.1 The CIA will develop an annual audit strategy, together with annual audit plans and a summary of annual audit coverage using a risk based methodology. This will take into account documented corporate and operational risks, as well as any risks or concerns subsequently notified to Internal Audit by senior management. This will be submitted to Corporate Management Team for their approval prior to being taken forward to the Audit Committee for final endorsement, in advance of the new financial year to which they relate.
- 9.2 Any difference between the plan and the resources available will be identified and reported to the Audit Committee. It will outline the assignments to be carried out and the broad resources and skills required to deliver the plan. It will provide sufficient information for the Council to understand the areas to be covered and for it to be satisfied that sufficient resources and skills are available to deliver the plan. Areas included in the audit plan are highlighted in **Table 1**.

TABLE 1: AUDIT ACTIVITIES

- Core system assurance work
- Governance, Risk Management and Assurance Framework
- ICT governance and risk
- Corporate / Cross Cutting audits (including value for money reviews)
- Contracts and projects
- Departmental specific reviews
- Compliance activity e.g. schools
- Grant claim certification work
- Fraud and irregularities
- Follow up activity
- Internal consultancy / advice on risks, controls and procedures
- Fee paying audit work
- Member support

9.3 The audit plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks. It will be flexible, containing an element of contingency to accommodate assignments which could not have been readily foreseen. However, on occasions, specific audit requests take precedence over the original audit plan and will be required as additional work rather than as a replacement. Resources, such as specialist or additional auditors may be required to supplement this. Internal Audit will reserve the right to make a charge for any additional work that is over and above that originally planned.

10. REPORTING

10.1 The process followed for completing each audit is set out in **Table 2**. Upon completion of each audit assignment, an Internal Audit report will be prepared that:

- Provides an opinion on the risks and controls of the area reviewed, and this will contribute to the annual opinion on the internal control environment, which, in turn, informs the Annual Governance Statement; and
- Provides a formal record of points arising from the audit and management responses to issues raised, to include agreed actions with implementation timescales;
- Prompts management to implement agreed actions within targeted dates; and
- Draft reports and quality checked by senior officers within Internal Audit prior to despatch.

10.2 Exit meetings are accommodated enabling management to discuss issued Draft Audit Reports. Accountability for responses to Internal Audit recommendations lies with the Chief Executive, Directors, and / or Heads of Service, as appropriate, who can either, accept and implement guidance given or formally reject it. However, if audit proposals to strengthen the internal control environment are disregarded and there are no compensating controls justifying this course of action, an audit comment will be made in the Final Audit Report, reiterating the nature of the risk that remains and recognising that management has chosen to accept this risk. Furthermore, depending on the severity of the risk, the matter may be escalated upwards and drawn to the attention of the Audit Committee.

TABLE 2: WORKING ARRANGEMENTS DURING AUDITS	
Audit Brief	Set up and agreed with manager(s)
Fieldwork	Assignment undertaking including interviews, testing etc.
Exit Meeting	At conclusion of fieldwork, issues raised for reporting (if not already provided during course of fieldwork).
Draft report	Produced within 15 working days of completion of fieldwork / exit meeting. Head of Service / Line Manager to formally respond within 15 days, including acceptance (or not) of actions together with timescale proposals to implement.
Final Report	Internal Audit incorporates all management comments within the report and re-issue as a final within 10 days of receiving the response. The report will be distributed in accordance with agreed protocols (see Table 4).
Non response	If management do not respond to the draft report, a reminder will be sent to the original recipients requesting a response within 10 working days. After that time, a further reminder will be sent to the original recipients and the relevant Director, requesting a response within 10 working days. All delayed or non-responses to audit reports will be reported to the Audit Committee.

- 10.3 Recommendations are rated and an overall opinion given on the service area reviewed (see **Table 3**). Final Audit Reports will be issued in line with agreed working protocols to the relevant nominated officers and subject to follow up work as necessary. Where there are no responses received from managers despite formally chasing, a report will be deemed as final and issued.

TABLE 3: AUDIT ASSURANCE	
Opinion / Assurance	Description
FULL	The system is designed to meet objectives / controls are consistently applied that protect the Authority from foreseeable risks.
SIGNIFICANT	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.
LIMITED	There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
FULL	Controls are weak and / or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.

- 10.4 Following the end of the year, an annual report will be produced setting out Internal Audits opinion on the state of the internal controls and governance across the Council. This will comment upon:
- The scope including the time period to which the opinions pertains;
 - Any scope limitations;
 - Consideration of all related projects including the reliance on other assurance providers;
 - The risk or control framework or other criteria used as a basis for the overall opinion;
 - The overall opinion, providing reasons where an unfavourable overall opinion is given; and
 - A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

10.5 All reports produced are set out in **Table 4**.

TABLE 4: PLANNING AND REPORTING FREQUENCY			
Report Produced	For	Reason	Content
Audit Report	<ul style="list-style-type: none"> • Service Manager / Headteacher • Director / Chair of Governors • Chief Executive • s.151 officer • Leader of the Council • Cabinet Member for Resources • Chair of Audit Committee 	The end of each audit assignment as the main recipient and those charged with implementing the issues identified	<ul style="list-style-type: none"> • Executive Summary • Audit Opinion • Detailed risk issues • Agreed improvement plan
Progress Reports (based around the committee cycle)	Audit Committee	To provide the Council with progress at delivering the audit service and any key governance issues arising.	<ul style="list-style-type: none"> • Progress against annual plan • Any amendments to current annual plan • Details of significant risk issues • Details of non-responses or non-implementation of actions
Annual Opinion and Performance Report	<ul style="list-style-type: none"> • Audit Committee • External Audit • S151 officer • Monitoring Officer 	The end of each year in accordance with PSIAS. An evaluation of the works undertaken and the level of assurance established.	<ul style="list-style-type: none"> • Annual assurance report giving CIA's opinion on the control environment • Achievement of the annual plan and performance data. • Effectiveness of Internal Audit
Annual Audit Plan	<ul style="list-style-type: none"> • Audit Committee • S.151 Officer • External Audit 	Beginning of year. Details of the service delivered and the future plans to provide assurance across the Council in accordance with PSIAS.	<ul style="list-style-type: none"> • Audit Plan and days to be delivered • Audit Charter • Code of Ethics • Performance indicators to monitor service delivery and quality

11 QUALITY ASSURANCE AND IMPROVEMENT

11.1 The PSIAS require that the Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the Internal Audit activity, and includes both internal and external assessments. In the event of an improvement plan proving necessary to formulate and implement, in order to further develop existing service provisions, the CIA will initiate the appropriate action and annually, the results of the quality and assurance programme together with progress made against the improvement plan will be reported to senior management and the Audit Committee.

11.2 Internal Assessments

11.2.1 Internal Assessments must include on-going monitoring of the performance of the internal audit activity. The Service operates in accordance with a number of key performance indicators. Performance is subject to regular review by Audit.

11.2.2 Internal arrangements also include post audit feedback from auditees and should criticism be received, this will immediately be investigated and steps taken to resolve matters raised.

11.2.3 The PSIAS additionally require periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices. This obligation is satisfied by the CIA performing an annual self-assessment of the effectiveness of Internal Audit, before the results are submitted to the Audit Committee. Presenting this information to the Audit Committee enables members to be assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the CIA.

11.3 External Assessments

11.3.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external verification.

11.3.2 The CIA will agree with the Audit Committee and the Section 151 Officer the form of the external assessments; and, the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest. As part of the shared service arrangements, it would be prudent for each authority to be reviewed at the same time in order to reduce the level of duplication. Consensus for this approach suggests it would be appropriate to undertake in 2015 / 2016.

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PETERBOROUGH CITY COUNCIL

INTERNAL AUDIT CODE OF ETHICS

INTRODUCTION

The purpose of a Code of Ethics is to promote an appropriate ethical culture for Internal Audit. The Code sets out the minimum standards for the performance and conduct of Peterborough City Council's (PCC) Internal Auditors. It is intended to clarify the standards of conduct expected when carrying out their duties and promote an ethical, professional culture at all times when undertaking audit duties.

PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

- **Integrity.** The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
- **Objectivity.** Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- **Confidentiality.** Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- **Competency.** Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

INTEGRITY

PCC Internal Auditors shall:

- Perform their work with honesty, diligence and responsibility;
- Observe the law and make disclosures expected by the law and the profession;
- Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
- Respect and contribute to the legitimate and ethical objectives of the organisation; and
- Maintain relationships with colleagues, internal clients and external contacts that are characterised by honesty, truthfulness and fairness.

