

AUDIT COMMITTEE

MONDAY 21 MARCH 2016
7.00 PM

Bourges/Viersen 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	
<p>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.</p>	
3. Minutes of the Meeting Held on 8 February 2016	3 - 4
<p>To approve the minutes of the meeting held on 8 February 2016</p>	
4. Risk Management: Strategic Risks	5 - 28
<p>To receive an update on the strategic risks for the Council.</p>	
5. Outcome of the Code of Conduct Review	29 - 58
6. Internal Audit: Draft Internal Audit Plan 2016 / 2017	59 - 94
<p>To receive and approve the Internal Audit Plan 2016 / 2017.</p>	
7. Draft Annual Audit Committee Report	95 - 108
<p>To receive and approve the Draft Annual Audit Committee Report prior to submission to Council.</p>	
8. Account and Audit Regulations 2015	109 - 114
<p>Issues emerging from the Account and Audit Regulations 2015</p>	

INFORMATION AND OTHER ITEMS

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

The Committee is asked to **NOTE** that there have been no RIPA authorisations in this quarter.

10. Approved Write-Offs Exceeding £10,000

The Committee is asked to **NOTE** that there have been no approved write-off amounts to report since 8 February 2016, which exceed the Council's Financial Regulation threshold of £10,000.



There is an induction hearing loop system available in all meeting rooms. Some of the systems are infra-red operated, if you wish to use this system then please contact Gemma George on 01733 452233 as soon as possible.

Emergency Evacuation Procedure – Outside Normal Office Hours

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

Recording of Council Meetings: Any member of the public may film, audio-record, take photographs and use social media to report the proceedings of any meeting that is open to the public. A protocol on this facility is available at:

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

Committee Members:

Councillors: Aitken (Chairman), S Scott, D Over (Vice Chairman), Sylvester, K Sharp, F Fox, A Shaheed and S Lane

Substitutes: Councillors: C Harper, Johnson, D Harrington, Whitby, N Sandford and J R Fox

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

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT THE TOWN HALL, PETERBOROUGH ON 8 FEBRUARY 2016**

Present: Councillors Aitken (Chairman), Over (Vice Chairman), Scott, Sylvester, F Fox, Shaheed and Lane.

Officers in

Attendance: Steven Pilsworth, Service Director Financial Services
Steven Crabtree, Chief Internal Auditor
Pippa Turvey, Senior Democratic Services Officer

Also in

Attendance: Julian Rickett, PricewaterhouseCooper

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Sharp.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE MEETING HELD ON MONDAY, 9 NOVEMBER 2015

The minutes of the meeting held on Monday, 9 November 2015 were approved as an accurate and true record.

4. Annual Audit Letter and Other External Audit Reports

The Chairman thanked Julian Rickett, PricewaterhouseCooper (PwC), for his work with the Audit Committee over the past seven years. This was to be the last Committee meeting with PwC as the Council's external auditors prior to Earnest and Young taking over the role.

The Head of Strategic Finance and Julian Rickett, PwC introduced a report to Members of the Audit Committee, which outlined the 2014/2015 Annual Audit Letter and 2014/2015 Grant Claims: Annual Certification Report.

Observations and questions were raised and discussed including:

- An unqualified opinion had been issued for the Annual Audit Letter. PwC did not have any specific issues to highlight to the Committee.
- The Code of Audit Practice required a review of the Council's treatment on accounting for school's non-current assets. For a number of schools the assets were, correctly, not recorded, however the Council still held the legal title of the assets. This would need to be updated.
- In relation to the Grant Claims: Annual Certification Report, PwC's opinion was qualified. This, however, was not irregular as PwC has little leeway to apply any judgements around materiality.
- The value of the Housing Benefit Subsidy was approximately £73 million, which had been altered by £32 following the Certification Work.
- PwC had raised a number of points in their Annual Certification Report two years. Improvements had been made last year and continued into this year.

The Committee:

- 1) Considered and endorsed the 2014/15 Annual Audit Letter; and
- 2) Consider and endorse the 2014/2015 Grant Claims: Annual Certification Report.

INFORMATION AND OTHER ITEMS

5. USE OF REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

The Committee noted that there had been no RIPA authorisations in this quarter.

6. APPROVED WRITE-OFFS EXCEEDING £10,000

The Committee noted that there had been no write-offs for the Council exceeding £10,000.

7. FEEDBACK REPORT

The Chairman introduced a 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.

In response to questions from the Committee the Head of Strategic Finance advised that, as per Treasury Management Strategy, the Council did not invest funds in overseas banks. As the Royal Bank of Scotland possessed an A+ rating and not an A++ or and A+++, monies were only held with them for short term.

The Committee:

Noted the feedback report.

8. WORK PROGRAMME

The Chairman submitted the latest version of the Work Programme for the Municipal Year 2015/2016 for consideration and approval. The standard report provided details of the proposed Work Programme for the Municipal Year 2015/2016 together with any training needs identified.

The Head of Strategic Finance advised that an additional report would be required for the Audit Committee meeting on 21 March 2016, in relation to issues emerging from the Account and Audit Regulations 2015.

The Committee:

Noted and approved the 2015/2016 Work Programme, with the addition of:

- 21 March 2016 – Issues Emerging from the Account and Audit Regulations 2015

7:00pm – 7:20pm
Chairman

AUDIT COMMITTEE	AGENDA ITEM NO. 4
21 MARCH 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton Cabinet Member for Resources	
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 comment on and note the latest Risk Management Report.	

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to provide an update on Risk Management under its terms of reference 2.2.1.13 To monitor the effective development and operation of risk management and corporate governance in the council and to:

- Provide the Audit Committee with the profile of Corporate risks faced by the Council;
- To provide details of significant changes to the Corporate Risk Register since the last report to the Committee in September 2015; and
- To provide the Audit Committee with the profile of risks faced by corporate and executive directorates.

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 In accordance with best practice, the Council operates a risk management approach at corporate and service levels across the Council, seeking to identify key risks which might prevent the Council's priorities from being successfully achieved.

4.2 The risk management approach is encapsulated in the following key document:

- Risk Management Policy

4.3 This document sets out the Council's Policy on the management of risk, including the Council's approach to the level of risk it is prepared to countenance as expressed as a maximum risk appetite.

4.4 The Risk Management Policy states that the Council aims to manage risk in a manner which is proportionate to the risk faced based on the experience and expertise of its senior managers, although this must be within the Council's risk appetite. Audit Committee members are therefore reminded that accepting a residual risk score of amber is appropriate provided that an objective risk assessment has been undertaken.

4.5 This document details the procedures through which the Council will identify, assess, monitor and report key risks. The Risk Management Procedures document is owned by the Corporate Management Team (CMT).

4.6 The key role of Audit Committee in the management of risk is:

- It provides independent assurance of the adequacy of the Council's risk management framework and the associated control environment.

4.7 Risk Identification

The Council's approach to risk identification is described in the following extract from the Council's Risk Management Policy as approved by General Purposes Committee:

- Risk management should operate within a culture of transparency and openness where risk identification is encouraged and risks are escalated where necessary to the level of management best placed to manage them effectively;
- Risk management should be embedded in everyday business processes;
- Officers of the Council should be aware of, and operate, the Council's risk management approach where appropriate;
- Councillors should be aware of the Council's risk management approach and of the need for the decision making process to be informed by robust risk assessment, with General Purposes Committee members being involved in the identification of risk on an annual basis.

Ownership of the Corporate Risk Register (CRR) lies with CMT which reviews the Register on a quarterly basis.

4.8 The CRR was reviewed by CMT members during January/February 2016 and is awaiting formal approval.

4.6 This report is supported by:

- The Corporate Risk Management Policy (Appendix 1)
- The Corporate Risk Register (Appendix 2)

5. CORPORATE RISK REGISTER UPDATE

5.1 Following the review of corporate risks during January/February 2016, CMT is confident that the CRR is a comprehensive expression of the main risks faced by the Council and that mitigation is either in place, or in the process of being developed, to ensure that each risk is appropriately managed.

5.2 The risks below:

Risk 1: Failure to plan for/realise implications of Growth Agenda

The Corporate Risk Register currently scores the residual risk of failure as amber and there has been no change in the score since the last review in September 2015.

Risk 2: Impact of social demographic change

The score within the Corporate Risk Register remains at red and the actions have been clarified to mitigate the risk.

Risk 3: School places

The score within the Corporate Risk Register remains at red and the strategies have been updated to mitigate the risk.

Risk 4: Corporate manslaughter/health and safety incident

There are no changes in this risk and the Corporate Risk Register score remains at amber.

Risk 5: Crime and ASB Reduction/Cohesion

The Corporate Risk Register continues to score this risk at amber however the strategies within current controls have been updated.

Risk 6: Safeguarding

The Corporate Risk Register continues to score this risk at red however the actions have been updated to reflect current practice.

Risk 7: Information Governance

The score and amber rating within the Corporate Risk Register remains the same however the actions have been revised to reflect the recent policy review.

Risk 8: Financial position

The score has been reduced from red to amber to reflect the balanced position for 2016/17 and significant savings opportunities identified for 2017/18.

Risk 9: NHS funding and organisation

There have been no changes identified in the score or red rating within the Corporate Risk Register.

Risk 10: Strategic Partnerships failing to deliver as per expectations

There have only been minor changes within this risk reflecting changes in job titles. Both the score and amber rating remains the same

6. KEY ONGOING ISSUES FOR 2015/16

- Quarterly review of Strategic (corporate) risk register by CMT;
- Coordination of Strategic and Departmental risk registers;
- Regular risk “conversations” within and between services at all levels;
- Updates on Insite, web and E-Learning; and
- Strategic issues e.g. introducing and embedding Risk Management into procurement processes, induction briefings and business plans.

7. ANTICIPATED OUTCOMES

7.1 Audit Committee note and comment on the contents of this report.

8. REASONS FOR RECOMMENDATIONS

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

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 None

10. IMPLICATIONS

10.1 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.

