

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT THE TOWN HALL, PETERBOROUGH ON 25 JUNE 2012**

**Present:** Councillors Lamb (Chairman), Harper (Vice Chairman), Arculus, Lane, Fletcher, Knowles and Maqbool

**Officers in Attendance:** Steve Crabtree, Chief Internal Auditor  
Steven Pilsworth, Head of Corporate Services  
John Harrison, Executive Director Strategic Resources  
Ben Stevenson, Compliance Manager  
Kirsty Nutton, Financial Services Manager - Corporate Accounting  
Karen S Dunleavy, Governance Officer

**Also in Attendance:** Councillor Seaton – Cabinet Member for Resources

**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 June 2012**

The minutes of the meeting held on 7 June 2012, were approved as an accurate and true record.

The Committee was advised by the Cabinet Member of Resources, that all Members had been written to regarding their responsibility over auto forwarding emails to private addresses and to ensure they carry out regular password changes on their laptops. Members were also advised within the correspondence that they would be personally liable under the Data Protection Act if they caused any data breaches.

**4. Compliance Team Annual Report 2011/12**

The Committee received the Annual Compliance Team 2011/12 report from the Compliance Manager. Members were also advised that the report was being received as a scheduled report on fraud and irregularity in accordance with the established Work Programme for 2011/12.

Audit Committee was asked to:

1. Receive, consider and endorse the attached annual report on the investigation of fraud and other issues for the year ended 31 March 2012.

The key points within the report included:

- The Council's approach to combating fraud, and its delivery over 2011/12;
- Quantity of fraud;
- Types of Investigation undertaken in 2011/12;

- Benefit fraud achievements 2011/12 compared with 2010/2011;
- Value of overpayments 2011/12 compared with 2010/2011;
- National Fraud Initiative;
- Electoral Integrity Initiative;
- Publicity;
- Disciplinary cases;
- Stage III Complaint Investigations;
- Standards Investigations; and
- Information Management detailing the numbers of requests for Information such as Freedom of Information Act, Data Protection Act and Environmental Information Regulations.

Comments and responses to questions were as follows:

- The Executive Director of Strategic Resources advised the Committee that there was a report detailing various complaints, which was presented to the Sustainable Growth and Environment Capital Scrutiny Committee.

#### **ACTION AGREED:**

The Committee agreed to endorse the annual report on the investigation of fraud and other issues for the year ended 31 March 2012.

#### **5. Annual Review of the Effectiveness of Internal Audit – 2011/2012**

The Committee received a report on the Annual Review of the Effectiveness of Internal Audit 2011/12 from the Chief Internal Auditor. The Committee was also advised that in accordance with the requirements of the Accounts and Audit Regulations 2011, the Council conducted an annual review of the system of internal audit, which was to be considered as part of its governance assurance processes, including the production of the Annual Governance Statement.

During consideration of the report, the Audit Committee was asked to note the content and approve the annual review of the effectiveness of Internal Audit 2011/2012.

The following key points within the report included:

- Internal Audit Effectiveness;
- Governance and assurance requirements;
- Internal controls;
- Comparison with statement on the role of Head of Internal Audit;
- Integrated audit work with risk management and governance arrangements;
- Performance indicators;
- Compliance with code of practice for internal audit and best practice;
- External Audit Opinion; and
- Staffing levels impacting on the work of the team; however, measures had been put in place.

Comments and responses to questions were as follows:

- Clarification was sought over which Members other than Audit Committee Members would hold established clear lines of responsibility in governance. The Chief Internal Auditor advised that the responsibility would also be held with Cabinet Members.
- Members sought clarification over the responsibilities of considering the Audit Strategy report. The Chief Internal Auditor advised Members that the Audit Strategy

was considered and agreed by Audit Committee in March each year; however, all Members would be able to view the document.

- Members sought clarification over why the Council had not adopted a Leadership Team. The Chief Internal Auditor advised Members that although a Leadership Team had not been adopted there was a Cabinet Policy Forum in place, which was made up of Members and Directors.
- The Chief Internal Auditor advised Members that the term “Audit Plan” in the document, referred to the Audit Strategy and Audit Plan.
- The Executive Director of Strategic Resources advised Members that the role of Head of Internal Audit reported directly to the Head of Corporate Services but also had direct access to Senior Officers of the Management Team and Members.

#### **ACTION AGREED:**

The Committee agreed to approve the annual review of the effectiveness of Internal Audit 2011 / 2012.

The Committee further agreed that the Chief Internal Auditor would include clearer explanations within audit reports if an item had not been complied with and would provide explanations on what measures were in place to rectify any non compliance issues.

#### **6. Annual Audit Opinion 2011/2012**

The Committee received a report from the Chief Internal Auditor on the Annual Audit Opinion 2011/12, which outlined the performance of Internal Audit during 2011/12 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the Council. The Committee was also advised that recommendations from the report were included in the Annual Governance Statement later on the agenda.