OBJECTIVITY

PCC Internal auditors shall:

- Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- Not review any activity for which they have previously had operational responsibility;
- Not accept anything that may impair or be presumed to impair their professional judgement; and
- Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

CONFIDENTIALITY

PCC Internal auditors shall:

- Be prudent in the use and protection of information acquired in the course of their duties but should ensure that requirements of confidentiality do not limit or prevent reporting within the authority as appropriate;
- Not make unauthorised disclosure of information unless there is a legal or professional requirement to do so; and
- Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

COMPETENCY

PCC Internal auditors shall:

- Engage only in those services for which they have the necessary knowledge, skills and experience;
- Perform Internal Audit services with the International Standards for the Professional Practice of Internal Audit; and
- Continually improve their proficiency, effectiveness and quality of their services

MANAGING ARRANGEMENTS

To ensure compliance with the Code of Ethics:

- There is an annual review of the Code to reinforce understanding and confirm on-going commitment;
- Quality control processes are in place to demonstrate integrity in all aspects of the work;
- All staff are obliged to declare any potential conflicts of interest;
- Confidentiality will not be tolerated; and
- Staff are aware and understand the organisations aims and objectives together with an appreciation of the policies and procedures which govern the areas to be audited.

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT STRATEGY AND PLAN 2015/16**

1 INTRODUCTION

- 1.1 This document is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council. It will be reviewed throughout the year to ensure its continued relevance, both in terms of supporting the council's aims and in achieving a professional, modern audit service.
- 1.2 The Accounts and Audit Regulations 2011 stipulate that a council should maintain "a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk". The regulations also provide that council's "undertake an adequate and effective internal audit of its accounting records and of its system of internal control" in accordance with the Public Sector Internal Audit Standards. The Council's Internal Audit team are bound by the mandatory requirements of these standards.
- 1.3 Internal Audit Role**
- 1.4 Internal audit is defined as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes
- 1.5 The provision of assurance is the key role for Internal Audit. This role requires the Chief Internal Auditor to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This audit opinion is provided to the Audit Committee and also feeds into the Annual Governance Statement.
- 1.6 The role of Internal Audit, therefore, is to understand the key risks to the Council's objectives and to evaluate the adequacy and effectiveness of management's response to those risks. An overview of risk management and governance processes and key financial controls is also a significant aspect of our work.
- 1.7 Consulting services are advisory in nature and are generally performed at the specific request of management, with the aim of improving operations. Requests of this nature are considered in light of resource availability and our primary role of assurance.

2 INTERNAL AUDIT PLANNING PROCESS

2.1 Annually, Internal Audit conducts a comprehensive risk-based audit planning process to ensure that all areas of the Council operations (and external partners, where appropriate) are provided with an appropriate and structured Internal Audit service to assist in the continuous improvement process. The purpose is to align audit effort with those areas assessed as posing the greatest risk to the Council. The following sources of information have been used in identifying the priorities put forward for audit coverage:

- Council objectives;
- Medium Term Financial Strategy;
- The Council's strategic and operational risk registers;
- The Council's IT Strategy;
- Consultations with individual directors and their management teams
- Consultation with PwC, the council's external auditor
- Consultation with the Audit committee, at this meeting.

2.2 A number of themes have emerged in the preparation of the 2015 / 2016 Internal Audit Plan. These are:

- **Financial pressures** faced by the Council and resultant restructuring programmes;
- **Contracts and Projects.** This is an essential component of the audit process, especially given the increasing dependence on external suppliers and partners, commissioning and different delivery vehicles in the provision of Council services;
- A continuation of Internal Audit work in **high-level corporate management functions**;
- **Information governance and data security**;
- **Schools.** Governance, statutory and financial management processes linked with the Schools Financial Value Standard (SFVS);
- **IT and Digital Strategies.** Changes to systems and the move towards more mobile/remote technology.
- **Grant Claims.** Increased requirement for Internal Audit to certify grant claims; and
- **Legislation Changes.**

3 STRATEGY FOR DELIVERY OF THE PLAN

3.1 Audit Resources

3.1.1 The Internal Audit Service is provided in-house, overseen by a shared Head of Internal Audit. The Internal Audit establishment is 5.36 FTE (detailed below). This is a slight reduction to 2014/15 (0.1) as a result of a reduction in hours by one individual. The Plan has been compiled on the basis of 5.36 FTE in post throughout the year. If resources drop below this level, consideration will be given to the options of recruitment or agency staff. However, we are not planning to recruit to the vacant post.

Post Name	FTE	
Chief Internal Auditor	0.40	Post shared with Cambridge City and South Cambs DC
Group Auditor	1.46	
Principal Auditor	0.50	
Senior Auditor	2.00	
Auditor	1.00	
Total establishment	5.36	

3.1.2 During 2014/15 the Chief Internal Auditor was charged with management responsibility for both the Insurance and the Investigations Teams. Management time apportioned to each service area is now considered to be 20% Internal Audit with the remaining 20% covering the other two service areas (ie 1 day each per week).

3.2 Shared Management Arrangement

3.2.1 A shared management arrangement with Cambridge City Council has been in operation since January 2011, and South Cambridgeshire District Council joined in July 2013. The aim is to share knowledge and best practice, and to increase flexibility and efficiency whilst driving down costs through economies of scale. The audit teams continue to remain distinct entities with the main impact for PCC resulting in a 60% reduction in the time available from the Chief Internal Auditor, along with an associated reduction in costs. Future aims are to increase efficiency by carrying out joint audits where commercially appropriate and utilising expertise within teams across the whole shared service where specialist knowledge exists. This shared service model is due to continue and further opportunities will be appraised where appropriate. The savings generated go back to the corporate pot to assist in meeting future budget pressures.

3.3 Development of the Audit Service

3.3.1 The Internal Audit team will operate to the mandatory professional standards outlined in the Public Sector Internal Audit Standards (PSIAS). This will include:

- Robust quality control of the work conducted
- Regular training needs assessment to ensure that appropriate skills are available. Joint arrangements will be explored so that officers from all shared service partners can be developed at the same time and also to look for efficiencies in terms of time and cost.
- Development of audit procedures to ensure that best practice is followed and the service is provided in the most cost efficient manner.

3.3.2 The development of the audit software system implemented during 2014/15 will continue this year. This will focus on further enhancing processes to improve efficiencies within PCC and the extension of the system to our shared service partners through development support with the resultant improved alignment and consistency of working methods. During the year, subject to funding, further modules may be developed that will assist in tracking and reporting upon the implementation of recommendations.

3.3.3 We will continue to look for other partners to enhance the provision of audit. However, with the increased number of services being managed by the Chief Internal Auditor during 2014/15 the business model presently operated will require review and possible re-structure to ensure that management coverage within PCC and each organisation is appropriate

4 DETAILED PLAN

The Plan for 2015 / 2016 aims to give the Council the best audit coverage within the resources currently available. Though it is compiled and presented as a plan of work, it must be recognised that it can only be a statement of intent. Whilst every effort will be made to deliver the plan, Internal Audit recognises that it needs to be flexible. Actual audit work therefore may be modified during the year according to the circumstances prevailing at the time.

The basis of the Plan is the work required to fulfil our assurance role, but Internal Audit aims to add value in our work by focusing on those areas that are important to the Council, in terms of strategic priorities as well as the risks that we face. The plan covers core assurance work (financial systems, schools, grant certification, annual governance processes) as well as reviews of the controls mitigating some of our major risks and consultancy support work. A continuing theme will be around the financial risks facing the Council and we intend to provide assurance that our processes maximise income and robustly control expenditure. We will also cover other key areas, such as the introduction of the Better Care Fund/Care Act, customer experience and digital strategy, information governance and statutory requirements. The Chief Internal Auditor, along with the whole Internal Audit Team, are fully committed to delivering a high quality and responsive Internal Audit service to the City Council. With this in mind, they will be seeking throughout the year to continue to develop the service in accordance with recognised best practice. The overall allocation of time from the estimated 840 days available is as follows:

Table 1: Internal Audit Work Activities		
	Days:	%
Core Systems Assurance Work	60	7
Annual Governance and Assurance Framework	183	22
Strategic and Operational Risks	312	37
External Works	70	8
Grant Certification	50	6
Other Resource Provisions	165	20
TOTAL RESOURCES ALLOCATED	840	100.0

4.1 **Core Systems Assurance Work**

Audits of the main financial systems of the Council are generally undertaken on a cyclical basis. The audit plan for 2015 / 2016 includes reviews of budgetary control, Payroll, fixed asset accounting, cash and banking and a review of the new HR system both pre and post implementation. We will co-ordinate our work with our External Auditors to ensure that reliance can be placed on the work provided by Internal Audit.