11. BACKGROUND DOCUMENTS

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

11.1 Peterborough City Council Risk Management Policy 2015.

12 APPENDICES

- Appendix 1 - Strategic Risk Register v 8.5
- Appendix 2 - Risk Management Policy v4.8

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 Saftg D Com E Env 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	8	◀▶	Currently unable to accurately predict future levels of business rate income.	Robust viability discussions with developers. Focused Section 106 team and CIL introduced in April 2015 and review of Local Plan. Monitoring residential land supply.	1)Development of system to forecast future levels of business rates. 2)Co-ordinated approach between the Council and Opportunity Peterborough to influence LEP investment decisions. .3) Joint Venture company, Peterborough Investment Partnership, now established to deliver growth projects. 4)Long term capital investment plan for new infrastructure.	Simon Machen		Jun-16	
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.	D	4	5	20	20	◀▶		Ongoing monitoring and review. Financial impact evaluation. Use of agency staff and improved recruitment materials. Customer Experience programme focussing on reducing demand and reducing high cost placements.	1)Finalisation and implementation of Prevention, Early Help and Demand Management Strategy including workforce reform, development of community capacity and resilience and Customer Experience Programme. 2)SEN strategy. Adult Social Care enablement and prevention models to be implemented. CWD work programme includes a prevention work stream. 3)Recruit alternatively qualified staff to support social workers, improved retention package 4) Delivery of the Customer Experience programme - specifically the Front Door, Health and Social Care Integration and Home Services Delivery Vehicle	Wendi Ogle-Welbourn	Ongoing	Apr-16	

3	School Places	<p>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</p>	<p>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</p>	A	5	4	20	20	◄►	<p>Latest new intake allocations for Reception for 9/16 suggest we will have less than 1% of school places surplus. For Year 7 it is circa 8%. Key shortage of places in existing reception, yr 1, y10 and y11. Challenge is to create capacity in Year 7 to meet the demands coming through from Reception, Years 1 and 2 where numbers exceed the Y7 PAN by some 500 places Government have announced no basic need funding - £4m gap in next 2 F/Y</p>	<p>1) Updated School Organisation plan (2015-2020) 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</p>	<p>1) Keep under review. 2) Local and national lobbying (inc EFA capital funding options, inc Free Schools) 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 (new In Year form being developed to improve data collection)</p>	Brian Howard	Ongoing	Apr-16	<p>Review in line with allocation rounds (Secondary 1st March, Primary 16th April)</p>
4	Corporate manslaughter/ health and safety incident	<p>Failure of the health and safety system to prevent a death or serious injury (that could have been preventable).</p>	<p>Impact on the organisation and individuals concerned, potential for financial loss, litigation etc.</p>	C	2	4	8	8	◄►		<p>Robust arrangements and training in place including regular internal auditing of policies and procedures.</p>	<p>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.</p>	Corporate Management Team	Ongoing	Jun-15	
5	Crime and ASB Reduction /Cohesion	<p>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.</p>	<p>Increased costs across the public sector; increased fear of crime; reduced confidence in public sector; community tensions and conflict.</p>	D	2	4	8	8	◄►		<p>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.</p>	<p>1) Maintain strong focus on daily risk management and longer term performance monitoring. 2) Continue to enhance the role of 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. 4) Continue to develop the relationship between Mosques and between the Muslim community and the Council</p>	Adrian Chapman	Ongoing	Jun-16	

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	◀▶		<p>1) Implementation and continuing development of the Multi-Agency Safeguarding Hub 2) Permanent team managers recruited in First Response and MASH in Children's Services 3) Accountability to CMT & Scrutiny 4) Quality Assurance function strengthened and operating across Children's and Adults' Services 5) New Quality Improvement service established to support commissioned providers to improve practice 6) Workforce Development training programme including targeted approach to build skills of team managers. 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.</p>	<p>1) Sustain current improvement journey and adhere to OfSTED improvement plan in Children's Services; 2) Permanent leadership team recruited to/in place - recruitment and retention package for social workers developed and to be implemented; 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 development including in relation to Large Scale Investigations 2) Strengthened Safeguarding Adults board arrangements 3) Consultant practitioners in frontline teams</p>	Wendi Ogle-Welbourn	Ongoing	Apr-16	
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	12	◀▶		<p>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 5) Box secure file sharing introduced and being embedded</p>	<p>1) Information Governance overarching policy has been reviewed to meet requirements of Caldicott2 and quality assured by Zurich. Data Protection and Data Breaches policies also reviewed and action plan to be taken to CMT in March. 2) Mandatory training and awareness sessions held for all staff 3) Corporate Induction raises awareness to all new staff. 4) Information Governance Group to be relaunched to oversee compliance and action / work plan. 5) Information governance risk registers being finalised with individual departments</p>	Kim Sawyer	Ongoing and quarterly review by CMT (data security). Oversight by SGB.	Jul-16	

8	Financial Position	The Council had planned to deliver £25m of savings in 2015-16. The BCR report with the new MTFS shows that we are remaining within overall resource allocation. The MTFS was published in January 2016 and shows a balanced position for 2016/17 and significant saving opportunities in 2017/18, that enables a measured approach to future budget strategy. The budget report has a major section on risk and mitigation	Council cannot overspend, so savings will have to be found elsewhere in the councils budget	A B C D E F	2	5	10	15	▼		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	Sep-16	
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	15	◀▶		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-16	
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 Corporate Director Resources and the Corporate Director Growth and Regeneration - that allows for on-going 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	◀▶		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 Corporate Director Resources & the Corporate 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-16	



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 v4.8			
Date:	September 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
	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
	0.7	31 March 2015	Risk Appetite statement added as Appendix D.	Kevin Dawson
	0.8	2 Sept 2015	Risk appetite statement following review of Corporate Risk Register	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	31 March 2015	CMT for approval	31 st March 2015 CMT Members

Introduction

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 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.
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 POLICY

Risk Management support, guidance, challenge, policy and strategy, co-ordination	
Element	Peterborough's expectation
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.

Assurance, oversight, policy & strategy approval	
Element	Peterborough's expectation
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

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 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 (please refer to Appendix D). 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

RISK MANAGEMENT POLICY

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.

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

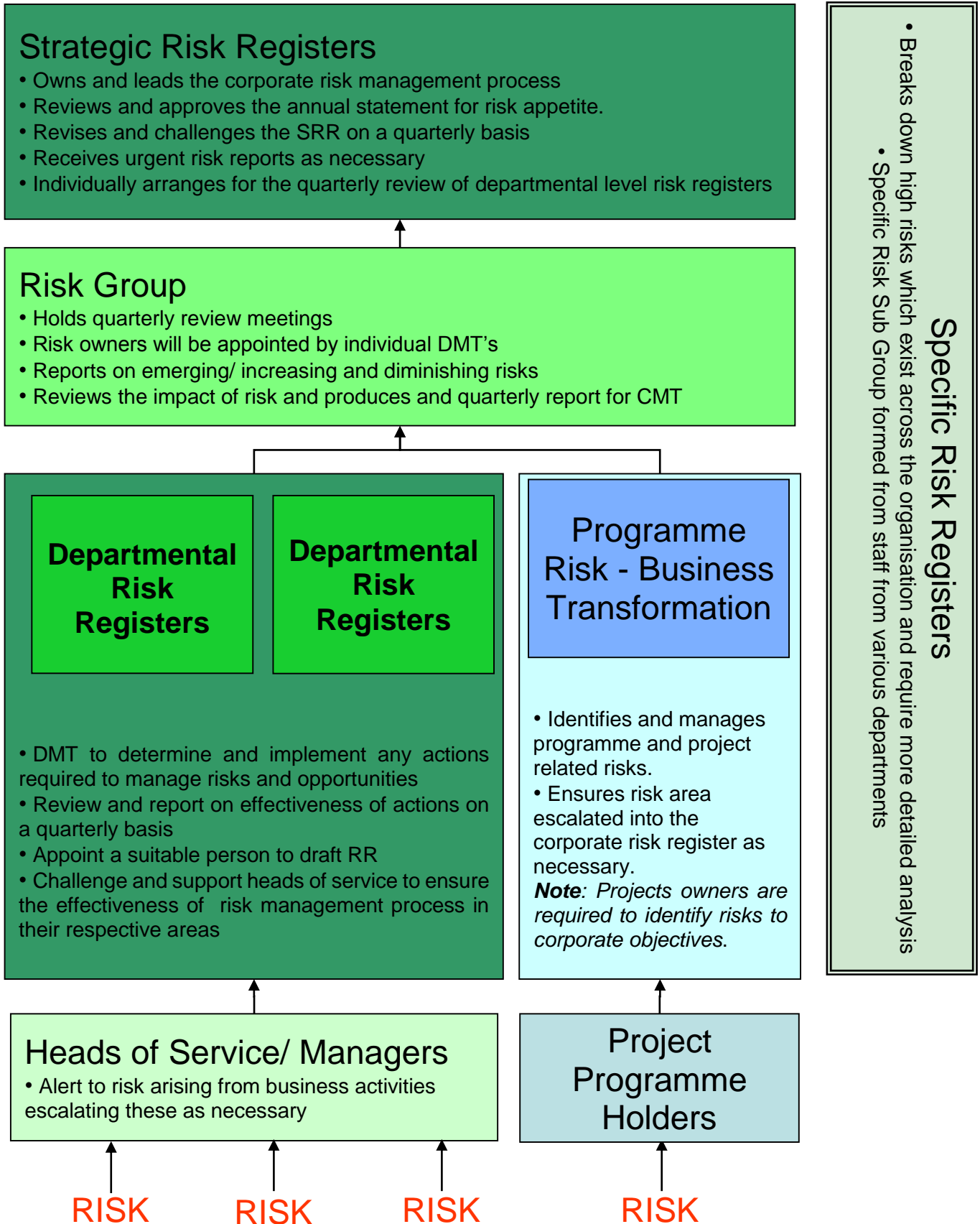
Appendix A: Risk Management Framework

Appendix B: Risk Management Process

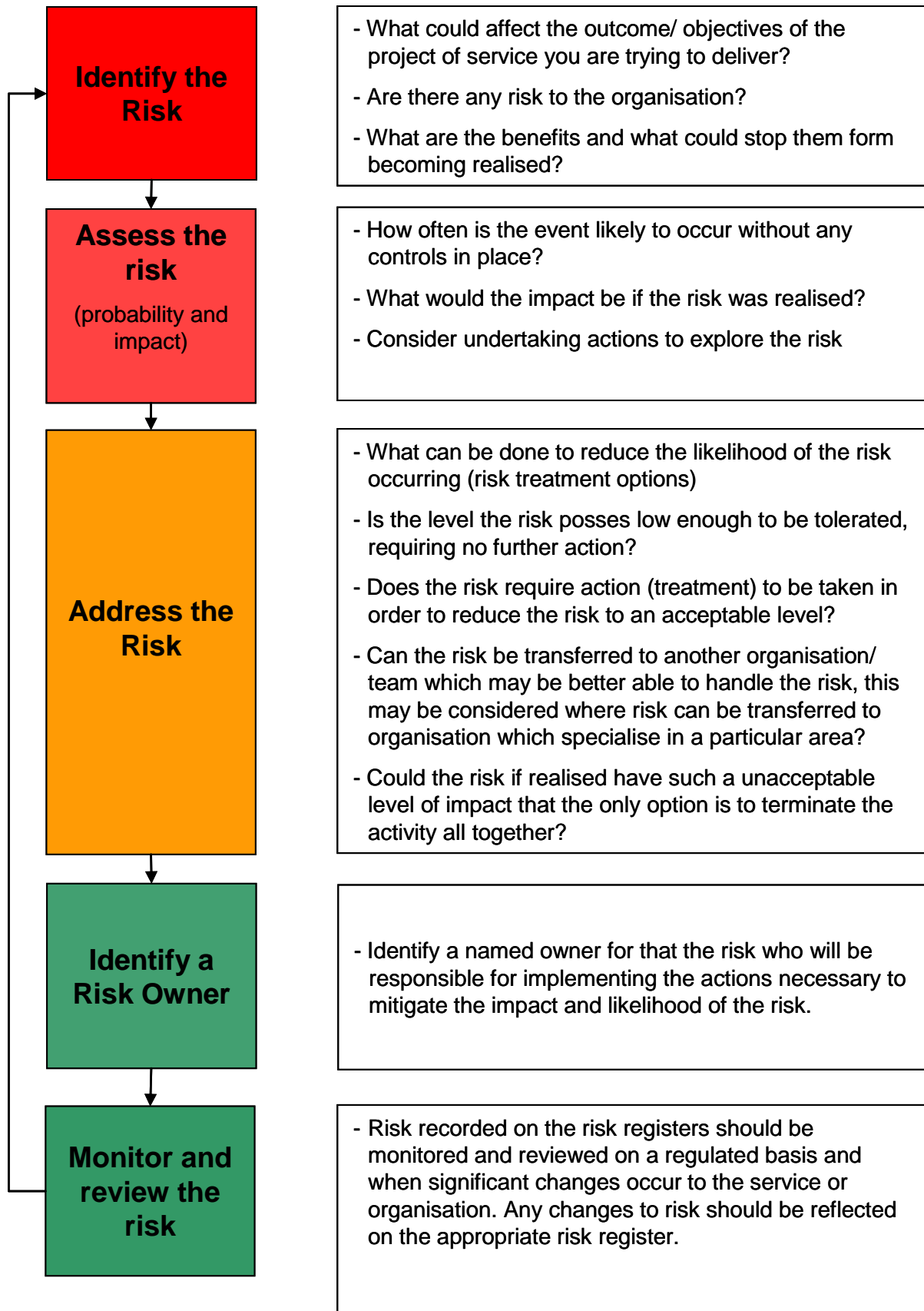
Appendix C: Example Risk Register and Risk Matrix

Appendix D: Risk Appetite Statement

Appendix A: Risk Management Framework



Appendix B: Risk Management Process



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
	name of risk	brief description of risk event	threats & opportunities arising	A Educ B Cult C Safg D Com E Eenvt 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 3 months unless specified	any other comments etc
	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

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

Appendix D: Risk Appetite Statement

Introduction and Background

The Council's annual statement of risk appetite has been drawn up to provide management with sufficient guidance on the level of risk they are legitimately able to take. The statement aims to ensure that managers do not stifle creativity or opportunities by being too risk adverse while also ensuring that managers do not take an unacceptable level of risk which may significantly harm the organisation. The statement also aims to clearly and fully state to our stakeholders the nature and extent of the key risks the council is willing to embrace as part of the delivery of the corporate plan.

