

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT THE TOWN HALL, PETERBOROUGH ON 6 FEBRUARY 2012**

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

Officers in

Attendance: Steve Crabtree, Chief Internal Auditor
Steven Pilsworth, Head of Corporate Services
Stuart Hamilton, Resilience Service Manger
Karen S Dunleavy, Governance Officer

Also in

attendance: Jacqui Short, PricewaterhouseCoopers

1. Apologies for Absence

No apologies for absence were received.

2. Declarations of Interest and Whipping Declarations

There were no declarations of interest or whipping declarations.

3. Minutes of the Meeting held on 7 November 2011

The minutes of the meeting held on 7 November 2011 were approved as an accurate and true record, subject to the following amendment being made:

Item 4 - Internal Audit: Half Year Update 2011/12:

The Chief Internal Auditor advised Members that there had previously been a substantial amount of officer time on sickness which had significantly reduced. This had allowed staff to take on jobs from the reserve list.

4. Risk Management: Strategy and Strategic Risks

The Committee received a routine planned report on the Risk Management: Strategy and Strategic Risks Report. The Committee also received an update on the Strategic Risk Register that had been presented to Corporate Management Team (CMT).

The following key points within the report were highlighted:

- Risk Management and Business Continuity Policy 2011/12;
- Risk Management and Business Continuity Objectives;
- Strategic and operational objectives which the Council aimed to achieve during business as usual and during a disruption, as far as reasonably practicable;
- Growth agenda;
- Meeting Environment Capital / Climate change;
- Impact of social demographic changes;
- Corporate Manslaughter/ health and safety incident;
- Homelessness;
- Crime and anti-social behaviour reduction and a breakdown in community cohesion;
- Safeguarding;

- School Places;
- Financial position – the latest position was within the public domain for consultation; and
- Industrial action.

The Committee received the Risk Management Strategy and Strategic Risks report and was requested to approve in particular the following points within the report:

1. The current Risk Management Policy; and
2. The Strategic Risk Register

Comments and responses to questions were as follows:

- Members raised concerns over why the Health Services and Adult Social Care transfer had not appeared on the Risk Register and sought clarification over when it would be captured? *The Resilience Service Manger confirmed that the Register had been due for review by CMT in January 2012; however, due to other business being discussed the Risk Register item had been deferred. Members were also advised that CMT were aware of the Health Services and Adult Social Care transfer being underway and that the funding implications had been captured by Peterborough City Council.*
- Members received an update on what control measures were in place for the issues highlighted within the Risk Register. The Resilience Service Manger also updated Members on who led these control measures:
 - Growth Agenda – Head of Operations;
 - Meeting Environment Capital / climate change – Head of Operations;
 - Impact of social demographic change – Head of Operations
 - Corporate manslaughter / health and safety incident – All Directors
 - Homelessness – Head of Operations
 - Crime and anti-social behaviour reduction and a breakdown in community cohesion – Head of Operations
 - Safeguarding – Executive Director Children's Services
 - School Places – Executive Director Children's Services
 - Financial position – John Harrison
 - Industrial action – All Directors
- Members were also updated that Governance Arrangements for the Council and the Scrutiny Engagement Process had been removed from the Risk Register due to their low risk status.
- Members commented that there was a shortage of school places in the PE1 area of the City and that help was needed to ease the subsequent transport issues which had arisen due to these shortages. Members also commented that although the issues were being dealt with by Peterborough City Council, additional primary school places in the PE1 area, would not be available until 2013.
- In response to a question regarding the Strategic Risk Register Report, the Resilience Service Manager confirmed that the report had been produced in the same format as previous years as this was thought to be more accessible to the public.
- Members requested that some short term targets should be included in the Strategic Register in order to measure the actions being taken to provide extra school places

within the City. *The Resilience Services Manager advised Members that the request would be brought to the attention of CMT.*

ACTION AGREED:

The Committee approved:

1. The current Risk Management Policy; and
2. The Strategic Risk Register

5. EXTERNAL AUDIT REPORTS

Members were advised that during the year, PwC had undertaken various reviews on behalf of the Authority. The reports had been received and agreed with Senior Management as part of the work carried out by PwC under the Council's Governance arrangements.