4.2 **Annual Governance and Assurance Framework**

The work outlined in this section feeds directly into the production of the Annual Governance Statement and provides a high level overview of the governance arrangements at the Council. This area of work has been extended this year to include fraud activities such as the development of the Corporate Fraud Strategy and associated policies along with annual fraud reporting to the committee which was previously undertaken by the Compliance Team.

4.3 **Strategic and Operational Risks**

A significant proportion of our time has been allocated to this important area of work. Audits have been included as a result of risks identified by management or Internal Audit, or following a particular management request. The nature of the reviews will also include areas of corporate coverage as well as some being directorate specific. These areas have been identified in light of their increasing number, their importance in relation to the Council's overall aims and objectives and financial implications. In particular, Internal Audit intends to add value by providing assurance in areas which impact on a number of the Council's strategic risks, including:

- Better Care Fund and changes to the Care Act.
- Financial Position (income maximisation within a variety of areas; expenditure control within projects, contracts and partnerships; value for money studies)
- Information Governance (data security within a variety of systems)
- Strategic Partnerships (Serco; Skanska)
- Themed reviews and increased coverage in schools with regards to statutory requirements and financial management.

4.4 **External Works**

PCC Internal Audit provides audit services to Vivacity–Peterborough which is managed through a Service Level Agreement. The contract arrangements have been operational since 2010. These reviews are client confidential and as a result their outcomes are only available to Vivacity. Some further time has been built into the plan to appraise other income generating activities. The total number of days allocated for external activities is 70 days which is comparable with 2014/15.

4.5 **Grant Claim Certification**

As a result of the organisation continuing to receive and obtain grant funding, the demand for internal audit to certify grant claims continues. Whilst European projects are concluding some other funding has been secured requiring claim certification. The number of days allocated within 2015/16 has reduced slightly due to the changes but activities undertaken still form a reasonable proportion of the audit plan.

4.6 **Other Resource Provisions**

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 and special investigations. Contingency time is included for such events along with the provision for consultancy work that may be undertaken by the Chief Internal Auditor or other members of the audit team.

PETERBOROUGH CITY COUNCIL: INTERNAL AUDIT PLAN 2015 / 2016

VISION FOR THE CITY

STRATEGIC PRIORITIES

- 1 Growth, regeneration and economic development to bring new investment and jobs. Supporting people into work and off benefits.
- 2 Improving educational attainment and skills for all children and young people, allowing them to seize the opportunities offered by new jobs and our university provision, thereby keeping their talent and skills in the city.
- 3 Safeguarding vulnerable children and adults.
- 4 The Environment Capital agenda including pursuing new income streams from solar energy and wind farm developments.
- 5 Supporting the city's culture trust Vivacity to continue to deliver arts and culture.
- 6 Keeping our communities safe, cohesive and healthy.

Draft Internal Audit Plan 2015 / 2016

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Priority	
			Rating	Reason
CORE SYSTEM ASSURANCE WORK				
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.				
Budgetary Control	ALL	A risk based review concentrating on budget management within one or more directorates.	High	Core audit assurance Corporate responsibility to protect finite resources
Payroll	ALL	A cyclical review of key controls.	High	Core audit assurance
Fixed Asset Accounting	ALL	A cyclical review of key controls.	High	Core audit assurance
HR IT System	ALL	A review of the control framework during the design and implementation of a new HR IT system designed to enable self-serve processes.	High	Major changes to system
		A further post implementation review to test key controls in relation to starters, Leavers, exit processes and expense claims.	High	Core audit assurance Corporate responsibility to protect finite resources
Cash and Banking	ALL	A cyclical review of key controls	High	Core audit assurance
			TOTAL AUDIT DAYS	60

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Priority	
			Rating	Reason
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK				
Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement, as well as high level governance reviews.				
Annual Governance Statement Review	ALL	Process and framework to feed into work on Annual Governance Statement, including the review of recommendations made by External Audit in their annual letter and verify implementation / progress.	High	Compliance with Accounts and Audit Regulations
Assurance Framework	ALL	Determine what assurance is received in relation to those risks identified in strategic and corporate risk registers. Identify gaps. Consider Internal Audit's role in filling those gaps and also in quality assuring other assurance providers.	High	Core audit assurance
Annual Audit Opinion	ALL	Internal Audit opinion on the state of governance and the internal control framework in place within the Council	High	Compliance with mandatory audit standards
Annual Audit Plan	ALL	Establishment of the annual audit plan for 2015-2016 based on a systematic risk assessment across the Council. This includes a review of the corporate risk registers and the Medium Term Financial Strategy together with consultation with Directors and Heads of Service	High	Compliance with mandatory audit standards
Internal Audit Effectiveness / Audit Committee Effectiveness	ALL	Review of the internal audit service against the new Public Sector Internal Audit Standards and a best practice review of the Audit Committee	High	Compliance with mandatory audit standards
Anti Fraud Culture	ALL	Investigation of matches received from the National Fraud Initiative Liaison and joint working with the Investigations Team. Evaluation of control weaknesses that have allowed a fraud to take place or remain undetected and provide recommendations to improve fraud prevention and detection	High	Corporate responsibility to protect finite resources
Investigations Team Annual Report	ALL	Annual Report of investigation activities undertaken.	High	Corporate responsibility to protect finite resources
Corporate Fraud Strategy and Policy Development	ALL	Review and Development of new or existing policies to include: Anti-Fraud and Corruption Strategy, Fraud Response Plan, Prosecutions and Sanctions Policy, Whistleblowing Policy and the Bribery Act.	High	Corporate responsibility to protect finite resources
Partnership Governance	ALL	An overview of how we manage the relationships with, and performance of, our partners. For example Serco, Skanska, OP, Safer Peterborough	High	Corporate responsibility to protect finite resources

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Priority		
			Rating	Reason	
Information Governance	ALL	Liaison and strategic overview as part of the Strategic Governance Board and Information Governance Group	High	Core audit assurance	
		A review of information governance effectiveness and emerging issues from IG risk registers.	High	Core audit assurance / risk registers	
Risk Management	ALL	Involvement in risk working group and any emerging issues.	Medium	Core audit assurance	
				TOTAL AUDIT DAYS	183

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Priority	
			Rating	Reason
STRATEGIC AND OPERATIONAL RISKS				
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks				
Connecting Families	6	A review of the Connecting Families Outcome Plan as part of the phase 2 of the programme.	Medium	Ensure finite resources are appropriately managed
Carbon Reduction	4,6	Review the arrangements for CRC reporting as a result of legislative changes and data validity.	Medium	Legislation changes Management request
Clare Lodge	1,2,3,6	A review of income arrangements to ensure that processes maximise receipts.	Medium	Management Request
Commissioning and Procurement	ALL	Review new commissioning procedures, to include a look at whether all aspects of financial accountability and procurement have been appropriately incorporated into the new people and communities directorate.	High	Major change to structure to mitigate budget risks and improve effectiveness in this area. Detailed on risk register
Better Care Fund	1,3,6	Review the governance and risk management arrangements for the introduction of the Better Care Fund pooled budgets.	Medium	Major change to governance arrangements.
Care Act Compliance	3,6	Review of policy arrangements to ensure they are Care Act compliant and reflect working arrangements.	Medium	Management request Detailed on risk register
Regulatory Services	1,3,6	A review of governance and process arrangements within Regulatory Services following reorganisation to include consideration for outcomes such as the customer experience.	Medium	Change to service delivery Management request
Coroners Office	3	Review of support services processes as a result of proposed centralisation of coroners services to also include a general review of allowances.	Medium	Change to service delivery. Management Request
Schools	1, 2	Review of financial and governance controls in six schools. Assurance required as part of the Schools Financial Value Standard (SFVS)	Medium	Ensure finite resources are appropriately managed Core audit assurance
Schools - Health and Safety Statutory Testing	3,6	A themed review across school establishments to ensure robust processes are in place to ensure that statutory requirements are met.	High	Ensure statutory requirements are effectively discharged. Management request