It is intended that CMT review and approve the Councils risk appetite statement on an annual basis to set the appropriate level of risk that the council is willing to take in order to achieve its desired aims and objectives.

This statement of risk appetite should be read in conjunction with the PCC Risk Management Policy available on Insite which is also reviewed at least annually. It is important to note that the risk appetite level indicates the level of risk the council is prepared to accept after mitigation actions have been taken e.g. the residual or net risk exposure during the year.

The risk appetite statement is an important aspect of managing risk at Peterborough City Council because it sets corporate boundaries for the level of risk the organisation is willing to take. It should be noted that some risks are outside of the authority's control; this is especially true for Local Government where statutory requirements need to be fulfilled. Whilst it is accepted that it may not be possible to prevent such risks occurring, it is expected that contingency plans/strategies are put in place to minimise/plan for any impact

Definition of Risk Appetite

There are numerous definitions of organisational 'risk appetite', but they all break down to how much of what sort of risk an organisation is willing to take. Risks need to be considered in terms of both opportunities and threats and are not usually confined to money - they will invariably also impact on the capability of your organisation, its performance and its reputation.

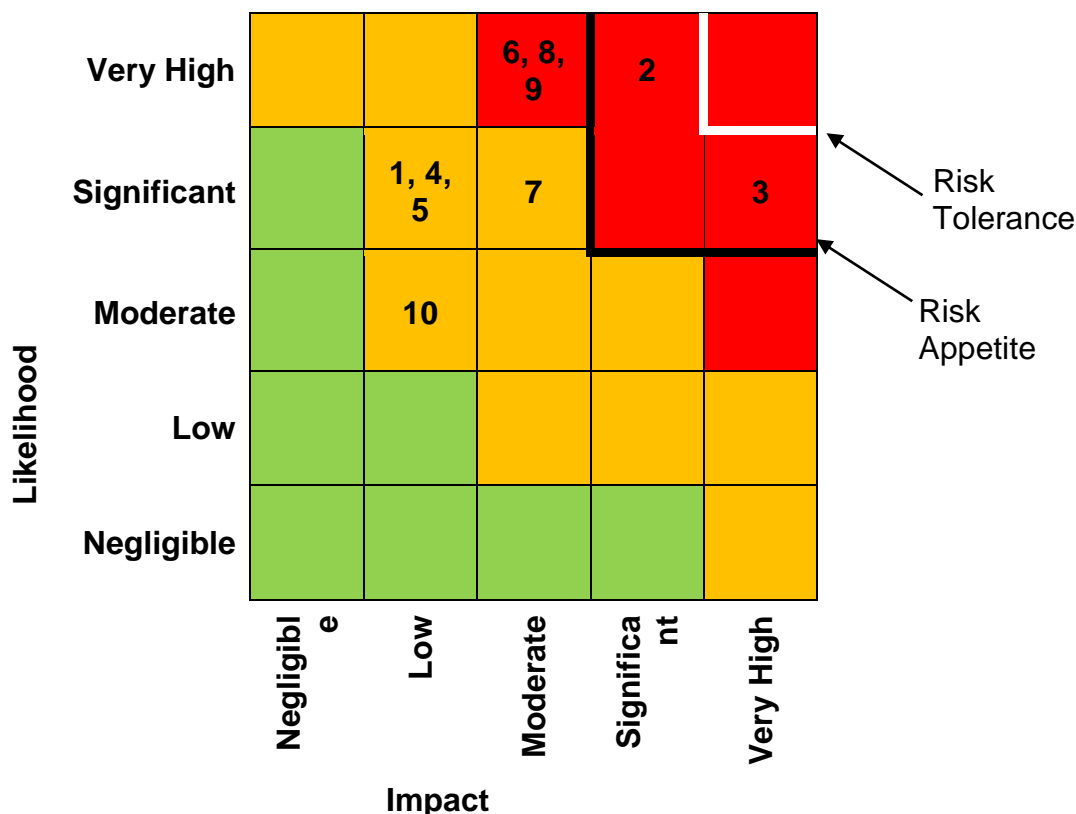
For the purposes of this document the follow definition will be used to define risk appetite:

"The amount of risk that an organisation [the council] is prepared to accept, tolerate or be exposed to at any point in time".

Source: British Standard on Risk Management BS31100 2008.

Risk Appetite Matrix

The following matrix shows the risk appetite and the risk tolerance for Peterborough City Council. All 10 of the risks outlined in the Strategic Risk Register have been plotted on the matrix. The thick black line represents the risk appetite and any risk below this line is deemed acceptable. The thick white line represents the risk tolerance and any risk above this line will not be tolerated. Risks that fall in between these lines are undesirable but tolerable.



Risk Appetite Statement 2014/15

Current Risk Appetite Classification: Open (4) / Hungry (5)
Target Risk Appetite Classification: Cautious (3) / Open (4)

Note: Appendix A outlines the framework for classifying risk appetite and defines clearly each classification.

- Risks that fall below the risk appetite line will be accepted by Peterborough City Council but they should still be regularly monitored and mitigated to their target exposure level.
- Risks which are assessed that fall above the risk appetite line but under the risk tolerance line are undesirable, but will be tolerated. These risks will require immediate and urgent management to reduce their risk to an acceptable level i.e. below the risk appetite line.
- Risks which fall above the risk tolerance line are unacceptable and must be immediately terminated or transfer the Council’s involvement in these risks.
- There are certain risks however which may be forced upon Peterborough City Council and therefore cannot use internal controls to manage the risk so these will have to be tolerated. An example of this would be changes in the socio/economic political environment. However, contingency plans and strategies should still be developed and introduced in a bid to lessen the impact.

RISK MANAGEMENT POLICY

Classifications of Risk Appetite	1 Averse	2 Minimalist	3 Curious	4 Open	5 Hungry
		<i>Avoidance of risk and uncertainty is a key Organisational objective</i>	<i>Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward</i>	<i>Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward</i>	<i>Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money, etc.)</i>
Category of risk	Example behaviours when taking key decisions ...				
Reputation and credibility	<ul style="list-style-type: none"> Minimal tolerance for any decisions that could lead to scrutiny of the Government or the Department 	<ul style="list-style-type: none"> Tolerance for risk taking limited to those events where there is no change of any significant repercussion for the Government or the Department 	<ul style="list-style-type: none"> Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the Government or the Department should there be a failure. 	<ul style="list-style-type: none"> Appetite to take decisions with potential to expose the Government or Department to additional scrutiny but only where appropriate steps have been taken to minimise any exposure. 	<ul style="list-style-type: none"> Appetite to take decisions that are likely to bring scrutiny of the Government or Department but where potential benefits outweigh the risks
Operational and policy delivery	<ul style="list-style-type: none"> Defensive approach to objectives – aim to maintain or protect, rather than create or innovate. Priority for tight management controls and oversight with limited devolved decision making authority. General avoidance of systems/ technology developments 	<ul style="list-style-type: none"> Innovations always avoided unless essential. Decision making authority held by senior management. Only essential systems/ technology developments to protect current operations. 	<ul style="list-style-type: none"> Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Systems/ technology developments limited to protection of current operations 	<ul style="list-style-type: none"> Innovation supported, with demonstration of commensurate improvements in management controls. Systems/technology developments considered to enable operations delivery. 	<ul style="list-style-type: none"> Innovation pursued-desire to 'break the mould' and challenge current working practices. New technologies viewed as a key enabler of operational delivery. High levels of devolved authority – management by trust

RISK MANAGEMENT POLICY

				<ul style="list-style-type: none"> Responsibility for non-critical decisions may be devolved. 	rather than tight control.
Financial/VFM	<ul style="list-style-type: none"> Avoidance of financial loss is a key objective Only willing to accept the low cost option Resources withdrawn from non-essential activities 	<ul style="list-style-type: none"> Only prepared to accept the possibility of very limited financial loss if essential. VfM is the primary concern. 	<ul style="list-style-type: none"> Prepared to accept the possibility of some limited financial loss. VfM still the primary concern but willing to also consider the benefits. Resources generally restricted to core operational targets. 	<ul style="list-style-type: none"> Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level. Value and benefits considered (not just cheapest price). Resources allocated in order to capitalise on potential opportunities. 	<ul style="list-style-type: none"> Prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place). Resources allocated without firm guarantee of return – ‘investment capital’ type approach.
Compliance – legal/ regulatory	<ul style="list-style-type: none"> Avoid anything which could be challenged, even unsuccessfully. Play safe. 	<ul style="list-style-type: none"> Want to be very sure we would win any challenge. 	<ul style="list-style-type: none"> Limited tolerance for sticking our neck out. 	<ul style="list-style-type: none"> Challenge will be problematic but we are likely to win it and the gain will outweigh the adverse consequences. 	<ul style="list-style-type: none"> Chances of losing are high and consequences are serious. But a win would be seen as a great coup.

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AUDIT COMMITTEE	AGENDA ITEM NO. 5
21 MARCH 2016	PUBLIC REPORT

Contact Officer(s):	Kim Sawyer, Director of Governance	Tel. 452361
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THE CODE OF CONDUCT FOR MEMBERS AND CONDUCT ARRANGEMENTS

R E C O M M E N D A T I O N S	
FROM : Kim Sawyer, Director of Governance	
1.	It is recommended that the Audit Committee review three options as its preferred Code of Conduct for Members and select the appropriate Code to recommend for adoption at the Annual Council meeting: <ul style="list-style-type: none"> a) Option 1 - the existing Code of Conduct with a minor amendment on other interests at para. 9.2 as set out in Appendix A b) Option 2 – the amended Code of Conduct based on the Local Government Association model as set out in Appendix B c) Option 3 – The amended Code of Conduct based on the DCLG model as set out in Appendix C
2.	That the Audit Committee consider any comments from members to be tabled at the meeting prior to making their decision

1. ORIGIN OF REPORT

- 1.1 The Audit Committee on 22 September 2014, considered a report and recommendations from the Member working group on the Code of Conduct Review on proposals to revise the Code of Conduct. The Committee did not agree with the recommendations, and asked the Working Group to reconsider its recommendations.
- 1.2 The Code of Conduct for Members and Conduct Arrangements report is to be considered by the Audit Committee in line with its terms of reference 2.2.1.21 Assisting the Council on the adoption or revision of the Code of Conduct.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The Council operates under the revised standards regime established under the Localism Act 2011. Like most authorities, the adoption of a revised code of conduct was introduced in a relatively short time-frame in collaboration with other authorities across Cambridgeshire.
- 2.2 In 2014 the Code of Conduct Working Group was tasked with reviewing the effectiveness of this Code and recommended to the Audit Committee a revised Code based on the Local Government Association model. The Audit Committee did not agree the recommendations and asked the Working Group to reconsider its recommendations. This report puts further options to the Committee.

