

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT THE TOWN HALL, PETERBOROUGH ON 29 MARCH 2010**

Present: Councillors M Dalton (Chairman), North, Kreling and Fitzgerald. .

Officers in attendance: Steve Crabtree, Chief Internal Auditor  
Steven Pilsworth, Head of Strategic Finance  
Victoria Bales, Senior Business Continuity and Risk Officer  
Stuart Hamilton, Resilience Services Manager  
Chris Hughes, PricewaterhouseCoopers  
Israr Ahmed, Lawyer  
Gemma George, Senior Governance Officer

**1. Apologies for Absence**

Apologies were received from Councillor Rush and Councillor Goldspink.

Councillor Fitzgerald attended as a substitute.

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

There were no declarations of interest or whipping declarations.

**3. Minutes of the Meeting held on 8 February 2010**

The minutes of the meeting held on 8 February 2010 were approved as an accurate and true record.

**4. External Audit: Grant Claim Certification Work**

A report was submitted to the Committee which had been prepared by the Council's External Auditor, PricewaterhouseCoopers (PwC)

The External Auditor was required to report to the Audit Committee the outcome of work to certify claims and returns made by the Council during 2008 / 2009. During the year, PwC had undertaken various certifications of claims and returns on behalf of the authority. The report presented to the Audit Committee was the Annual Report on this work and summarised the findings and made recommendations for improvements to the Council's systems and procedures in this area.

The Committee was advised that excluding works on the European Regional Development Fund (EDRF), 7 claims had been certified during the year, 4 of which were qualified although none had been amended.

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

- Members sought further clarity on the EDRF position. Members were advised that significant issues had been experienced with regards to the certification of ERDF claims. These were historic projects relating to the period 2000 - 2008. The certification work which had been undertaken on the majority of these grants was limited to agreeing the income and expenditure figures in the claims to underlying records, but this had proved onerous due to poor audit trails.
- Members questioned how the results highlighted in the report compared with those of previous years. Members were advised that over the last 3-4 years the results had been extremely robust. The situation with the EDRF claims was unusual as the grants were historic. The issues highlighted overall were minor and good progress was being made.

#### **ACTION AGREED:**

The Committee received, considered and endorsed the final report produced by External Audit in relation to the certification of grant claims and considered its role in monitoring work on the certification of grant claims.

#### **5. Risk Management and Business Continuity**

The Committee received a report which provided an update on the Council's Risk Management Strategy.

On 7 September 2009, the Audit Committee received and agreed the New Risk Management and Business Continuity Policy and accepted its role within it, of "monitoring and supporting the Council's risk management arrangements".

Members were advised that the Strategic Risk Register was in the process of being reviewed, in conjunction with Directors and Strategic Improvement. A full update on strategic risks would be available in June 2010.

Members were further advised that the Strategy had been reviewed and updated to reflect progress and practical changes. The latest version of the Strategy was contained within the Audit Committee Handbook which had previously been circulated to Members. Key changes to the Strategy included:

- Revised self assessment scores and new targets scores; and
- A change in risk matrix review periods from 1, 3 and 12 months to 3, 6 and 12 months. It was felt that a 1 month review date was impracticable, however, in the event of a significant risk, a 1 month (or less) review date could be imposed if necessary.

Operational risk assessment process had assisted the review and update of the business continuity plans. It also provided a useful profile of areas of high risk, which could be escalated to the strategic registers where necessary.

There were a number of key ongoing issues for 2010 which had been highlighted these included:

- Completion of operational risk profile;
- Revision of Service and Corporate Business Continuity plans;
- Review of Strategic (corporate) risk register;
- 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 RM / BCM into procurement processes; induction briefings; business plans etc

#### **ACTION AGREED:**

The Committee received, considered and endorsed the revised Risk Management Strategy.

#### **6. Assurance Framework**

The Committee received a report which informed Members of the Assurance Framework (AF), which was an initiative designed to further consolidate the Council’s Risk Management Framework.

The AF was laid out in sections according to the objectives and priorities specified in the Sustainable Community Strategy. It was also intrinsically linked with the Annual Governance Statement (AGS).

The Council’s AF provided a simple but comprehensive method to implementing effective and focused management on obtaining assurance relating to the achievement of key council priorities, its Partners and Stakeholders and the inherent risks to achieving this.

The Framework provided a structure and reporting process which assisted the Audit Committee in carrying out a number of its duties.

The Key priorities and key risks where assurance was required had been identified from the Strategic Risk Register, the Annual Governance Statement, together with the Assurance Framework. The sources of assurance had been obtained from internal and external sources.

The Framework referenced the documented evidence that identified the key risk areas, the current position of these, the actions being implemented and the mechanisms for reporting on progress. 62 areas of assurance had been sought from across the Council which covered all service areas and activities. Summary information on each activity was highlighted in the framework and Members were advised that 2 risks had improved and none had got worse. There had been a number of changes and improvements to the control and assurance environment, particularly around governance arrangements and the credit crunch.