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Priority	
			Rating	Reason
Schools – Gifts and Hospitality	1,2	Review the effectiveness and implementation of the recently introduced schools gifts and hospitality policy. A themed review across school establishments.	Medium	Management request
Resources - RECAP	4	Review the project management of the expanding Material Recycling Facility. Possibility for a joint audit with our shared service partners.	Medium	Ensure finite resources are appropriately managed
Data Security - IT	ALL	Review the control of data security on mobile/remote technology and the proposed move to cloud based servers.	High	Information governance risk identified
IT Strategy	ALL	A review of selected projects which support and form part of the overall IT Digital Strategy.	High	Major organisational change
Pensions	ALL	A review to ensure that tier bandings have been applied appropriately following pension changes in April 2014.	Low	Core audit assurance and legislative changes Management request
Strategic Housing	ALL	A review of governance and process arrangements within Strategic Housing to include consideration for outcomes such as the customer experience.	Medium	Management request
Contracts	ALL	A look at contract letting and managements for some specific contracts	Medium	Ensure finite resources are appropriately managed Core audit assurance
Projects	ALL	Look at some specific projects, either across the life of a project, or concentrating on particular stages such as governance, feasibility, delivery or post-implementation review	Medium	Ensure finite resources are appropriately managed Core audit assurance
Value For Money	ALL	A VFM step is to be included within review processes to identify any areas where efficiencies can be achieved to be consolidated into an annual report if appropriate. And if time permits, a review of some identified activities to ensure they are being operated cost effectively. Areas for consideration include: Pcards, usage of corporate contracts, business rate retention.	Low	Ensure finite resources are appropriately managed
			TOTAL AUDIT DAYS	312

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Priority	
			Rating	Reason
GRANT CLAIM CERTIFICATION				
Certification of claims in relation to funding requirements				
Growth and Regeneration	ALL	Bus Service Operators 2013/14 - A grant to support bus services, including community transport services.	High	To meet government and EU requirements
Growth and Regeneration	ALL	Local Transport Funding Grant 2013/14 - This grant is used by local authorities for small transport improvement schemes costing less than £5 million and also for planning and managing the road networks.	High	To meet government and EU requirements
Growth and Regeneration	ALL	Local Transport Funding - Additional Highways Grant - A grant to support local authorities in funding capital costs for integrated transport measures and highway maintenance schemes.	High	To meet government and EU requirements
Growth and Regeneration	ALL	Pinch Point Grant 2013/14 - A fund to help local authorities keep traffic moving and remove bottlenecks on the local highways network.	High	To meet government and EU requirements
Growth and Regeneration	ALL	Severe Weather Grant 2013/14 - A scheme to support local authorities with costs in dealing with recovery from flood damage in December 2013 and severe weather between December 2013 and up to 7th February 2014.	High	To meet government and EU requirements
Growth and Regeneration	ALL	Local Sustainable Transport Grant – A scheme to help local authorities to cut carbon emissions and create local growth.	High	To meet government and EU requirements
Growth and Regeneration	ALL	Heritage Woodland in Action – A grant to support the restoration of ancient urban woodland.	High	To meet government and EU requirements
People and Communities	ALL	Disabled Facilities Grant - Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.	High	To meet government and EU requirements
People and Communities	ALL	Troubled Families - Results based funding to support families meeting certain criteria.	High	To meet government and EU requirements
			TOTAL AUDIT DAYS	50

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	TOTAL
OTHER RESOURCE PROVISIONS (CORPORATE SUPPORT)			
Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. 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	Provision for the completion of 2013-14 audits	30
Follow Up Provision	ALL	Revisiting audits after 6 months to monitor the implementation of recommendations	25
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 /members and ad hoc requests and consultancy work.	80
Committee Support	-	Production of reports and attendance at Council committees and boards	30
TOTAL AUDIT DAYS			165

INTERNAL AUDIT PERFORMANCE INDICATORS

Indicator	Target	Purpose
% audit recommendations accepted by management	90%	<p>Acceptance of audit recommendations by management ensures that where improvements are required to the internal control environment, appropriate action will be taken to secure these enhancements.</p> <p>However, there can be occasions where recommendations are disputed. In these cases, there may be justifiable reasons for management not supporting the recommendation, e.g. compensating controls have been put in place. Conversely, management can take the decision to accept the risks identified, particularly if insufficient resources preclude action being taken. However, this will mean that there are vulnerabilities in systems of internal control, which are not being addressed.</p>
% high priority recommendations implemented	90%	Management's commitment in implementing high priority recommendations ensures that high profile risks / fundamental flaws in systems of internal control are suitably resolved.
Number of days between the completion of audit fieldwork and issue of draft report	90%	The draft report is the first stage after which management will have written confirmation of the audit outcomes. This should be issued within 15 days. Issue on a timely basis provides better opportunity for management to be able to comment, and also ensures that the audit plan is delivered as expected.
Number of days between the issue of the draft and final report	90%	Delivery of a timely final report ensures that management can commence the process of addressing internal control weaknesses. This should be issued within 15 days
Average score given to audit feedback	Above 3.75	This is the main indicator of audit quality and is based upon the feedback received by management for individual audit assignments. Maximum score is 5. Scores of 3 and below are followed up.

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AUDIT COMMITTEE	AGENDA ITEM No. 8
16 MARCH 2014	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Committee Member(s) responsible:	Councillor Lee, Chairman of Audit Committee	
Contact Officer(s):	Karen S Dunleavy, Governance Officer	☎ 452233

DRAFT ANNUAL AUDIT COMMITTEE REPORT

R E C O M M E N D A T I O N S	
FROM : Kim Sawyer, Director of Governance	Deadline date : N/A
Audit Committee are asked to approve the draft Annual Audit Committee Report for submission to Council as shown in Appendix 1.	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee in line with the agreed Work Programme for the Municipal Year 2014 / 2015.

2. PURPOSE AND REASON FOR REPORT

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

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

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

- 2.2.1.16 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. DRAFT ANNUAL REPORT

- 4.1 Audit Committee Members have been issued with an Audit Committee Handbook which identifies all the key activities and work delivered through the Committee. Best practice within this publication establishes a need to highlight to a wider audience the works undertaken by the Committee and to enhance its profile across the organisation. Following new guidance issued in January 2014 the Handbook has been revised.

4.2 The attached Draft Annual Report has been produced (**Appendix 1**). The report shows:

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

5. ANTICIPATED OUTCOMES

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

5.2 Subject to approval by Audit Committee, it is intended to present the report to Council for noting as part of the Committee's annual update in order to demonstrate the work carried out to improve the governance arrangements across the Council.

6. REASONS FOR RECOMMENDATIONS

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

7. ALTERNATIVE OPTIONS CONSIDERED

7.1 None required at this stage.

8. IMPLICATIONS

8.1 This report contains no specific financial implications.

9. BACKGROUND DOCUMENTS

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

9.1 Draft Audit Committee Annual Report

10 APPENDICES

10.1 Appendix 1 - Draft Audit Committee Annual Report

**(DRAFT) ANNUAL REPORT FROM
THE CHAIRMAN OF AUDIT COMMITTEE
2014 / 2015**

Assurance

Governance

Accountability

Risk Management

Independence

AUDIT COMMITTEE: ANNUAL REPORT 2014 / 2015

INTRODUCTION

MEMBERSHIP AND MEETINGS

KEY ACTIVITIES AND TRAINING DURING THE MUNICIPAL YEAR

PLANS FOR 2015 / 2016

FOREWORD FROM THE CHAIRMAN OF AUDIT COMMITTEE

I am pleased to provide the Audit Committee's Annual Report for the municipal year 2014 / 2015. The Council is requested to note the work carried out by the Audit Committee in improving the governance arrangements across the Council.

The report shows how the Audit Committee has continued to make a positive contribution to the Council's governance and control environments. These cover all aspects, such as internal control; risk management; internal audit; anti-fraud; external audit; and financial reporting. In addition, it also covers the remit of Member standards.

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

Going forward, 2015 / 2016 will be a testing time for all Councils with the resources available becoming more important. How we risk manage our priorities, resources and partnerships will be vital, notwithstanding the risk of fraud. The Audit Committee holds a unique position to challenge and scrutinise the activities of the Council, with the support of Officers and my fellow Councillors, long may this continue.

INTRODUCTION

This is the 6th annual report produced by Peterborough City Council's Audit Committee. It is produced in accordance with latest best practice¹ and shows that the Council is committed to working as an exemplary organisation, operating the highest standards of governance. This report demonstrates how the Audit Committee has successfully fulfilled its terms of reference and has endeavoured to improve the Council's governance and control environments.

The Audit Committee was established by the City Council at its meeting in May 2006. Following its first year of operation, the membership was reduced from 10 to 7 members. This has subsequently been increased to 9 in 2014/15.

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risks and weakens the control environment, and to oversee the financial reporting process.