3. ISSUES AND BACKGROUND

BACKGROUND TO ADOPTION OF EXISTING CODE

- 3.1 The Localism Act 2011 did away with the previous Local Government Act 2000 regime, itself a radical departure from what went before. The post 2000 Act regime consisted of a mandatory code of conduct and register of interests, prescribed investigation procedures, sanctions provisions that allowed for up to suspension locally and disbarment from being a councillor by a national Tribunal, and oversight by a government agency called Standards for England.
- 3.2 Instead, councils must now have a code of conduct but are free to draft it in whatever form is wished provided that, when viewed as a whole, it is consistent with the seven principles of public life (sometimes known as the Nolan Principles).
- 3.3 Similarly, councils are free to define what interests must be registered and how Members are to act when a conflict of interest arises, provided that there is a minimum standard set by the introduction of 'disclosable pecuniary interests' (known as DPI's), differentiated from 'other interests'. Failure to abide by the registration of other interests or acting on a conflict of interests is a matter for the local Code, but failure to comply with the DPI provisions was made a criminal offence.
- 3.4 Peterborough City Council adopted a code made up of general provisions, largely the same as the previous code and drafted in partnership with the councils of Cambridgeshire. The introduction sets out the principles of public life, part 1 sets out the general provisions and part 2 describes the types of interests that must be declared.

CODE OF CONDUCT REVIEW WORKING GROUP AND THE AUDIT COMMITTEE'S DECISION

- 3.5 In 2014, a Code of Conduct Review Group was set up to look at the Council's Members' Code of Conduct to explore whether any changes were required. It considered the following three options:
- a) Option 1 – retain the existing Code as set out in Appendix 1
 - b) Option 2 – amend the existing Code to replace part 1 of the code with the LGA template as set out in Appendix 2
 - c) Option 3 – amend the existing Code to replace part 1 with the DCLG indicative code as set out in Appendix 3
- 3.6 The Audit Committee on 22 September 2014 received a report from the Review Group recommending its preferred option (Option 2) The Committee rejected its recommendations for the following reasons:
- a) The LGA template was not best suited for PCC Members
 - b) The DCLG template should be given further consideration
 - c) The LGA template was too prescriptive in telling Members how to undertake their role such as in relation to their representation of the electorate
 - d) The LGA model was too repetitive in respect of the use of Nolan Principles and required a more meaningful approach.
- 3.7 Members of the Audit Committee requested the Code of Conduct Review Group to:
- a) revisit their recommendations over which Code of Conduct template to adopt

- b) consider the comments above made by some Members of the Audit Committee in particular to the preferred DCLG Code of Conduct template; and
 - c) share the outcome of the Code of Conduct review with each political party for comment prior to any formal adoption.
- 3.8 A meeting of the Review Group was due to be held on 3 March 2016, but due to unforeseen circumstances, the Group were unable to meet to consider the options. However, the Chair of Audit Committee was keen that a report on the preferred template should be agreed, that the three options should be circulated to Members for comment and a report including the options should be presented to Audit Committee on 21 March 2016. Members views will be reported to the Committee as a supplementary document.

INTEREST PROVISIONS OF THE CODE (PART 2)

- 3.9 The second part of the Code concerns Member interests and is split into “Disclosable Pecuniary Interests” and “Other Interests” to register and declare. Following a change in the descriptions of the Principles by the Committee of Standards in Public Life (CSPL) to clarify relationships with family and friends, it is recommended that whichever option is chosen, part 2 should be amended to include the following: **“You should not act or take decisions in order to gain financial or other material benefits for yourself, your family, or your friends. You must declare and resolve any interests and relationships.”** (para 9.2 in the current code)
- 3.10 This amendment will better reflect the discussion about bias. This change both guides Members more directly in being aware of their need to deal with any conflict between their role as Member and any personal interest and, crucially for this discussion, means that acting other than in accordance with this principle would not just be an issue for the Council as a body but would be treated as a breach of the Code by the individual concerned.

4. CONSULTATION

- 4.1 There has been consultation with Members of the Council as described above.
- 4.2 Each of the Members of the Review Group were appointed on behalf of their political groups, acting as a conduit for further discussion within those groups to whatever extent each Member felt appropriate.

5. IMPLICATIONS

- 5.1. There are no significant financial implications arising from this paper.
- 5.2. The relevant legal or risk implications arising from the proposals are contained within the body of this report

6. BACKGROUND DOCUMENTS

- 6.1. All background documents used in the drafting of this report have been public documents and are largely referred to within the report.

7. APPENDICES

Appendix 1 – Option 1 –the existing Code with amendments to Part 2

Appendix 2 -- Option 2 – Code based on LGA template

Appendix 1 – Existing code with amendments to Part 2



Members' Code of Conduct

Peterborough City Council

The Members' Code of Conduct is intended to promote high standards of behaviour amongst the elected and co-opted members of the council.

The Code is underpinned by the following principles of public life, which should be borne in mind, when interpreting the meaning of the Code:

- i. **Selflessness**
Holders of public office should act solely in terms of the public interest.
- ii. **Integrity**
Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- iii. **Objectivity**
Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- iv. **Accountability**
Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- v. **Openness**
Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- vi. **Honesty**
Holders of public office should be truthful.
- vii. **Leadership**
Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

PART 1 GENERAL PROVISIONS

1. Introduction and Interpretation

1.1. This Code applies to **you** as a member of Peterborough City Council (“PCC”). It is **your** responsibility to comply with the provisions of this Code.

1.2. In this code –

“Member”

means any person being an elected or co-opted member of the PCC and any independent person appointed by PCC to assist with the discharge of the ethical standards functions.

“Meeting”

means any meeting of

- a) PCC;
- b) The executive of PCC (including the making of decisions by cabinet members);
- c) Any of PCC’s committees, executive committees, sub-committees, joint committees, joint sub-committees, or area committees;
- d) Any of PCC’s advisory groups and executive boards

“Pending Notification”

means the interest has been notified to the Council’s Borough Solicitor, but has not been entered in the Register;

“Register”

means the register of Member’s and co-opted Member’s interests, maintained by the Monitoring Officer

“Relevant Authority”

includes any county council in England, a district council, a London borough council, a parish council and the Greater London Authority.

2. **Scope**

- 2.1. **You must** comply with this Code whenever you act, claim to act or give the impression you are acting as a Member of PCC.
- 2.2. Where you act as a representative of PCC:
 - (a) on another Relevant Authority, **you must**, when acting for that other authority, comply with that other authority's code of conduct or;
 - (b) on any other body, **you must**, when acting for that other body, comply with this code of conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

3. **General Obligations**

- 3.1. **You must** treat others with respect.
- 3.2. **You must not:**
 - (a) do anything which may cause PCC to breach the Equality Act 2010
 - (b) bully any person
 - (c) intimidate or attempt to intimidate any person who is or is likely to be:
 - (i) a complainant;
 - (ii) a witness; or
 - (iii) involved in the administration of any investigation or proceedings, in relation to an allegation that a Member (including yourself) has failed to comply with this code of conduct
 - (d) do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, PCC

4. **You must not:**

- 4.1. disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where:
 - (a) you have the consent of a person authorised to give it;
 - (b) you are required by law to do so;
 - (c) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or
 - (d) the disclosure is:

- (i) reasonable and in the public interest; and
 - (ii) made in good faith and in compliance with the reasonable requirements of PCC; or
- 4.2. prevent another person from gaining access to information to which that person is entitled by law.
- 5. **You must** not conduct yourself in a manner which could reasonably be regarded as bringing your office or PCC into disrepute.
- 6. **You must:**
 - 6.1. not use or attempt to use your position as a member improperly to confer on, or secure for yourself or any other person, an advantage or disadvantage; and
 - 6.2. when using or authorising the use by others of the resources of PCC:
 - (a) act in accordance with PCC's reasonable requirements;
 - (b) ensure that such resources are not used improperly for political purposes (including party political purposes); and
 - 6.3. have regard to any Local Authority Code of Publicity made under the Local Government Act 1986.
- 7. **You must:**
 - 7.1 when reaching decisions on any matter, have regard to any relevant advice provided by:
 - (a) PCC's chief finance officer; or
 - (b) PCC's monitoring officer,where that officer is acting pursuant to their statutory duties.
 - 7.2 give reasons for all decisions in accordance with any statutory requirements and any reasonable additional requirements imposed by PCC.

**PART 2
INTERESTS**

8. Disclosable Pecuniary Interests

8.1. Disclosable pecuniary interests are specified in the table below:

Subject	Prescribed description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from PCC) for any expenses incurred by you in carrying out your duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract with PCC: (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged. This includes a contract between PCC and any body in which you, or a person specified in paragraph 8.2(b) below, has a beneficial interest
Land	Any beneficial interest in land which is within PCC’s area
Licences	Any licence (alone or jointly with others) to occupy land in the PCC’s area for a month or longer.
Corporate Tenancies	Any tenancy where (to your knowledge): (a) the landlord is PCC; and (b) the tenant is a body in which you, or a person listed in paragraph 8.2(b) below, has a beneficial interest

Securities	<p>Any beneficial interest in securities of a body where:</p> <p>(a) that body (to your knowledge) has a place of business or land in PCC’s area; and</p> <p>(b) either:</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the person in paragraph 8.2 (below) has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>
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8.2 You must declare an interest if:

- (a) it is your interest, or
- (b) it is an interest of:
 - (i) your spouse or civil partner;
 - (ii) a person with whom you are living as husband and wife, or
 - (iii) a person with whom you are living as if you were civil partners

and you are aware that that other person has the interest.

9. Other Disclosable Interests

9.1. You must declare the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £100.

9.2. ***“You should not act or take decisions in order to gain financial or other material benefits for yourself, your family, or your friends. You must declare and resolve any interests and relationships.”***

10. Registration of Disclosable Pecuniary Interests and Other Interests

10.1. Subject to paragraph 12 below (sensitive interests), you must, within 28 days of:

- (a) this Code being adopted or applied by PCC; or
- (b) your election or appointment (where that is later)

notify the Monitoring Officer in writing of any disclosable pecuniary interests and other interests you have at that time.

- 10.2. Subject to paragraph 12 below (sensitive interests) you must, within 28 days of becoming aware of any new disclosable pecuniary or other interest or any change to any such interest, notify the Monitoring Officer in writing of that new pecuniary interest or change.