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

- Investments were highlighted as having full assurance and Members questioned where the Council’s investments were located in view of the situation that had occurred with the Icelandic Banks. Members were advised that the Council’s investments were situated in major UK banks covered by a government guarantee.
- With regards to Climate Change, which was highlighted as having moderate assurance, Members commented that a close eye would need to be kept on this going forward as the weather was so variable.

Members were assured that the appropriate strategies were in place to ensure the needs of the Council were fulfilled.

- Members questioned why there were only 2 changes highlighted in the risks, it was expected that more would have been highlighted. Members were informed that the framework provided a snapshot of the risks and fluctuation did occur. Work was currently being undertaken around the Annual Governance Statement so over the forthcoming weeks further changes may be highlighted. Changes were also to be implemented to the Risk Register and this could further highlight changes to the risks.
- Members questioned why the framework did not include a “no assurance” level. Members were advised that the Framework was separate to the Internal Audit assurance levels; however the use of the four levels, including “no assurance” would be looked into going forward.
- The Committee queried whether “moderate assurance” was classed as being acceptable. The Committee was advised that there were a number of risks moving to full assurance and moderate assurance was classed as acceptable, but would be reviewed in conjunction with the previous question.
- Members noted their concerns regarding the assurance levels around Estate Utilisation and the Credit Crunch, which were both highlighted as having “further work required”.

#### **ACTION AGREED:**

The Committee received, scrutinised and approved the revised Assurance Framework.

### **7. Annual Governance Statement**

The Committee received a report which set out the background to the Annual Governance Statement and the process to be followed in order to compile the statement for 2009 / 2010.

Authorities were required to put in place proper arrangements for the governance of their affairs, facilitating the effective exercise of their functions and arrangements for the management of risk. The arrangements should enable the organisation to respond appropriately to significant business, operational, financial compliance and other risks so that it can achieve its objectives.

Each authority was required to publish an Annual Governance Statement, describing governance arrangements and encompassing such items as the policies, procedures, tasks, behaviours and other aspects of the organisation that together facilitated its operation.

A Statement of Corporate Governance would assist in providing the Council with the assurance that proper arrangements were in place to ensure that the Council's business was conducted in accordance with the law, proper standards, and that public money was safeguarded and properly accounted for and used economically, efficiently and effectively.

Members were informed of the process to be followed for the review of the statement 2009 / 2010, which included Executive Directors being asked to complete an Assurance Statement and Committee Chair / Vice Chairs being

asked to complete a questionnaire which would seek their views on key governance arrangements. The statements and questionnaires would then be summarised and the actions for improvements would be compiled as part of the Annual Governance Statement. A variety of evidence would also be used to compile the statement as outlined in the Audit Committee Handbook. Feedback would also be taken on board from PricewaterhouseCoopers who had reviewed the Council's previous statement.

Members were invited to comment on the report and it was highlighted that the questionnaire should be sent to all Members. Members were advised that this request would be actioned.

**ACTION AGREED:**

The Committee noted the proposed process for the Annual Governance Statement 2009 / 2010 encompassing Executive Director's Assurance Statements and Members' Assurance Questionnaires.

**8. Internal Audit Plan and Strategy 2010 / 2011**

The Committee received a report which sought its endorsement on the proposed Annual Internal Audit Strategy and Operational Plan for 2010 / 2011.

The Audit Strategy documented the way in which Internal Audit intended to deliver its service and how it ensured its work complied with the standards contained in the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. In particular, it stated how the work of the Internal Audit would provide the assurances required for the production of the statutory Annual Governance Statement.

The Annual Operational Plan described the individual audit reviews which were to be undertaken during the year. In order to determine the scope of the plan for 2010 / 2011 a systematic risk assessment of all auditable areas had been undertaken. This was informed by the review of the Strategic Risk Register, Divisional Risk Registers, the Assurance Framework, Director and Heads of Service consultation, council and government initiatives and the Medium Term Financial Strategy.

The plan highlighted the minimum amount of work that the Internal Audit Service (IAS) had assessed should be undertaken after considering its available resources.

Members commented that the provision of the Audit Committee Handbook had enabled them to have a clearer understanding of the Internal Audit Plan.

**ACTION AGREED:**

The Committee considered, endorsed and commented on the proposed Annual Internal Audit Strategy and Operational Plan for 2010 / 2011.

**9. Feedback Report**

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

Members were advised that there were four issues requiring action which had been highlighted at the previous meeting of the Audit Committee. Action had been taken on each of the points, including the issuing of a letter which had been requested by the Chair of the Audit Committee, to Castor Primary School congratulating them on their full assurance.

**ACTION AGREED:**

The Committee noted the Feedback Report.

**10. Work Programme 2010 / 2011**

The Chief Internal Auditor submitted the latest version of the Work Programme for the municipal year 2010 / 2011 for consideration and approval.

Members were advised that an additional item had been added to the programme for 2010 / 2011, this was the Treasury Management Strategy.

Members were further advised that any training needs would be discussed at the first meeting of the new municipal year.

**ACTION AGREED:**

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

The Chair of the Audit Committee addressed the all those present and stated that he had enjoyed chairing the meeting over the past year and thanks were extended to Members, Officers and PwC for all their hard work.

The meeting closed at 7.35 p.m.