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

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

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

¹ Best practice as contained in the Chartered Institute of Public Finance and Accountancy (CIPFA) document "A Toolkit for Local Authority Audit Committees"

This report sets out the work undertaken by the Audit Committee for 2014 / 2015 and specifically highlights those areas where its scrutiny and review process has made a difference to performance. The Audit Committee has overseen good progress in all areas under its supervision.

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

MEMBERSHIP AND MEETINGS

During 2014 / 2015, the Audit Committee met on the following dates:

- 30 June 2014
- 22 September 2014
- 3 November 2014
- 2 February 2015
- 16 March 2015, originally scheduled for 23 March 2015

There is a cross representation of all parties in accordance with the make up of the Council. The members for 2014 / 2015 were (excluding substitutes):

Table 1: Audit Committee Membership 2014 / 2015:

Conservative	Peterborough Independent Forum	Liberal Democrats	Labour	Werrington First
Lee (Chair) Harper (Vice Chair) Arculus	F Fox Herdman	Sandford	Thulbourn Sylvester	Lane

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

Senior officers from the Council are also present, including the Director of Governance, Executive Director of Strategic Resources, Chief Internal Auditor, Head of Strategic Finance and the Head of Resilience. Dependent on the subject matter on the agendas, other officers will attend in addition to external representation from the Councils' External Auditor and Relationship Manager.

KEY ACTIVITIES AND TRAINING DURING THE MUNICIPAL YEAR

Background

The Audit Committee's original terms of reference covers 6 main areas:

- Internal Audit
- Internal Control and Corporate Governance
- Annual Accounts
- Risk management
- External Audit

- Counter Fraud and Irregularities

Following abolition of the national Standards regime, Members Code of Conduct was then incorporated into the Terms of Reference for this Committee.

Internal Audit

2.2.1 Terms of Reference

2.2.1.1	To consider the annual report and opinion of the Executive Director – Strategic Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
2.2.1.2	To consider summaries of specific internal audit reports as requested.
2.2.1.3	To consider reports dealing with the management and performance of the providers of internal audit services.
2.2.1.4	To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale
2.2.1.9	To commission work from internal and external audit.

30 June 2014

- *Effectiveness of Internal Audit.* Each year, as part of the production of the Annual Governance Statement which accompanies the Accounts, the Audit Committee also reviewed the effectiveness of the system of internal audit noting planned actions to address any areas of partial compliance. In addition, comparisons were made with the new Public Sector Internal Audit Standards.
- *Annual Audit Opinion.* Internal Audit produces an Annual Audit Plan which forms the basis of their audit activity. Progress is noted throughout the year and an independent annual report is produced highlighting assurances obtained across the organisation as well as any misgivings into the effectiveness of controls. The report also sets out the teams' performance. Where standards have not been maintained across the Council, Audit Committee are provided with Executive Summaries of Audit reports for further scrutiny. Internal Audit concluded that they were able to provide reasonable assurance based on the work reviewed in the year.

3 November 2014

- *Internal Audit Mid-Year Opinion.* The Audit Committee received a half year progress report highlighting internal audit performance against targets and quality assurance results to enable it to review and comment on the work and performance of internal audit. Any areas reviewed which are considered to be weak or requiring attention following Internal Audit activity can result in officers from across the Council being held to account. Similarly, this has been used for officers to explain the non-implementation of recommendations.

16 March 2015

- *Annual Audit Plan.* Audit Committee received the 2015/16 Internal Audit Plans.
- *Effectiveness of the Audit Committee.* Audit Committee was due to receive an update on its effectiveness, however training will be provided on the recent best practice standards first. This is proposed to be delivered across Cambridgeshire.

Internal Control and Corporate Governance

2.2.1 Terms of Reference

2.2.1.1	To consider the annual report and opinion of the Executive Director – Strategic Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
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2.2.1.5	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
2.2.1.10	Regulatory Framework
2.2.1.11	To maintain an overview of the Council's constitution in respect of contract procedure rules, and Financial Regulations.
2.2.1.12	To review any issue referred to it by the Chief Executive or a Director, or any Council body.
2.2.1.15	To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.
2.2.1.16	To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

30 June 2014

- *Annual Governance Statement.* A key role of the Audit Committee is to oversee the Authority's control environment and its associated system of internal controls and assurance processes. The Audit Committee must satisfy itself that the Authority's assurance statements, in particular the Annual Governance Statement, properly reflect the risk environment and any actions needed to improve it. This is done through receiving and scrutinising reports on the relevant areas and calling officers to account where necessary.
- Audit Committee reviewed the draft Annual Governance Statement on 30 June 2014, noting areas for improvement following a review of internal controls, risk management arrangements and significant governance issues. The Committee agreed to final changes to the Statement prior to its inclusion in the Statement of Accounts.

3 November 2014

- *Use of Consultants.* Following the review of consultants used by the Council in 2010 it was recommended and agreed that Audit Committee would monitor progress. The Committee received an update in November 2014. Following the update, Audit Committee requested further information in relation to the associated costs and the relationships of each project that had been supported by a consultant. In addition, the Committee requested that the revised format should be followed for future consultancy reports.
- *Invest to Save Scheme.* The Audit Committee requested that consideration should be given by Council to provide further transparency in regards to the allocation of funding for the Invest to Save Scheme (ISS). Following the request, a revised Cabinet Member Decisions Notice Report template was due to be circulated to Audit Committee Members for comment?

Annual Accounts

2.2.1 Terms of Reference

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

30 June 2014

- *Budget Monitoring: Final Outturn 2013 / 2014 and Statement of Accounts.* Audit Committee reviewed and scrutinised the outturn and Statement of Account on 30 June 2014 prior to its submission to the external auditors for audit. The Committee approved the Statement of Accounts

for 2013 / 2014 and authorised its signing by the Chairman. Audit Committee delegated authority to the Executive Director of Strategic Resources to make, following consultation with the Portfolio Holder for Resources, any non-material amendments to the Accounts arising from the external audit to be carried out by the Audit Commission between July and September 2014.

22 September 2014

- Following scrutiny by External Audit, the *Audit of Statement of Accounts and Report to those charged with Governance* was submitted to the Audit Committee.

3 November 2014

- *Treasury Management Update*. A separate report was submitted which outlined the council's approach to Treasury Management, in line with agreed practices identified in the Medium Term Financial Strategy. Further details are also set out in the outturn reports submitted in June each year.

Risk Management

2.2.1 Terms of Reference

2.2.1.10	Regulatory Framework
2.2.1.13	To monitor the effective development and operation of risk management and corporate governance in the council.

22 September 2014

- Risk Management Strategic Risk. Audit Committee received a report of the strategic risks impact on the Council and the mitigating actions to address these. At its meeting, the Committee requested that the Risk Register should be received following its review by Corporate Management Team.

16 March 2015

Risk Management: Strategic Risk. The Committee received a report which outlined the Strategic Risks for the Council including the latest review of the Risk Register by Corporate Management Team.

- **External Audit**

2.2.1 Terms of Reference

2.2.1.5	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
2.2.1.6	To consider specific reports as agreed with the external auditor.
2.2.1.7	To comment on the scope and depth of external audit work and to ensure it gives value for money.
2.2.1.8	To liaise with the Audit Commission over the appointment of the council's external auditor.
2.2.1.9	To commission work from internal and external audit.

22 September 2014

- Following scrutiny by External Audit, the *Audit of Statement of Accounts and Report to those charged with Governance* was submitted to Audit Committee. Following review the Committee approved and agreed the:
 - audited Statement of Accounts for 2013 / 2014 and adjustments;

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

2 February 2015

- Audit Committee scrutinised the Annual Audit and Inspection Letter in respect of 2013 / 2014 and considered the Annual Grant Claims Certification.

16 March 2015

- Annual Audit Plan.

Counter Fraud & Irregularities

2.2.1 Terms of Reference

2.2.1.10	Regulatory Framework
2.2.1.13	To monitor the effective development and operation of risk management and corporate governance in the council.

30 June 2014

- Audit Committee received an annual report highlighting counter fraud and irregularity work over the previous year. The Committee's review of the work and performance of the counter fraud team showed strong support and interest.

30 June 2014 / 22 September 2014 / 3 November 2014 / 2 February 2015 / 16 March 2015

- *Use of Regulation of Investigatory Powers Act 2000 (RIPA)*. At its meeting held on 24 March 2014, Audit Committee considered and agreed an alternative reporting mechanism which introduced a standing information item on each Audit Committee agenda in respect of the Use of Regulation of Investigatory Powers Act 2000 (RIPA). This meant that only when the RIPA power was utilised by PCC would there be a report presented to Audit Committee. To date there has been no RIPA use to report to Audit Committee. Ultimately, this change in reporting mechanism has permitted the Committee to work more efficiently and has avoided the presentation of repetitive reports.