11. Disclosable Pecuniary Interests in Matters Considered at Meetings or by a Single Member

- 11.1. If you attend a meeting and are aware that you have a disclosable pecuniary interest in any matter to be considered at that meeting:

- (a) if the interest is not entered in the register of members’ interests you must disclose to the meeting the fact that you have a disclosable pecuniary or other interest in that matter
- (b) if you have not already done so, you must notify the Monitoring Officer of the interest before the end of 28 days beginning with the date of the disclosure, and
- (c) whether the interest is registered or not you must not unless you have obtained a dispensation from the Monitoring Officer to participate, or participate further, in any discussion of the matter at the meeting
- (d) whether the interest is registered or not you must not, unless you have obtained a dispensation from the Audit Committee participate in any vote, or further vote, taken on the matter at the meeting.

11.2 Single Member Action

If you are empowered to discharge functions acting alone, and are aware that you have a disclosable pecuniary interest or other interest in any matter being dealt with, you must not take any steps, or any further steps, in relation to the matter (except for the purposes of enabling the matter to be dealt with otherwise than by you).

If the Disclosable Pecuniary Interest is not entered in the Register and is not subject to a Pending Notification, you must notify the Monitoring Officer of the Disclosable Pecuniary Interest before the end of 28 days, beginning with the date of when you became aware of the matter

12. Sensitive Interests

- 12.1. Where you consider (and the Monitoring Officer agrees) that the nature of a disclosable pecuniary or other interest is such that disclosure of the details of the interest could lead to you, or a person connected with you, being subject to intimidation or violence, it is a “sensitive interest” for the purposes of the Code and

the details of the sensitive interest do not need to be disclosed to a meeting, although the fact that you have a sensitive interest must be disclosed.

PART 3 RELATED DOCUMENTS

The following documents also provide guidance on the Standards of Conduct expected of members and can assist in the interpretation of this Code of Conduct. These documents can be found in the Council's Constitution.

1. The Audit Committee Rules of Procedure set out the arrangements for dealing with an alleged breach of this Code
2. PCC's Planning Code of Conduct deals specifically with the Code of Conduct within the remit of the Planning and Environmental Protection Committee
3. PCC's Social Media Code for members and officers sets out appropriate behaviour when undertaking Council business through social media
4. PCC's Member/Officer Protocol sets out how members and officers should work together
5. The procedures under which registration and declaration of interests, gifts and hospitality are to be made are set out in the Gifts and Hospitality Policy.

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Appendix 2 final version based on LGA model



Members' Code of Conduct

Peterborough City Council

The Members' Code of Conduct is intended to promote high standards of behaviour amongst the elected and co-opted members of the council.

The Code is underpinned by the following principles of public life, which should be borne in mind, when interpreting the meaning of the Code:

- i. **Selflessness**
Holders of public office should act solely in terms of the public interest.
- ii. **Integrity**
Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- iii. **Objectivity**
Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- iv. **Accountability**
Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- v. **Openness**
Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- vi. **Honesty**
Holders of public office should be truthful.
- vii. **Leadership**
Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

PART 1 GENERAL PROVISIONS

As a Member of **Peterborough City Council**, my conduct will in particular address the statutory principles of the Code of Conduct by:

- Championing the needs of residents – the whole community and in a special way my constituents, including those who did not vote for me - and putting their interests first.
- Dealing with representations or enquiries from residents, members of our communities and visitors fairly, appropriately and impartially.
- Not allowing other pressures, including the financial interests of myself or others connected to me, to deter me from pursuing constituents' casework, the interests of the *[county][borough][Authority's area]* or the good governance of the authority in a proper manner.
- Exercising independent judgement and not compromising my position by placing myself under obligations to outside individuals or organisations who might seek to influence the way I perform my duties as a member/co-opted member of this authority.
- Listening to the interests of all parties, including relevant advice from statutory and other professional officers, taking all relevant information into consideration, remaining objective and making decisions on merit.
- Being accountable for my decisions and co-operating when scrutinised internally and externally, including by local residents.
- Contributing to making this authority's decision-making processes as open and transparent as possible to enable residents to understand the reasoning behind those decisions and to be informed when holding me and other members to account but restricting access to information when the wider public interest or the law requires it
- Behaving in accordance with all our legal obligations, alongside any requirements contained within this authority's policies, protocols and procedures, including on the use of the Authority's resources.
- Valuing my colleagues and staff and engaging with them in an appropriate manner and one that underpins the mutual respect between us that is essential to good local government.
- Always treating people with respect, including the organisations and public I engage with and those I work alongside.
- Providing leadership through behaving in accordance with these principles when championing the interests of the community with other organisations as well as within this authority.

PART 2 INTERESTS

1. Disclosable Pecuniary Interests

1.1. Disclosable pecuniary interests are specified in the table below:

Subject	Prescribed description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	<p>Any payment or provision of any other financial benefit (other than from PCC) for any expenses incurred by you in carrying out your duties as a member, or towards your election expenses.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p>
Contracts	<p>Any contract with PCC:</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p> <p>This includes a contract between PCC and any body in which you, or a person specified in paragraph 8.2(b) below, has a beneficial interest</p>
Land	Any beneficial interest in land which is within PCC's area
Licences	Any licence (alone or jointly with others) to occupy land in the PCC's area for a month or longer.
Corporate Tenancies	<p>Any tenancy where (to your knowledge):</p> <p>(a) the landlord is PCC; and</p> <p>(b) the tenant is a body in which you, or a person listed in paragraph 8.2(b) below, has a beneficial interest</p>

Securities	<p>Any beneficial interest in securities of a body where:</p> <p>(a) that body (to your knowledge) has a place of business or land in PCC's area; and</p> <p>(b) either:</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the person in paragraph 8.2 (below) has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>
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1.2. You must declare an interest if:

- (a) it is your interest, or
- (b) it is an interest of:
 - (i) your spouse or civil partner;
 - (ii) a person with whom you are living as husband and wife, or
 - (iii) a person with whom you are living as if you were civil partners

and you are aware that that other person has the interest.

2. Other Disclosable Interests

2.1. You must declare the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £100.

2.2. *You should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships*

3. Registration of Disclosable Pecuniary Interests and Other Interests

3.1. Subject to paragraph 5 below (sensitive interests), you must, within 28 days of:

- (a) this Code being adopted or applied by PCC; or
- (b) your election or appointment (where that is later)

notify the Monitoring Officer in writing of any disclosable pecuniary interests and other interests you have at that time.

- 3.2. Subject to paragraph 5 below (sensitive interests) you must, within 28 days of becoming aware of any new disclosable pecuniary or other interest or any change to any such interest, notify the Monitoring Officer in writing of that new pecuniary interest or change.

4. Disclosable Pecuniary Interests in Matters Considered at Meetings or by a Single Member

- 4.1. If you attend a meeting and are aware that you have a disclosable pecuniary interest in any matter to be considered at that meeting:
- (a) if the interest is not entered in the register of members' interests you must disclose to the meeting the fact that you have a disclosable pecuniary or other interest in that matter
 - (b) if you have not already done so, you must notify the Monitoring Officer of the interest before the end of 28 days beginning with the date of the disclosure, and
 - (c) whether the interest is registered or not you must not unless you have obtained a dispensation from the Monitoring Officer to participate, or participate further, in any discussion of the matter at the meeting
 - (d) whether the interest is registered or not you must not, unless you have obtained a dispensation from the Audit Committee participate in any vote, or further vote, taken on the matter at the meeting.

4.2. Single Member Action

If you are empowered to discharge functions acting alone, and are aware that you have a disclosable pecuniary interest or other interest in any matter being dealt with, you must not take any steps, or any further steps, in relation to the matter (except for the purposes of enabling the matter to be dealt with otherwise than by you).

If the Disclosable Pecuniary Interest is not entered in the Register and is not subject to a Pending Notification, you must notify the Monitoring Officer of the Disclosable Pecuniary Interest before the end of 28 days, beginning with the date of when you became aware of the matter

5. Sensitive Interests

- 5.1. Where you consider (and the Monitoring Officer agrees) that the nature of a disclosable pecuniary or other interest is such that disclosure of the details of the interest could lead to you, or a person connected with you, being subject to intimidation or violence, it is a "sensitive interest" for the purposes of the Code and

the details of the sensitive interest do not need to be disclosed to a meeting, although the fact that you have a sensitive interest must be disclosed.

PART 3 RELATED DOCUMENTS

The following documents also provide guidance on the Standards of Conduct expected of members and can assist in the interpretation of this Code of Conduct. These documents can be found in the Council's Constitution.

1. The Audit Committee Rules of Procedure set out the arrangements for dealing with an alleged breach of this Code
2. PCC's Planning Code of Conduct deals specifically with the Code of Conduct within the remit of the Planning and Environmental Protection Committee
3. PCC's Social Media Code for members and officers sets out appropriate behaviour when undertaking Council business through social media
4. PCC's Member/Officer Protocol sets out how members and officers should work together
5. The procedures under which registration and declaration of interests, gifts and hospitality are to be made are set out in the Gifts and Hospitality Policy.

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Appendix 3 –final version based on the DCLG model



Members' Code of Conduct

Peterborough City Council

The Members' Code of Conduct is intended to promote high standards of behaviour amongst the elected and co-opted members of the council.

The Code is underpinned by the following principles of public life, which should be borne in mind, when interpreting the meaning of the Code:

- i. **Selflessness**
Holders of public office should act solely in terms of the public interest.
- ii. **Integrity**
Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- iii. **Objectivity**
Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- iv. **Accountability**
Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- v. **Openness**
Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- vi. **Honesty**
Holders of public office should be truthful.
- vii. **Leadership**
Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

PART 1 GENERAL PROVISIONS

You are a member or co-opted member of Peterborough City Council and hence you shall have regard to the following principles – selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Accordingly, when acting in your capacity as a member or co-opted member -

You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.

You must not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.

When carrying out your public duties you must make all choices, such as making public appointments, awarding contracts or recommending individuals for rewards or benefits, on merit.

You are accountable for your decisions to the public and you must co-operate fully with whatever scrutiny is appropriate to your office.

You must be as open as possible about your decisions and actions and the decisions and actions of your authority and should be prepared to give reasons for those decisions and actions.

You must declare any private interests, both pecuniary and non-pecuniary, that relate to your public duties and must take steps to resolve any conflicts arising in a way that protects the public interest, including registering and declaring interests in a manner conforming with the procedures set out in the box below.

You must, when using or authorising the use by others of the resources of your authority, ensure that such resources are not used improperly for political purposes (including party political purposes) and you must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

You must promote and support high standards of conduct when serving in your public post, in particular as characterised by the above requirements, by leadership and example.

Registering and declaring pecuniary and non-pecuniary interests

You must, within 28 days of taking office as a member or co-opted member, notify your authority's monitoring officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State, where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners.

In addition, you must, within 28 days of taking office as a member or co-opted member, notify your authority’s monitoring officer of any disclosable pecuniary or non-pecuniary interest which your authority has decided should be included in the register.

If an interest has not been entered onto the authority’s register, then the member must disclose the interest to any meeting of the authority at which they are present, where they have a disclosable interest in any matter being considered and where the matter is not a ‘sensitive interest’.¹

Following any disclosure of an interest not on the authority’s register or the subject of pending notification, you must notify the monitoring officer of the interest within 28 days beginning with the date of disclosure.

Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State. Additionally, you must observe the restrictions your authority places on your involvement in matters where you have a pecuniary or non pecuniary interest as defined by your authority.

¹ A ‘sensitive interest’ is described in the Localism Act 2011 as a member or co-opted member of an authority having an interest, and the nature of the interest being such that the member or co-opted member, and the authority’s monitoring officer, consider that disclosure of the details of the interest could lead to the member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation.