Members were asked to give the following reports consideration:

5.1 2010 / 2011 Annual Audit Letter

Members were advised that the External Auditor and the Audit Commission Relationship Manager had produced an Annual Audit Letter reviewing the Council's arrangements and progress in relation to the Audit of the Accounts. The Committee was also advised that Cabinet was due to consider the report in February 2012.

5.2 Grant Claims: Annual Certification Report

Members received an update regarding the annual report into the review and verification of grant claims across Peterborough City Council by PwC.

The Committee was requested to consider, and endorse the final reports produced by External Audit in the following areas:

1. 2010/11 Annual Audit Letter;
2. Grant Claims: Annual Certification Report

During consideration, comments and responses to questions were as follows:

- Clarification was sought over the content of the report regarding Housing and Council Tax Benefits. *The PwC representative confirmed that there had been an issue in the certification of the Housing and Council Tax Benefits grant claim due to errors that had been found within the classification of expenditure. Members were also advised that the Housing and Council Tax Benefits classification was complex, which had lead to inputting errors. The issue was not unique to Peterborough City Council and had been highlighted as a national issue.*
- Members sought clarification over the three projects that had been highlighted in the Annual Certification Report. *The Head of Corporate Services advised Members that the projects related to three grant payments received from the East of England Development Agency in order for the Council to support the following projects:*
 - *Two grants related to the Participation Programme in order to provide help with training and encouragement for people returning to*

employment. Peterborough Enterprise was one of the organisations that had been supported; and

- *One grant related to the Public Realm Projects which had principally focussed on the Cathedral Square improvements.*
- Members sought clarification over the teacher's pension return and payments made by the Council. *The Head of Corporate Services advised that the Council coordinates the return in relation to teacher's pension's contributions. The Council was subject to an audit fee for those pension payments.*
- Members sought clarification over whether the Government was going to make improvements to the financial grant returns process by allowing the authority to submit one annual return for schools, which would also include Academy Schools. Members were advised that there were no known plans in the future to provide separate returns for Academy Schools.
- Members sought clarification over whether the Authority was lobbying the Government to change the system in order to make schools accountable for their own financial returns? *The Head of Corporate Services advised Members that the only lobbying being conducted was in connection with the Authority's budget reduction following the changes in funding for Academy Schools. The budget removal had not taken into account the overheads that the Authority continued to be responsible for.*

ACTION AGREED:

The Committee agreed to endorse the final reports produced by External Audit in the following areas:

1. 2010/11 Annual Audit Letter;
2. Grant Claims: Annual Certification Report

6. ANNUAL GOVERNANCE STATEMENT - UPDATE

The Committee received a report from the Chief Internal Auditor on the Annual Governance Statement (AGS), which explained how the Council delivered good governance and reviewed the effectiveness of those arrangements. It was a requirement for a local authority to include the review as part of the Annual Statement of Accounts, as well as to comply with the requirements of the Accounts & Audit Regulations 2011.

Key points highlighted were as follows:

- Use of Consultants;
- Development of Neighbourhood Committees;
- Delivery of the Medium Term Finance Strategy;
- Bribery Act;
- Localism Act;
- Welfare Reform Bill;
- Adult Social Care;
- Safeguarding; and
- School Governance.

The Committee was asked to:

1. Note the progress on the significant governance issues reported in the Annual Governance Statement 2010 / 2011;
2. Note emerging issues to be reflected in the next Annual Governance Statement; and

3. Consider whether additional areas of assurance were required.

During consideration comments and responses to questions were as follows:

- Members raised a question regarding internal services that had been contracted out to other organisations and whether governance arrangements had been highlighted as a potential risk for the future. *Members were advised that reference had been made within last year's Governance Statement for third party arrangements which included Serco and Enterprise. Members were also advised that there were regular reviews in place to look at the Council's arrangements for partnerships in terms of governance. The Chief Internal Auditor advised Members that if effective governance for partnership arrangements was not in place, there would be an increased risk impact for the future.*
- Members raised a question regarding the progress of the Energy from Waste Project (EfWP), and whether the Authority's direction of travel was a risk to be highlighted within the Strategic Risk Register? *The Head of Corporate Services advised Members that the Environment Capital Scrutiny Committee had been receiving periodic updates on the EfWP.*
- Members sought clarification over whether the Environment Capital Scrutiny Committee (ECSC) would discuss the financial and other future benefits of the EfWP. *The Head of Corporate Services advised Members that Business Plans had been received by ECSC and that the Committee had reviewed the delivery, environmental and financial factors.*
- Members commented that there had been delays with the EfWP due to the financial impacts previously outweighing the use of the facility. *The Head of Corporate Services advised Members that the Energy for Waste facility was due to be operational in 2015.*
- Members raised a question regarding the use of consultants and whether there would be a decrease following the recent review that had been conducted. *Members were advised that additional information was to be presented to the Sustainable Growth Scrutiny Committee (SCSC) following their recommendation that the Council may wish the Audit Committee to monitor the use of consultants going forward. Members were also advised that a recent report to SCSC had shown a reduction in the use of consultants. The Head of Corporate Services advised that he would provide an update on the use of consultants at the next meeting of the Audit Committee.*

ACTION AGREED:

The Committee:

1. Noted the progress on the significant governance issues reported in the Annual Governance Statement 2010 / 2011; and
2. Noted emerging issues to be reflected in the next Annual Governance Statement; and
3. Considered whether additional areas of assurance were required.

It was further agreed that the Governance Officer would request, on the behalf of Audit Committee, an update on when the Energy from Waste project would appear on the work programme for the Environment Capital Scrutiny Committee.

7. EFFECTIVENESS OF THE AUDIT COMMITTEE

Members received a presentation from the Chief Internal Auditor on the annual review of the Audit Committee's effectiveness, which had been carried out using the principles established

by the Chartered Institute of Public Finance and Accountancy (CIPFA). The review had used a questionnaire approach, which was set out in the Audit Committee Handbook.

The key points within the presentation were highlighted:

- Regular legal and regulatory training updates for Audit Committee;
- Training guides / packs with outlined questions in order for the Committee to challenge the Audit Plan, the Annual Governance Statement and Risk Management would be circulated; and
- Access to Chief Officers for Members was clarified.

The Committee was asked to Consider and approve:

1. The review and its conclusion that the Committee was operating effectively in all material respects.

During consideration comments and responses to questions were as follows:

- In response to a question raised by Members, the Chief Internal Auditor advised that the next Audit Committee Annual Report would be put forward as an agenda item for 26 March 2012 meeting.
- In response to a question raised by Members regarding how constitutional and transparent CIPFA guidance was in terms of conducting private consultations with Members, the Chief Internal Auditor advised that CIPFA would be contacted to provide further clarification.
- Members requested that the option of the Council considering independent members for the Audit Committee would be investigated.
- Members raised a question over whether Audit Committee had ever referred an item to any other Committee? *The Chief Internal Auditor advised Members that in recent years, discussions in relation to the Medium Term Financial Strategy and Final Accounts had been presented to Scrutiny.*
- Members raised a question over whether the Audit Committee had considered how it integrated with other Committees? *The Chief Internal Auditor advised Members that consideration had been given in terms of integration with other Committees and that it would be appropriate for specific risk items to feed into other Committees.*

AGREED ACTION:

The Committee approved:

- 1 The review and its conclusion that the Committee was operating effectively in all material respects.
- 2 It was agreed that the Chief Internal Auditor would investigate the following:
 - Clarification on CIPFA guidelines on private consultation with Members;
 - Review other Authorities to investigate if they include independent members on their Audit Committee; and
 - An Annual Report to be produced on behalf of the Audit Committee to formally report on the performance of its work during the year, to Full Council.

8. WORK PROGRAMME 2011 / 2012

The Chief Internal Auditor submitted the latest version of the Work Programme for the municipal year 2011 / 2012 and 2012 / 2013 for consideration and approval.

The Committee requested that the Resilience Service Manger would arrange for the Strategic Risk training to be brought back to the next meeting of Audit Committee scheduled for 26 March 2012.

AGREED ACTION:

The Committee noted and approved the 2011 / 2012 and 2012 / 2013 Work Programme.

7.00pm – 7.50pm
Chairman