Member Code of Conduct

2.2.1 Terms of Reference

2.2.1.20	Promoting and maintaining high standards of conduct by Councillors and co-opted members
2.2.1.21	Assisting the Councillors and co-opted members to observe the Code of Conduct
2.2.1.22	Advising the Council on the adoption or revision of the Code of Conduct
2.2.1.23	Monitoring the operation of the Code of Conduct
2.2.1.24	Advising, training or arranging to train Councillors and co-opted members on matters relating to the Code of Conduct
2.2.2	Terms of Reference of the Hearing Panel (sub-committee to the Audit Committee). The Hearings Panel is a sub-committee of the Audit Committee. The Panel has the following functions:

1	When matters are referred by the Monitoring Officer granting dispensations to Councillors and co-opted members allowing them to (A) participate in the debate and / or (b) vote on any matter in which they have a disclosable pecuniary interest;
2	On matters being referred by the Monitoring Officer deciding whether complaints concerning members should be investigated
3	Hearing complaints that have been referred to them by the Monitoring Officer pursuant to the Complaints procedure
4	The agreement of relevant procedures for the undertaking of its functions, when appropriate to be included within the Constitution

22 September 2014

- *Outcome of Code of Conduct (CoC) Review.* The Audit Committee received a report on the work of the CoC Review Group which outlined their recommendation to Audit Committee for Council to adopt the use of Local Government Association template. Following debate, the Audit Committee refused the recommendation and requested that the CoC Review Working Group considered Audit Committee's comments over their preferred CoC template, which was produced by the Department of Communities for Local Government (DCLG). In addition the Audit Committee requested that the CoC Review Group liaise with their political groups to ascertain Members comments and return to a future meeting of Audit Committee with the findings.

Training

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

- Preparation and scrutiny of the Statement of Accounts and the impact of International Financial Reporting Standards on these; and
- Attendance at Huntingdonshire District Council, which encompassed the following subjects:
 - Governance essentials;
 - Working with Internal Audit;
 - IT Threats in Local Government and the need for IT Audit;
 - The future of Local Government and implications for internal audit and the Audit Committee; and
 - External Audit – PricewaterhouseCoopers.

FUTURE DEVELOPMENTS AND PLANS FOR 2015 / 2016

Overall, the Audit Committee want to continue to develop and build on our current achievements. For 2015 / 2016 this will involve:

- Continuing to drive up standards of corporate governance;
- Continuing to equip existing and any new Members to fulfil the Audit Committee's responsibilities by providing or facilitating training on all aspects of the Audit Committee's remit;
- Assisting and supporting officers to promote the work of the Audit Committee and the roles of internal audit, external audit and risk management;
- Supporting the continued production of high quality and compliant statutory accounts;
- Helping to further increase awareness within the Council of its governance arrangements, with particular emphasis on information; and
- Providing effective challenge to officers, raising awareness for sound internal control arrangements and giving assurance to the Authority that its control arrangements are sound.

2.2 AUDIT COMMITTEE: TERMS OF REFERENCE²

2.2.1 Terms of Reference

- 2.2.1.1 To consider the annual report and opinion of the Executive Director – Strategic Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
- 2.2.1.2 To consider summaries of specific internal audit reports as requested.
- 2.2.1.3 To consider reports dealing with the management and performance of the providers of internal audit services.
- 2.2.1.4 To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale
- 2.2.1.5 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 2.2.1.6 To consider specific reports as agreed with the external auditor.
- 2.2.1.7 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 2.2.1.8 To liaise with the Audit Commission over the appointment of the council's external auditor.
- 2.2.1.9 To commission work from internal and external audit.
- 2.2.1.10 **Regulatory Framework**
- 2.2.1.11 To maintain an overview of the council's constitution in respect of contract procedure rules, and Financial Regulations.
- 2.2.1.12 To review any issue referred to it by the Chief Executive or a Director, or any council body.
- 2.2.1.13 To monitor the effective development and operation of risk management and corporate governance in the council.
- 2.2.1.14 To monitor council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the council's complaints process.
- 2.2.1.15 To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.
- 2.2.1.16 To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- 2.2.1.17 **Accounts**
- 2.2.1.18 To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 2.2.1.19 To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.
- 2.2.1.20 Promoting and maintaining high standards of conduct by Councillors and co-opted members
- 2.2.1.21 Assisting the Councillors and co-opted members to observe the Code of Conduct
- 2.2.1.22 Advising the Council on the adoption or revision of the Code of Conduct
- 2.2.1.23 Monitoring the operation of the Code of Conduct
- 2.2.1.24 Advising, training or arranging to train Councillors and co-opted members on matters relating to the Code of Conduct

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

2.2.2 Terms of Reference of the Hearing Panel (sub-committee to the Audit Committee).

The Hearings Panel is a sub-committee of the Audit Committee. The Panel has the following functions:

- 1** When matters are referred by the Monitoring Officer granting dispensations to Councillors and co-opted members allowing them to (A) participate in the debate and / or (b) vote on any matter in which they have a disclosable pecuniary interest;
- 2** On matters being referred by the Monitoring Officer deciding whether complaints concerning members should be investigated
- 3** Hearing complaints that have been referred to them by the Monitoring Officer pursuant to the Complaints procedure
- 4** The agreement of relevant procedures for the undertaking of its functions, when appropriate to be included within the Constitution

AUDIT COMMITTEE	AGENDA ITEM No. 9
16 MARCH 2015	PUBLIC REPORT

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

REVIEW OF EFFECTIVENESS OF THE AUDIT COMMITTEE

RECOMMENDATIONS	
FROM : John Harrison, Corporate Director: Strategic Resources	Deadline date : N/A
<p>1. The Committee is asked to:</p> <p style="padding-left: 20px;">a) Consider and approve the review and its conclusion that the Committee is operating effectively in all material respects.</p>	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee in line with its agreed Work Programme for 2014 / 2015.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to present the results of the 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:

- 2.2.1.16 *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. 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 which has previously been provided to all members. 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.

5. CONSULTATION

The effectiveness review has been circulated to Service Director Financial Services for comment.

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 and make suitable recommendations to bolster its effectiveness, however it is believed that the assessment is accurate and can be evidenced.

9. IMPLICATIONS

Where appropriate, the report highlights implications for areas such as Legal, Human Resources, Procurement and / or Finance.

This report does not have implications for specific wards.

BACKGROUND DOCUMENTS

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

Appendix 1 Audit Committee Effectiveness Checklist

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS

Assessment based on the Audit Committee Checklist (Audit Committee Handbook 2014)

	Issue	Yes	No	Partial	Evidence / Suggested Improvement
1...ESTABLISHMENT, OPERATION AND DUTIES					
1.1 ROLE AND REMIT					
1.1.1	Does the Audit Committee have written terms of reference?	✓			Terms of Reference (ToR) are held within: <ul style="list-style-type: none"> • Constitution • on website • Audit Committee Handbook
1.1.2	Do the terms of reference cover the core functions of an Audit Committee as identified in CIPFA guidance?	✓			Template used for ToR based upon CIPFA best practice published in 2006; incorporating arrangements for internal audit, external audit, risk management, governance and fraud issues. Amendments since inception have been to incorporate member standards issues as a sub-committee of the main Audit Committee (referred to as a Hearing Panel).
1.1.3	Are the terms of reference approved by the council and reviewed periodically?	✓			Updates to Constitution are all channelled through Council as appropriate. Last full update for Audit Committee was 2012 to incorporate standards (see 1.1.2). Main ToR remains as per best practice.
1.1.4	Has the Audit Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	✓			Changes to committee numbers agreed each year at Council when establishing make up of each Committee. 11/7/2012 Council agreed for Audit Committee to be exempt from political balance requirements under s.15 LG and Housing Act 1989. Current membership (9) <ul style="list-style-type: none"> • Con 3; Lab 2; PIF 2; LD 1; WF 1 Committee members are all elected Councillors. Internal Audit have provided a briefing to an all-party forum 27 November 2014 to raise awareness.