**PART 2
INTERESTS**

1. Disclosable Pecuniary Interests

1.1. Disclosable pecuniary interests are specified in the table below:

Subject	Prescribed description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from PCC) for any expenses incurred by you in carrying out your duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract with PCC: (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged. This includes a contract between PCC and any body in which you, or a person specified in paragraph 8.2(b) below, has a beneficial interest
Land	Any beneficial interest in land which is within PCC’s area
Licences	Any licence (alone or jointly with others) to occupy land in the PCC’s area for a month or longer.
Corporate Tenancies	Any tenancy where (to your knowledge): (a) the landlord is PCC; and (b) the tenant is a body in which you, or a person listed in paragraph 8.2(b) below, has a beneficial interest

Securities	<p>Any beneficial interest in securities of a body where:</p> <p>(a) that body (to your knowledge) has a place of business or land in PCC’s area; and</p> <p>(b) either:</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the person in paragraph 8.2 (below) has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>
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1.2. You must declare an interest if:

- (a) it is your interest, or
- (b) it is an interest of:
 - (i) your spouse or civil partner;
 - (ii) a person with whom you are living as husband and wife, or
 - (iii) a person with whom you are living as if you were civil partners

and you are aware that that other person has the interest.

2. Other Disclosable Interests

2.1. You must declare the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £100.

2.2. *You should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships*

3. Registration of Disclosable Pecuniary Interests and Other Interests

3.1. Subject to paragraph 5 below (sensitive interests), you must, within 28 days of:

- (a) this Code being adopted or applied by PCC; or

- (b) your election or appointment (where that is later)

notify the Monitoring Officer in writing of any disclosable pecuniary interests and other interests you have at that time.

- 3.2. Subject to paragraph 5 below (sensitive interests) you must, within 28 days of becoming aware of any new disclosable pecuniary or other interest or any change to any such interest, notify the Monitoring Officer in writing of that new pecuniary interest or change.

4. Disclosable Pecuniary Interests in Matters Considered at Meetings or by a Single Member

- 4.1. If you attend a meeting and are aware that you have a disclosable pecuniary interest in any matter to be considered at that meeting:

- (a) if the interest is not entered in the register of members' interests you must disclose to the meeting the fact that you have a disclosable pecuniary or other interest in that matter
- (b) if you have not already done so, you must notify the Monitoring Officer of the interest before the end of 28 days beginning with the date of the disclosure, and
- (c) whether the interest is registered or not you must not unless you have obtained a dispensation from the Monitoring Officer to participate, or participate further, in any discussion of the matter at the meeting
- (d) whether the interest is registered or not you must not, unless you have obtained a dispensation from the Audit Committee participate in any vote, or further vote, taken on the matter at the meeting.

4.2. Single Member Action

If you are empowered to discharge functions acting alone, and are aware that you have a disclosable pecuniary interest or other interest in any matter being dealt with, you must not take any steps, or any further steps, in relation to the matter (except for the purposes of enabling the matter to be dealt with otherwise than by you).

If the Disclosable Pecuniary Interest is not entered in the Register and is not subject to a Pending Notification, you must notify the Monitoring Officer of the Disclosable Pecuniary Interest before the end of 28 days, beginning with the date of when you became aware of the matter

5. Sensitive Interests

- 5.1. Where you consider (and the Monitoring Officer agrees) that the nature of a disclosable pecuniary or other interest is such that disclosure of the details of the interest could lead to you, or a person connected with you, being subject to

intimidation or violence, it is a “sensitive interest” for the purposes of the Code and the details of the sensitive interest do not need to be disclosed to a meeting, although the fact that you have a sensitive interest must be disclosed.

PART 3 RELATED DOCUMENTS

The following documents also provide guidance on the Standards of Conduct expected of members and can assist in the interpretation of this Code of Conduct. These documents can be found in the Council’s Constitution.

1. The Audit Committee Rules of Procedure set out the arrangements for dealing with an alleged breach of this Code
2. PCC’s Planning Code of Conduct deals specifically with the Code of Conduct within the remit of the Planning and Environmental Protection Committee
3. PCC’s Social Media Code for members and officers sets out appropriate behaviour when undertaking Council business through social media
4. PCC’s Member/Officer Protocol sets out how members and officers should work together
5. The procedures under which registration and declaration of interests, gifts and hospitality are to be made are set out in the Gifts and Hospitality Policy.

AUDIT COMMITTEE	AGENDA ITEM No. 6
21 MARCH 2016	PUBLIC REPORT

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

INTERNAL AUDIT PLAN 2016 / 2017

R E C O M M E N D A T I O N S	
FROM : John Harrison, Corporate Director: Resources	Deadline date : N/A
<p>The Committee is asked to examine the draft Internal Audit Plan for 2016 / 2017 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 Corporate Director 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.

2.2.1.16 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 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.
- 4.2 Resources within the team and the plan are based on a full complement of staff, which at 5.16 FTE is slightly less than 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 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.
- 4.3 This report provides an overview of the stages followed prior to the formulation of the Annual Audit Plan for 2016 / 2017. 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 2016 / 2017.
- 4.4 A number of key supporting papers have been reviewed – 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 Members' attention is also drawn to the fact that the Audit Charter has been updated with a slight change to the terminology we use for audit opinions. The proposal is to move from: FULL; SIGNIFICANT; LIMITED and NO ASSURANCE; to SUBSTANTIAL, REASONABLE; LIMITED and NO ASSURANCE. The aim of this is to reduce the perceived gap that currently exists between "significant" and "limited" assurance opinions, and is an acknowledgement that we cannot give absolute assurance on any system and rarely award 'full' assurance. All audits undertaken from the 2016-17 plan onwards will use the new terminology, whereas those audits from the 2015-16 plan that are completed after April 2016 will use the old terminology.

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; and
 - 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 2015. 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 A**.

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 B**. The basis of standards of conduct for 2016 / 2017 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

- 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. It is attached at **APPENDIX C**.
- 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 2016/17 totals 795 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 or emerging risks, 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 The CIA also has responsibility for the Corporate Compliance Team, which undertakes investigations into: breaches of the Code of Conduct; disciplinaries; allegations of fraud e.g. Council Tax support or blue badge abuse; and also stage 2 complaints. Workload levels have resulted in the occasional shortage of resource to investigate these. Proposals going forward suggest that the work of Internal Audit complement these reviews; so there may be the odd occasion when Internal Audit staff could undertake this work. On the basis that 40 days are allocated from the audit resources, this would equate to the removal of approximately 3 audits and these would be based on those of least priority. There is also a contingency budget (80 days) which could be utilised. The audit plan presented has not currently made provision for this work.

7.7 As in previous years, should any significant additional 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 Corporate Director: 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 D** are referred through Committee as part of the reporting process.

9. CONSULTATION

9.1 The new Audit Plan proposals have been referred to / agreed with Corporate Director: Resources (specifically in his role as Section 151 Officer) and the Service Director: Financial Services (in his role as Line Manager), as well as representatives of the Corporate Management Team.

9.2 It has also been submitted to External Audit for information and comment.

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 2013
- Accounts and Audit Regulations 2011
- Local Government Act 1972
- Committee papers
- Risk Registers

15. APPENDICES

- Appendix A: Audit Charter
- Appendix B: Code of Ethics
- Appendix C: Audit Strategy and Audit Plan
- Appendix D: 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 2016

Next Review: By March 2017

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 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"*.

- 3.2 This statutory requirement for continuous Internal Audit has been formally recognised and endorsed within PCC's Constitution, making 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 Corporate Director: Resources.
- 3.3 Further, there are other requirements placed 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.
- 3.4 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.
- 3.5 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 2016, 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 – Ernst and Young – 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.
- 5.8 PCC’s Anti-Fraud and Corruption arrangements are managed by the CIA, who is responsible for the associated corporate policies. The Anti-Fraud and Corruption Policy and the Whistleblowing Policy both make reference to the requirement to notify the CIA of all suspected or detected fraud, corruption or impropriety.

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 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 and this will be done in consultation with the Director.

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
- Is quality checked by senior officers within Internal Audit prior to dispatch.

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	Held at conclusion of fieldwork, or once draft report has been produced, to discuss issues found (if not already provided during course of fieldwork).
Draft report	Produced within 15 working days of completion of fieldwork. Head of Service / Line Manager to formally respond within 10 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 5 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 5 working days. After that time, a notice will be sent to the original recipients and the relevant Director to state that the report will be finalised.

- 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
SUBSTANTIAL	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There is some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
REASONABLE	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.
LIMITED	The internal control system is poorly designed and / or there is significant non-compliance with controls, 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.
NO	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. 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.
RECOMMENDATION GRADES	
Grade	Description
Critical	Fundamental control weakness that jeopardises the complete operation of the service. TO BE IMPLEMENTED IMMEDIATELY.
High	Major control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency. To be implemented as a matter of priority.
Medium	Moderate control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority. To be implemented at the first opportunity.
Low	Minor control weakness, which, if corrected, will enhance control procedures that are already relatively robust. To be implemented as soon as reasonably practical.

10.4 Following the end of the year, an annual report will be produced setting out Internal Audit's 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 Significant issues identified will be referred through to senior management for inclusion in the Annual Governance Statement.

10.6 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 • Monitoring 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 2016 / 2017.

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 2016/17**

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 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 the council's external auditor
- Consultation with the Audit committee, at this meeting.

2.2 A number of themes have been considered in the preparation of the 2016 / 2017 Internal Audit Plan. These are:

- **Financial pressures** faced by the Council and the resultant changes to **service delivery arrangements** as well as large scale **projects** designed to introduce more efficient and effective ways of working.
- **Contracts and Partnerships**. This is an essential component of the audit process, especially given the increasing dependence on external suppliers and partners, and the move towards a predominantly commissioning approach;
- 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.

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 5.16 FTE (detailed below). This is a slight reduction to 2015/16 (0.2) as a result of a reduction in hours by one individual. The Plan has been compiled on the basis of 5.16 FTE in post throughout the year. If resources drop below this level, consideration will be given to the options of recruitment or agency staff.

Post Name	FTE	
Chief Internal Auditor	0.40	0.60 of post provided to Cambridge City and South Cambs DC
Group Auditor	1.46	
Principal Auditor	0.50	
Senior Auditor	1.80	
Auditor	1.00	
Total establishment	5.16	

- 3.1.2 The Chief Internal Auditor is charged with management responsibility for both the Insurance and the Investigations Teams at Peterborough City Council. Management time is planned on the basis of 20% to Internal Audit (1 day per week), with the remaining 20% covering the other two service areas (0.5 day per service 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.
- 3.2.2 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 the business model presently operated will require review and possible re-structure to ensure that management coverage within PCC and each organisation is appropriate.

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.
 - Continued update and development of audit procedures to ensure that best practice is followed and the service is provided in the most cost efficient manner. This will include ongoing review and refinement of our use of audit software.
- 3.3.2 A review of the terminology we use for audit opinions within our reports has recently been undertaken and has resulted in a slight change to be implemented from April 2016. The proposal is to move from: FULL; SIGNIFICANT; LIMITED and NO ASSURANCE; to SUBSTANTIAL, REASONABLE; LIMITED and NO ASSURANCE. The aim of this is to reduce the perceived gap that currently exists between ‘significant’ and ‘limited’, and is an acknowledgment that we cannot give absolute assurance on any system and rarely award ‘full’ assurance.

4 OVERVIEW OF PLAN

The Plan for 2016 / 2017 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. 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 the estimated 795 days shown in Table 1 below. This is a small reduction on the previous year (840 days) as a result of reduced hours within the team.

Table 1: Internal Audit Work Activities		
	Days:	%
Core Systems Assurance Work	70	9
Annual Governance and Assurance Framework	145	18
Strategic and Operational Risks	270	34
External Works	70	9
Certification	50	6
Other Resource Provisions	190	24
TOTAL RESOURCES ALLOCATED	795	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 2016 / 2017 includes reviews of budgetary control, accounts payable and accounts receivable, all implemented in 2015 as part of the new Agresso system. Our input to the project to implement a new HR system (which feeds into the Payroll system) will continue this year. We will co-ordinate our work with our External Auditors to ensure that there is no duplication of effort.

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. There is an update to the CIPFA framework for Delivering Good Governance in Local Government (to be published in April 2016) and we will review compliance with this, focussing on the areas of ethics and performance management.

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 management request. 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:

- Financial position
- Information governance
- Safeguarding
- Strategic Partnerships
- Health and Safety
- Project/Programme 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. This work is in addition to the shared service arrangements detailed in 3.2 of this report.

4.5 **Certification**

As a result of the organisation continuing to receive and obtain grant funding, the demand for internal audit to certify grant claims continues. Also included in this area of the plan is other verification work carried out in line with Government or European requirements.

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 2016 / 2017

VISION FOR THE CITY

STRATEGIC PRIORITIES

- 1 Drive growth, regeneration and economic development.
- 2 Improve educational attainment and skills.
- 3 Safeguard vulnerable children and adults.
- 4 Implement the Environment Capital agenda.
- 5 Supporting Peterborough's culture and leisure trust Vivacity.
- 6 Keep all our communities safe, cohesive and healthy.
- 7 Achieve the best health and wellbeing for the city.

Draft Internal Audit Plan 2016 / 2017

SERVICE / SYSTEM	COUNCIL OBJECTIVE	OUTLINE 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.				
Budgetary Control	ALL	A risk based review concentrating on budget management within one or more directorates, or on a major project. Focus to be on the risks highlighted of: <ul style="list-style-type: none"> budget managers failing to forecast accurately budget managers failing to manage budgets within control totals The impact of the new finance system in these areas will be reviewed.	High	Core audit assurance Resources Risk Register (amber)
Accounts Payable	ALL	A review of the new finance system, concentrating on specific areas such as exempt invoices and access controls, and following up on work done during the implementation.	High	Core audit assurance
Accounts Receivable	ALL	A review of billing and debt recovery arrangements centrally and within specific departments. For example, charging for care within Adult Social Care.	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-service. Highlighted Risk: Failure to achieve potential benefits/business needed from IT investment. Highlighted Risk: Failure to keep sickness absence levels to an acceptable level	High	Major changes to system Core audit assurance Governance Risk Register (amber)
			TOTAL AUDIT DAYS	70

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 for 2015/16, including a review of recommendations made by External Audit in their annual letter and verification of implementation / progress; and co-ordination and review of the annual assurance statements made by Directors.	High	Compliance with Accounts and Audit Regulations
Code of Corporate Governance	ALL	Review of our compliance with the new CIPFA framework for Delivering Good Governance in Local Government (to be published in April 2016), with a focus on the principles of ethical values and performance management.	High	Compliance with mandatory audit standards
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	Compliance with mandatory audit standards
Annual Audit Opinion	ALL	Internal Audit opinion on the state of governance, risk management 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 2017-2018 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 / 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	Provision of data for National Fraud Initiative and investigation of matches received as a result. Review and development of policies to include: Anti-Fraud and Corruption Strategy, Fraud Response Plan, Prosecutions and Sanctions Policy, Whistleblowing Policy and the Bribery Act. Facilitation of a Fraud Risk Register.	High	Corporate responsibility to protect finite resources
Information Governance	ALL	Liaison and strategic overview as part of the Strategic Governance Board and Information Governance Group.	Medium	Core audit assurance
Risk Management	ALL	Involvement in risk working group and any emerging issues.	Medium	Core audit assurance
			TOTAL AUDIT DAYS	145

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				
Programme/Project Management	ALL	A review of some selected projects or programmes to ensure they are being managed effectively. Examples include Customer Experience Programme, Transformation programme, J20, BB phase 2 projects, The Front Door project. To include a high level overview of ICT programme governance to ensure projects are integrated and in line with the Digital Strategy. Highlighted risk: Project and Programme failure through lack of oversight.	High	Core audit assurance Resources Risk Register (amber)
Contracts	ALL	A review of selected contracts to ensure that all aspects of the tendering and management of contracts follows best practice and results in value for money. To include compliance with the new Public Contract Regulations and review of new internal Contract Rules. For example, the Homecare contract, due be re-tendered in 2016, or the new Fostering and Adoption contract.	High	Core audit assurance
Strategic Partnerships	ALL	Review the Council's management of strategic partners, which include Serco, Skanska, Amey and Vivacity, to ensure that effective governance arrangements are in place. Highlighted Risk: Strategic Partnerships fail to deliver as per contract/expectations.	High	Strategic Risk Registers (amber)
Commercial Activities	1,4	A review of governance arrangements in those areas where commercial activities and joint ventures are taking place, for example: the Peterborough Investment Partnership, ESCO, Opportunity Peterborough etc. Highlighted Risk: Failure to plan for implications of the Growth Agenda	High	New service delivery arrangements Strategic Risk Register (amber)
Information Governance	ALL	Following a high level review of our compliance with ICO requirements, we will focus on some more specific areas. In particular we will look at: <ul style="list-style-type: none"> • Cyber security (covering security in the use of mobile/remote technology) • Document retention. Highlighted Risk: Lack of controls could subject the council to significant risk from litigation, financial penalties and loss of reputation.	High	Strategic Risk Register (amber)

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Priority	
			Rating	Reason
Quality Assurance	3	This function is recognised as a key control in mitigating the risk around safeguarding. A review will look at the effectiveness of the processes in place that provide assurance over safeguarding activities within Adult's and Children's Social Care, with a focus on the annual review of clients. Highlighted Risk: Failure of Safeguarding functions to prevent a child or vulnerable adult being placed at significant risk of harm.	High	Strategic Risk Register (red)
Health and Safety	6, 7	A review of arrangements to ensure that our responsibilities for the health and safety of the public are covered (for example at public events, during highways works, in our buildings). Highlighted Risk: Corporate manslaughter/health and safety incident.	High	Strategic Risk Register (amber)
Shared Services	ALL	A review of governance arrangements for our shared service arrangements, for example: Fenland - Planning, Rutland - Legal and Housing.	Medium	New service delivery arrangements
Recruitment checks / Disclosure and Barring Service	2,3,6	To ensure there is a robust process in place for recruitment checks (including DBS, references, professional body and qualifications) and for monitoring that contractors fulfil their responsibilities in this area.	Medium	Impact on safeguarding responsibilities and information governance (PSN compliance).
Schools	1, 2	Themed reviews of a variety of schools. For example, use of pupil premium/SEN funding.	Medium	Core audit assurance
Property	1	To cover governance around the new delivery arrangements and the process for acquisitions and disposals.	Medium	New service delivery arrangements
The Local Offer	2, 3	A review of our compliance with the DfE code of practice for OFSTED.	Low	New activity/ Management request
Blue Badges	6	A review of processes for issuing and cancelling permits.	Low	Follow-up to issues found during NFI work.
			TOTAL AUDIT DAYS	268

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Priority		
			Rating	Reason	
CERTIFICATION					
Certification of grant claims in relation to funding received from government and other funding bodies, as well as other submissions we are required to make to government.					
Growth and Regeneration	ALL	Bus Service Operators 2015/16 - 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 2015/16 - 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		
Growth and Regeneration	ALL	Local Sustainable Transport Grant 2015/16 – A scheme to help local authorities to cut carbon emissions and create local growth.	High		
People and Communities	ALL	Disabled Facilities Grant 2015/16 - Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.	High		
People and Communities	ALL	Troubled Families - Results based funding to support families meeting certain criteria. Verification of a sample of claims prior to one of the claim submissions in 2016, and a review of Outcomes Plan and procedures.	High		
People and Communities	ALL	European structural and investment funding for a project called Peterborough CLLD. Consultancy advice on robust record keeping systems to comply with funding criteria.	Medium		
Growth and Regeneration	ALL	LEP GCGPEP Bourges Boulevard Phase 1	High		
Growth and Regeneration	4,6	Carbon Reduction Commitment. Annual data validity audit and a review of changes to methodology.	High		
				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 2015-16 audits	50
Follow Up Provision	ALL	Revisiting audits after 6 months to monitor the implementation of recommendations	30
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			190

APPENDIX D

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. 7
21 MARCH 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Committee Member(s) responsible:	Councillor Aitken, Chairman of Audit Committee	
Contact Officer(s):	Karen S Dunleavy, Democratic Services 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 2015 / 2016.

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 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. 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
2015 / 2016**

Assurance

Governance

Accountability

Risk Management

Independence

AUDIT COMMITTEE: ANNUAL REPORT 2015 / 2016

INTRODUCTION

MEMBERSHIP AND MEETINGS

KEY ACTIVITIES AND TRAINING DURING THE MUNICIPAL YEAR

PLANS FOR 2016 / 2017

FOREWORD FROM THE CHAIRMAN OF AUDIT COMMITTEE

I am pleased to provide the Audit Committee's Annual Report for the municipal year 2015 / 2016. 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, 2016 / 2017 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 7th 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 8 in 2015/16.

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 2015 / 2016 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 2015 / 2016, the Audit Committee met on the following dates:

- 29 June 2015
- 21 September 2015
- 9 November 2015
- 8 February 2016
- 21 March 2016

There is a cross representation of all parties in accordance with the make-up of the Council. The members for 2015 / 2016 were (excluding substitutes):

Table 1: Audit Committee Membership 2015 / 2016:

Conservative	Peterborough Independent Forum	UKIP	Liberal Democrats	Labour	Werrington First
Aitkin (Chair) Over (Vice Chair) Scott	Sharp	F Fox	Shaheed	Sylvester	Lane

In July 2015, there was a change to the Audit Committee membership as Councillor Coles stood down due to his appointment to Cabinet Member for Children's Services. The subsequent vacant position was taken up by Councillor Scott and at its meeting on 14 October 2015, Council appointed Councillor Aitken as Chairman and Councillor Over as Vice Chairman of Audit Committee.

Senior officers from the Council are also present, including the Director of Governance, Corporate Director Resources, Service Director Financial Services, Chief Internal Auditor 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 Corporate Director 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.

29 June 2015

- *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.

9 November 2015

- *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.

21 March 2016

- Annual Audit Plan. Audit Committee received the 2016/17 Internal Audit Plans.
- Effectiveness of the Audit Committee. An internal assessment of the workings of the committee was undertaken. A number of minor changes were proposed to improve.

Internal Control and Corporate Governance

2.2.1 Terms of Reference

2.2.1.1	To consider the annual report and opinion of the Corporate Director 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.
2.2.1.5	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.

29 June 2015

- *Draft 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 29 June 2015, 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.

9 November 2015

- 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 2015. 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.

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.

29 June 2015

- *Budget Monitoring: Final Outturn 2014 / 2015 and Statement of Accounts.* Audit Committee reviewed and scrutinised the outturn and Statement of Account on 29 June 2015 prior to its submission to the external auditors for audit. The Committee reviewed and commented on the Statement of Accounts prior to the Chief Finance Officer's (Sec 151 Officer) certification by the 30 June 2015 the Statement of Accounts for 2014 / 2015 and authorised its signing by the Chairman.