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS

Assessment based on the Audit Committee Checklist (Audit Committee Handbook 2014)

	Issue	Yes	No	Partial	Evidence / Suggested Improvement
1.1.5	Can the Audit Committee access other committees and full council as necessary?	✓			<p>Members are also on other Committees in line with their political lines and all attend Full Council.</p> <p>An annual report on Audit Committee activity – in the name of the Audit Committee chair – is provided to Full Council for information. The latest version is scheduled for Audit Committee on 16 March 2015.</p> <p>Issues raised within Audit Committee which are deemed not to be within the remit of the committee are referred through to the appropriate committee.</p>
1.1.6	Does the authority's Annual Governance Statement include a description of the Audit Committee's establishment and activities?	✓			<p>AGS has been produced by Chief Internal Auditor (CIA) since 2006 and conforms to the prescribed best practice. Reference is made within the document to the role of the Audit Committee.</p> <p>This is confirmed by External Audit annual review of the said document.</p>
1.1.7	Does the Audit Committee periodically assess its own effectiveness?	✓			The review has been undertaken by CIA.
1.1.8	Does the Audit Committee make a formal annual report on its work and performance during the year to full council?	✓			Draft annual report produced in March each year – reviewed and approved by Audit Committee – and referred through formal process to Full Council

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS

Assessment based on the Audit Committee Checklist (Audit Committee Handbook 2014)

	Issue	Yes	No	Partial	Evidence / Suggested Improvement
1.2	MEMBERSHIP, INDUCTION AND TRAINING				
1.2.1	Has the membership of the committee been formally agreed and a quorum set?	✓			Annual review of membership each year (May) and decision referred to Full Council for numbers on Committee (see 1.1.4). Quorum set for all Committees at this point
1.2.2	Is the chair independent of the executive function?	✓			Chair is not on 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?	✓			Current chair had prior knowledge / experience of key concepts etc in previous role on Cabinet. Training has been provided to all when needed.
1.2.4	Are new Audit Committee members provided with an appropriate induction?	✓			Audit Committee Handbook issued to all members. 2014 training also provided to members at Huntingdonshire DC. Open to all on Committee – 3 new members attended all day event. Overview of Committee provided to all party policy forum (see 1.1.4) Separate briefings have been given throughout year to address specific issues arising e.g. use of project management software, risk management etc. Standardised work programme set out for the year and training offered around each of those areas.
1.2.5	Have all members' skills and experiences been assessed and training given for identified gaps?			✓	Training has been provided to all when needed. An assessment of any gaps is required. Member Services are looking into this for all Committees.

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS

Assessment based on the Audit Committee Checklist (Audit Committee Handbook 2014)

	Issue	Yes	No	Partial	Evidence / Suggested Improvement
1.2.6	Has each member declared his or her business interests?	✓			Member interests are recorded on website During 2014/2015, there have been no declarations made within each Audit Committee session.
1.2.7	Are members sufficiently independent of the other key committees of the council?	✓			Members are on other Committees (with exception of Cabinet)
1.3	MEETINGS				
1.3.1	Does the Audit Committee meet regularly?	✓			Set timetable agreed each year / with prescribed timings for key reports. E.g. <ul style="list-style-type: none"> - June (draft final accounts / AGS / audit opinion) - Sept (audited final accounts) - November (audit progress) - February (grant claims) - March (audit plans) Other activities programmed throughout year cover risk management, fraud, governance, use of RIPA etc. Standards reporting has not been activated but is a standing item on the agenda
1.3.2	Do the terms of reference set out the frequency of meetings?		✓		Work programme identified each year sets out the key activities and timelines for delivery – but this is not set out within the ToR.
1.3.3	Does the Committee calendar meet the authority's business needs, governance needs and the financial calendar?	✓			Work Programme produced complies with statutory dates for reporting e.g. final accounts.

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS

Assessment based on the Audit Committee Checklist (Audit Committee Handbook 2014)

	Issue	Yes	No	Partial	Evidence / Suggested Improvement
1.3.4	Are members attending meetings on a regular basis and if not, is appropriate action taken?	✓			Annual report sets out level of attendance and are documented on website against each committee agenda. Substitutes are available if needed to ensure quorate and offset apologies.
1.3.5	Are meetings free / open without political influences being displayed?	✓			Decisions taken are not on political lines. In addition, the committee is exempt from political balance (see 1.1.4)
1.3.6	Does the s151 officer or deputy attend all meetings?	✓			S151 officer at meetings relating to final accounts (draft / audited). Deputy s151 officer at all meetings.
1.3.7	Does the Audit Committee have the benefit of attendance of appropriate officers at its meetings?	✓			Officers attending based on agenda items, as well as representatives from Finance, Audit, Governance and External Audit.

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS

Assessment based on the Audit Committee Checklist (Audit Committee Handbook 2014)

	Issue	Yes	No	Partial	Evidence / Suggested Improvement
2...INTERNAL CONTROL					
2.1	Does the Audit Committee consider the findings of the annual review of the effectiveness of the internal audit?	✓			Annual report produced in June committee cycle each year for review as part of the consideration for the AGS.
2.2	Does the Audit Committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?	✓			Agenda items are structured so that it is considered before final accounts in June each year
2.3	Does the Audit Committee consider how meaningful the AGS is?	✓			Full details are provided / background information in order to make informed decisions
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 the Internal Audit progress reports to committee and the annual opinion. Each report is discussed as appropriate, minuted and agreed.
2.5	Has the Audit Committee considered how it integrates with other committees that have responsibility for risk management?			✓	Committee are responsible for monitoring the effective development and operation of risk management in the Council. Member Services will look into this as part of any training requirements
2.6	Has the Audit Committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud - Actions to Counter Fraud and Corruption?"	✓			Part of Audit Committee remit and previously covered. (NB: New guidelines issued by CIPFA in October 2014. A full review of policies is required to ensure compliance and report in the Audit Committee)
2.7	Does the Audit Committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	✓			There is an annual report produced in relation to investigations / compliance.

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS

Assessment based on the Audit Committee Checklist (Audit Committee Handbook 2014)

	Issue	Yes	No	Partial	Evidence / Suggested Improvement
2.8	Is the Audit Committee made aware of the role of risk management in the preparation of the internal audit plan?	✓			Set out in the Audit Charter / Strategy as to how the Audit Plan has been developed
2.9	Does the Audit Committee review the authority's strategic risk register at least annually?	✓			Risk register issued to Audit Committee as a high level document. It is scheduled for March 2015.
2.10	Does the Audit Committee monitor how the authority assesses its risk?	✓			Risks are reported to committee and actions taken to mitigate are challenged. Suggestions are made for areas that should be included.
2.11	Do the Audit Committee's terms of reference include oversight of the risk management process?	✓			Yes

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS

Assessment based on the Audit Committee Checklist (Audit Committee Handbook 2014)

	Issue	Yes	No	Partial	Evidence / Suggested Improvement
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?	✓			Within ToR
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 	<ul style="list-style-type: none"> ✓ ✓ ✓ ✓ ✓ 		✓	<ul style="list-style-type: none"> Set out in final accounts updates / reports and overview given as part of training prior to agenda Not referred to Audit Committee. These are taken through Cabinet Set out in final accounts updates / reports and overview given as part of training prior to agenda
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?	✓			Covered during the September cycle
3.4	Does the Audit Committee review the management's letter of representation?	✓			As part of September cycle

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS

Assessment based on the Audit Committee Checklist (Audit Committee Handbook 2014)

	Issue	Yes	No	Partial	Evidence / Suggested Improvement
3.5	Does the Audit Committee annually review the accounting policies of the authority?	✓			See 3.2
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 are incorporated into the Handbook.

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS

Assessment based on the Audit Committee Checklist (Audit Committee Handbook 2014)

	Issue	Yes	No	Partial	Evidence / Suggested Improvement
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?	✓			Chief Internal Auditor has direct access and freedom to report to all officers / members and particularly to those charged with governance (Chief Executive, S.151 officer, Monitoring Officer, Leader of the Council, Chair of Audit Committee).
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 audit plan, there is a half year 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?	✓			Recorded on progress reports
4.5	Does the Audit Committee hold periodic private discussions with the Head of Internal Audit?		✓		Briefings only prior to agenda circulation
4.6	Is there appropriate cooperation between the internal / external auditors?	✓			Joint working arrangements where appropriate 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 identified within the annual planning process to establish work plans

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS

Assessment based on the Audit Committee Checklist (Audit Committee Handbook 2014)

	Issue	Yes	No	Partial	Evidence / Suggested Improvement
4.8	Has the Audit Committee evaluated whether its Internal Audit service complies with Public Sector Internal Audit Standards?	✓			Annual review included as part of the annual audit opinion report in June cycle
4.9	Are Internal Audit performance measures monitored by committee?	✓			Reported as part of the annual audit opinion
4.10	Has the Audit Committee considered the information it wishes to receive from Internal Audit?	✓			A standard work programme is in place based on known requirements to meet statutory needs. No other issues raised to date.

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS

Assessment based on the Audit Committee Checklist (Audit Committee Handbook 2014)

	Issue	Yes	No	Partial	Evidence / Suggested Improvement
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?	✓			Only external audit reports are referred to Audit Committee
5.6	Does the Audit Committee assess the performance of external audit?	✓			Following abolition of Audit Commission, increased presence expected by Audit Committee on assessing external auditors
5.7	Does the Audit Committee consider / approve the external audit fee?	✓			Considered by Cabinet and endorsed by Audit Committee

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS

Assessment based on the Audit Committee Checklist (Audit Committee Handbook 2014)

	Issue	Yes	No	Partial	Evidence / Suggested Improvement
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 with representation from Democratic Services
6.1.2	Are agenda papers circulated in advance of meetings to allow adequate preparation by Audit Committee members?	✓			Papers issued in accordance with council requirements
6.1.3	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	✓			Work programme established which maps business needs
6.1.4	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	✓			Not a standard agenda item. However, Members are encouraged to provide information at the meeting which can be considered in future by Audit Committee, or referred to the appropriate committee.
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

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS

Assessment based on the Audit Committee Checklist (Audit Committee Handbook 2014)

	Issue	Yes	No	Partial	Evidence / Suggested Improvement
6.3	<i>ACTIONS ARISING</i>				
6.3.1	Are minutes prepared and circulated promptly to the appropriate people?	✓			Circulated following meeting and agreed at next
6.3.2	Is a report on matters arising made and minuted at the Audit Committee's next meeting?	✓			Standard item on the agenda which highlights actions made and how they have been resolved
6.3.3	Do action points indicate who is to perform what and by when?	✓			As 6.3.2

AUDIT COMMITTEE	AGENDA ITEM NO. 10
16 MARCH 2015	PUBLIC REPORT

Contact Officer(s):	Kim Sawyer, Director of Governance	Tel. 452361
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Ivatt Way - Enterprise

R E C O M M E N D A T I O N S
FROM : Director of Governance
It is recommended that Audit Committee notes the outcome of the proceedings between the Council and Enterprise Managed Services Ltd.

1. ORIGIN OF REPORT

- 1.1 Audit Committee is responsible for monitoring the council's financial governance process. As part of that function Audit Committee must ensure the proper protection of public funds. This report outlines the proceedings between the council and Enterprise following a contractual dispute.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to update the Audit Committee on the current status of the Ivatt Way solar project and the outcome of the recent legal proceedings with Enterprise.
- 2.2 This report is brought to Audit Committee under the following terms of reference:
- 2.2.1.12 To review any issue referred to it by the Chief Executive or a Director, or any Council body

3. ISSUES AND BACKGROUND

- 3.1 On 7 July 2011 the council entered into a contract which required Enterprise to design and install a 1.5MW solar energy plant on its commercial property in Ivatt Way, Peterborough (the property is leased to Tesam distribution limited) with 55kW being completed by 31 July 2011 so that the council would receive income at the higher FIT rate (as opposed to the lower rate which came into force after that date). The original contract sum was approximately £6m. The project was subsequently scaled back to just under 200kW due to physical difficulties with installing the panels. The revised contract sum was approximately £1m.
- 3.2 Enterprise failed to achieve the 31 July 2011 deadline and ultimately Ofgem could not be persuaded to grant the higher feed-in tariff FIT rate to the installation. The council commenced a claim against Enterprise for £1.322m, which is the "price reduction" applicable under the contract for Enterprise's failure to achieve the 31 July 2011 deadline. Enterprise counterclaimed the sum of £658,000, which is the unpaid balance of its last application for payment for work carried out on the contract. The council accepted that this amount (less some minor deductions) would ultimately be due to Enterprise, but argued that it was not yet due.

- 3.3 Mediation was held in May 2014 but a settlement was not reached. In August 2014, the council commenced court proceedings. There was an initial dispute as to whether the court was the correct forum. The court thought the issue was finely balanced and agreed with the council's reasons for wanting the dispute decided by the court. However, on balance, the court thought that the adjudication process provided for in the contract was mandatory and so decided the parties must first follow this process.
- 3.4 The adjudication process took place between October 2014 and January 2015. The council's primary claim was for the price reduction of £1.322m. If this approach was not successful, the council's secondary claim was that alternatively £827,000 plus interest was due, being the council's actual losses for failing to receive the higher FIT rate together with £200,000 in relation to fire damage, professional and legal fees and wasted management time. Enterprise claimed payment of £658,000, as noted above.
- 3.5 On 14 January 2015, the adjudicator awarded: (i) £649,000 plus VAT and interest to Enterprise (having agreed with the council that deductions needed to be made to Enterprise's application) and (ii) £827,000 plus interest to the council for its actual loss claim, together with £135,000 in relation to fire damages and professional/legal fees. The council was therefore the net winner. It should also be noted, as outlined above, that as the £649,000 payable to Enterprise was for the works undertaken, the council has already budgeted for this sum as part of the original scheme budget. Enterprise has paid a net sum to the council, albeit discussions are on-going in relation to some additional interest which the council claims is due to it from Enterprise.
- 3.6 The reason the adjudicator awarded actual loss to the council rather than the higher price reduction was that the adjudicator found that the price reduction became a penalty (and therefore legally unenforceable) when the scope of the contract was reduced in August 2011. At this point, the price reduction exceeded the revised contract sum.
- 3.7 The contract provides for either party to serve a notice of dissatisfaction if it wishes to challenge the adjudicator's decision and have the dispute decided by the court. The deadline for serving this notice was 11 February 2015. Neither party served a notice and so the adjudicator's decisions are now final and binding on the parties. The current legal proceedings are at an end save for (i) any action needed to recover the outstanding interest from Enterprise and (ii) any future disputes which might arise (for example in relation to any future defects which might become apparent). The council identified the potential "upside" to court proceedings as obtaining a decision from the court that the price reduction was enforceable which could lead to the council recovering in the region of an additional £300-350,000 (once irrecoverable costs are taken into account). The risks of court proceedings, in addition to the general inherent uncertainty of litigation, included the council's claims being subjected to a much greater degree of scrutiny and the council thereby recovering much less than awarded by the adjudicator (particularly in relation to the actual loss claim of £827,000 which Enterprise did not defend and which the adjudicator allowed in full). It was therefore decided that on balance the risks of court proceedings outweighed the potential advantages.
- 3.8 The council now proposes to register the Tesam installation with Ofgem so that it can begin to recover the FIT income.

4 ANTICIPATED OUTCOMES

- 4.1 The resolution of the proceedings means that the council can now claim income for the electricity generated from the solar panels.

AUDIT COMMITTEE	AGENDA ITEM No. 11
16 MARCH 2015	PUBLIC REPORT

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

FEEDBACK REPORT

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

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

3. APPENDICES

- Appendix 1 – Summary of Feedback Responses

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AUDIT COMMITTEE: RECORD OF ACTION TAKEN

MUNICIPAL YEAR: MAY 2014 - APRIL 2015

DATE ISSUE RAISED	AGENDA ITEM / ACTION ARISING	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
2 February 2015	Circulate the most recent Cabinet Member Decision Notice that required the use of the Invest to Save Scheme (ISS) to Members of the Audit Committee for comment on whether it contains the information they would expect	Head of Strategic Finance	'The following CMDN (NOV 14/CMDN/95) that was approved in November for energy efficiency works and solar panels on council buildings was circulated to Committee Members, as an example of a recent member decision that used invest to save funding, http://democracy.peterborough.gov.uk/ieDecisionDetails.aspx?ID=1007	5 March 2015
2 February 2015	Arrange a briefing regarding the Asset Disposal Protocol.	Head of Strategic Finance	A briefing has been arranged for 16 March 2015 prior to the Audit Committee meeting.	5 March 2015
2 February 2015	That the Head of Strategic Finance would provide an update outlining any comments received regarding the ISS funding.	Head of Strategic Finance	Committee Members will provide any comments to the Service Director Financial Services as to whether this approach includes the information they would expect for such decisions	5 March 2014
2 February 2015	To raise with the budget working group, whether it would be permissible to utilise Public Health funding to support the provision and	Councillor Seaton	Whilst it is feasible to use Public Health funding for parks and recreational	16 February 2015

	maintenance of Peterborough City Council park and recreational spaces.		spaces, present funding is fully allocated. However the Council will consider the suggestion as part of ongoing Public Health strategic and operational planning.	
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