21 September 2015

- Following scrutiny by External Audit, the *Audit of Statement of Accounts and Report to those charged with Governance* was submitted to the Audit Committee. The Committee received and approved the "Report to those charged with governance (ISA260) 2014/15 Audit" from PricewaterhouseCoopers (PwC), the Council's external auditors; and received and approved the audited Statement of Accounts 2014/15

9 November 2015

- *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.

At its meeting on 16 March 2015 the Committee agreed to include a standing item on the future agendas of Audit Committee to receive information on the number of write-offs over the value of £10,000 (in line with the threshold in financial regulations), which would also include the procedure and approval process followed. To date there have been no write-offs made over the value of £10,000, reported to the Committee in the Municipal Year 2015/16.

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.

21 September 2015

- 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 noted the report and thanked the Head of Resilience for a good report.

21 March 2016

- *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.

21 September 2015

- 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:
 - Received and approved the “Report to those charged with governance (ISA260) 2014/15 Audit” from PricewaterhouseCoopers (PwC), the Council’s external auditors; and
 - Received and approved the audited Statement of Accounts 2014/15

8 February 2016

- Audit Committee scrutinised and endorsed the Annual Audit and Inspection Letter in respect of 2014 / 2015 and Annual Grant Claims Certification.

21 March 2016

- 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.

29 June 2015

- 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.

29 June 2015 / 21 September 2015 / 9 November 2015 / 8 February 2016 / 21 March 2016

- *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.

9 November 2015

The Committee was requested to consider a report which outlined an action plan put in place by the Office of Surveillance Commissioner (OSC) following a recent inspection of the Council's use of RIPA

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

In 2014 the Audit Committee considered a report on the future code of conduct. The work of the review group remains ongoing and is expected to report to Audit Committee in the near future.

Code of Conduct Complaints

During the Civic year 2015/16 there were six complaints received under the code of conduct.

Five of these complaints were concluded informally and one complaint has been referred for investigation. This will come to the Committee for a decision.

Whistleblowing

During the Civic year 2015/16 there was one whistleblowing case received which went on to be investigated. The investigation finding was that the allegation was unfounded and there was no case to answer. The case was therefore closed.

There were three other matters referred as potential whistleblowing cases, two are currently being investigated and one is being considered if any further investigation is warranted.

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:

- The preparation and scrutiny of the Statement of Accounts and the impact of International Financial Reporting Standards on these;
- General overview of the committee covering Information Governance; Regulation of Investigatory Powers Act (RIPA); Risk Management; Code of Conduct; and Whistleblowing.

In addition, members have access to a committee handbook which provides additional support / information.

FUTURE DEVELOPMENTS AND PLANS FOR 2016 / 2017

Overall, the Audit Committee want to continue to develop and build on our current achievements. For 2016 / 2017 and 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 tackling fraud and corruption; 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.
- There is a proposed Code of Corporate Governance which the Committee will have to review
- It would be useful to undertake a review of the Terms of Reference following the introduction of the alternative governance procedures.

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 Corporate Director 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. 8
21 MARCH 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	John Harrison, Corporate Director: Resources Steven Pilsworth, Service Director Financial Services	☎ 452520 ☎ 384564

ACCOUNTS & AUDIT REGULATIONS 2015

R E C O M M E N D A T I O N S	
FROM : John Harrison, Corporate Director: Resources	Deadline date : NA
<p>The Audit Committee is asked to:-</p> <ol style="list-style-type: none"> Note the impacts of the Audit and Accounts Regulations 2015 as set out in section 4. Consider and approve the recommended approach to adjusting the Work Programme and meeting dates as result of the change in regulations. 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee by the Council's Section 151 Officer, the Corporate Director: Resources, being part of his statutory responsibilities.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The Accounts and Audit Regulations 2015 were laid before parliament on 17 February 2015 and came into force on 1 April 2015. This report will update the Committee on the changes contained within the regulations, in particular with respect to its Work Programme for 2017/18 and beyond.
- 2.2 This is 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
- 2.2.1.18 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.

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. ACCOUNTS AND AUDIT REGULATIONS 2015

BACKGROUND

- 4.1 The Accounts and Audit Regulations contain provisions on internal control and detailed rules about the preparation, approval and publication of the annual statement of accounts, and about the arrangements for local electors and other interested persons to exercise their rights of inspection, objection and to question the local auditor.

- 4.2 The 2011 Regulations have been revoked and replaced by the Accounts and Audit Regulations 2015, which are required in order to implement the new local audit arrangements set out in the Local Audit and Accountability Act 2014.
- 4.3 The 2015 Regulations come into force on 1 April 2015, so the provisions largely apply in relation to financial years beginning on, or after, 1 April 2015 (i.e. with effect from the 2015/16 financial year), other than where transitional arrangements permit a later application of the requirements until financial years beginning on or after 1 April 2017 as noted in the sections below.
- 4.4 The Regulations include provisions in respect of both Category 1 authorities (i.e. authorities with annual income and expenditure in excess of £6.5m per annum and those with a turnover below this threshold who nevertheless elect to have a full audit) and Category 2 authorities (any authority not meeting the definition of a category 1 authority). The following paragraphs only focus on the regulatory requirements for Category 1 authorities as this is the category into which Peterborough City Council falls.
- 4.5 The Government is of the view that earlier publication of the Statement of Accounts will improve local government transparency and accountability and that it will increase public interest in local authority accounts, especially when coupled with moves to simplify accounting statements and to introduce a common public inspection period. By giving three year's notice of these changes the Government believes it is providing authorities and auditors with reasonable timescales to adjust.

Internal Control

- 4.6 The general duties in relation to internal control have been recast to bring them closer to corporate governance requirements in the private sector and elsewhere within the public sector. The role of the Internal Auditor is also restated, to follow modern standards.

Narrative Statement

- 4.9 The regulations require a narrative statement to be published alongside the Statement of Accounts. In practice this will form part of the same document and replace the explanatory foreword. The narrative statement should include comment by the Council on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.
- 4.10 CIPFA have issued interim guidance on the content of the statement and it is anticipated that additional detailed guidance will be available to inform the drafting of the 2015/16 Statement of Accounts. It is expected that requirements will be met by elements of the Council's current explanatory foreword, supplemented by some additional content currently contained in the outturn report.

Public inspection of accounts

- 4.4 The period of public inspection for the Council's accounts and supporting documentation has increased from 20 to 30 working days and runs concurrently with the period whereby a local government elector may raise questions or objections to the External Auditor.
- 4.5 This period must contain the first 10 working days in July (June from 2017/18) and the Accounts may not be authorised for issue until this period has ended. These timeframes are summarised in the following table.

Year of Account	10 day common period
2015/16 and 2016/17	First 10 working days in July
2017/18 and subsequent years	First 10 working days in June

- 4.6 In line with these provisions, the Council will be required to publish:

- The draft Statement of Accounts, together with a statement signed by the Corporate Director: Resources (as the Council's Chief Finance Officer) to the effect that the accounts are unaudited and that the accounts may be subject to change.
 - The Annual Governance Statement.
 - The Narrative Statement (as referred to above).
 - A statement that sets out the period for the exercise of public rights, details of the manner in which notice should be given of an intention to inspect the accounting records and other documents, the name and address of the local auditor and details of the provisions regarding inspection of documents and rights to make objections at audit.
- 4.7 For 2015/16 the aim is to publish the draft Statement of Accounts and statement on 30 June 2016 and thereby commence the period of inspection.

Earlier publication of accounts.

- 4.11 The most notable change introduced by the regulations is a reduction in the timescales for publishing draft and audited accounts. The implementation of this change is delayed until 2017/18 accounts. The current and new deadlines are set out in the table below.

Activity	Current deadline	New deadline	Reduction in time
<p>Draft Accounts</p> <p>Deadline for the Corporate Director Resources (as the Council's Chief Finance Officer) to sign and date the Statement of Accounts and confirm that it presents a true and fair view of:</p> <ul style="list-style-type: none"> • The financial position of the Council at the end of the financial year to which it relates; and • The Council's income and expenditure for that year. 	30 June	31 May	30 days
<p>Audited Accounts</p> <p>Deadline for:</p> <ul style="list-style-type: none"> • Approval of the Statement of Accounts by resolution by the Audit Committee; • Certification of the Statement of Accounts by the Audit Committee Chairman; • Re-certification of the Statement of Accounts by the Corporate Director: Resources; • Publication of the Statement of Accounts. 	30 September	31 July	62 days
Available Audit Time	92 days	61 days	31 days

- 4.12 The regulatory requirement to adhere to the new deadlines will be extremely challenging, both for councils and their local auditors. Officers are already implementing plans to assist with the earlier closure timescale, and discussions are ongoing with the external auditors in regards to completion of a timely audit. For example the revised deadline for auditing the accounts is requiring external auditors to change the way Local Government audits are conducted, which in turn will mean a lot more audit work being undertaken at the interim audit stage. As a result the interim audits are likely to take place between October and December, instead of February to April as is currently the case.

- 4.13 These changes mean that the current timings of Audit Committee meetings will need to be reviewed in order to meet the revised timescales and activity requirements noted in the table above.
- 4.14 Whilst under the old regulations the Council's Audit Committee was no longer required to approve the accounts prior to audit, the Council considers it is good practice for members to review and comment on the accounts prior to the Chief Financial Officer's (CFO) certification so the Statement of Accounts are on the work programme for June audit committee.
- 4.15 For 2017/18 accounts, the deadline for issuing draft accounts will be seven working days after the expected date that the membership of the Committee will be agreed. This timing suggests that the time required to train new members and for Committee to consider and comment on the accounts prior to CFO certification to be tight.
- 4.16 It is therefore proposed that an Audit Committee meeting is held in early June to receive and comment on the accounts whilst the public inspection period and audit are underway. This meeting would also receive the outturn report.
- 4.17 A meeting could then be held towards the end of July to receive and formally approve the accounts in line with the new statutory deadline.
- 4.18 The changes will be likely to have an impact on other related work items which will have to go to a different committee than they currently do. For example both the Annual Audit letter and the draft external audit plan may be available to go to a meeting earlier in the calendar. These will need to be reviewed as a clearer picture emerges.

5. CONSULTATION

Discussion has taken place between Finance and Member Services around the implications of the new regulations and possible responses.

6. ANTICIPATED OUTCOMES

An agreed approach to future Work Programme and meeting scheduling.

7. REASONS FOR RECOMMENDATIONS

The changes recommended ensure that the Council is able to continue to meet its changing statutory obligations.

8. ALTERNATIVE OPTIONS CONSIDERED

The Accounts and Audit Regulations govern the arrangements for preparation, approval and publication of the Statement of Accounts. The Statement of Accounts summarise the financial performance and financial position for the Council. As such, they provide a financial representation of activities against the Medium Term Financial Strategy.

9. IMPLICATIONS

- 9.1 The 2015 Regulations introduce changes to the rules governing the preparation, approval and publication of financial performance information. An inability to comply with these Regulations could damage the Council's reputation and financial standing.
- 9.2 The purpose of this report is to explain the regulatory changes that have been made on internal control and the detailed rules about the preparation, approval and publication of the annual statement of accounts, and about the arrangements for local electors and other

interested persons exercise their rights of inspection, objection and to question the local auditor.

10. BACKGROUND DOCUMENTS

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

- The Accounts & Audit Regulations 2015
- Local Audit and Accountability Act 2014
- The Accounts and Audit (England) Regulations 2011
- Audit Commission Act 1998
- Council Constitution
- Accelerating your financial close arrangements, EY Think Piece.

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