During consideration of the report, the Audit Committee was asked to:

1. Receive, consider and endorse the Chief Internal Auditor's annual report for the year ended 31 March 2012; and
2. Note the report of Internal Audit's performance

The following key points within the report included:

- Progress reported on the opinion of the Audit;
- Number of recommendations made;
- Include an opinion on the overall adequacy and effectiveness of the organisation's internal control environment;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Summarise the audit work undertaken to formulate that opinion, including reliance placed on work by other assurance bodies;
- Draw attention to any issues the Head of Internal Audit (or equivalent) judges particularly relevant to the preparation of the Annual Governance Statement;
- Compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria;
- Comment on compliance within the standards and communicate the results of the Internal Audit quality assurance programme;
- The authority for internal audit;
- Local government act 1972 section 151;

- Accounts and audit regulations 2011 section 4 – responsibility for financial management;
- Accounts and audit regulations 2011 section 6 – internal audit;
- The scope of internal audit;
- How internal control was reviewed;
- Basis of head of internal annual opinion;
- Corporate governance and the annual governance statement;
- Risk management;
- Key financial systems; and
- Assurance levels and recommendations 2011/2012 reports.

Comments and responses to questions were as follows:

- Members sought clarification over the use of credit cards by schools. The Chief Internal Auditor advised Members that a number of schools had been allocated with a credit card for small items of expenditure and that the sole responsibility for its use was held by a Head Teacher.
- The Chief Internal Auditor advised Members that the eight issues raised within the Annual Audit Opinion report, would be discussed during the Annual Governance Statement agenda item.

#### **ACTION AGREED:**

The Committee Agreed to:

1. Receive, consider and endorse the Chief Internal Auditor's annual report for the year ended 31 March 2012; and
2. Note the report of Internal Audit's performance

The Committee further agreed that the Chief Internal Auditor would provide Members with information on the outcome of follow up audits conducted on schools that used credit cards, where the control measures were deemed to be of a poor standard.

The meeting was adjourned for ten minutes to allow Members of the Audit Committee time to read the late report which had been received for the next agenda item.

#### **7. Draft Annual Governance Statement 2011/2012**

The Committee received a report on the Draft Annual Governance Statement (AGS) 2011/12 from the Chief Internal Auditor. The Committee were also advised that the report was to be submitted as part of the annual closure of accounts process and was included in the Audit Committee Work Programme for 2012 / 2013.

During consideration, the Committee was asked to:

1. Note the arrangements for compiling, reporting on and signing the Annual Governance Statement;
2. Review and comment on the Annual Governance Statement including any areas which should be amended; and
3. Subject to changes identified above, agree and approve the draft statement for inclusion in the audited statement of accounts, published by 30 September 2012.

The following key points within the report included:

- Annual Statement of Accounts;
- Looking at Risks Registered and how these were managed;

- Key policies procedures;
- How the Council informed the public;
- Information Governance;
- Annual Governance Statement to Directors;
- Internal Control and Governance Self Assessment;
- Assurance Statement;
- Draft AGS;
- Scope of the AGS;
- Arrangements for compiling the AGS;
- Supporting evidence;
- Internal Audit;
- External Audit – PricewaterhouseCoopers;
- Executive Directors: Internal Control and Governance Self Assessment;
- Performance Management and Data Quality;
- Risk Management; and
- Corporate Governance.

Comments and responses to questions were as follows:

- Members were advised by the Executive Director of Strategic Resources that action for the governance issues identified within the 2011/12 report, such as the implementation of requirements for the Localism Act and the establishment of a local scheme to administer welfare payments, were reliant on the Government's completion to introduce regulations in order for Councils to implement the legislative changes.

#### **ACTION AGREED:**

The Committee:

1. Noted the arrangements for compiling, reporting on and signing the Annual Governance Statement;
2. Reviewed and commented on the Annual Governance Statement including any areas which should be amended; and
3. Agreed and approve the draft statement for inclusion in the audited statement of accounts to be published by 30 September 2012.

#### **8. Budget Monitoring Report Final Outturn 2011/2012**

The Committee received a presentation of the report from the Executive Director of Strategic Resources, on Budget Monitoring Report and Final Outturn for 2011/12. The Committee was also informed that the purpose of the report was to inform Audit Committee of the final financial position for revenue and capital at 31 March 2012.

During consideration of the report, the Audit Committee was asked to note:

1. The final outturn position on the Council's revenue budget 2011/12 of £678k overspend, including the improvement of £1,431k since the provisional outturn position;
2. The final outturn position on the Council's capital budget 2011/12;
3. The reserves position for the Council, which would be approved by Cabinet;
4. The performance against the prudential indicators; and
5. The performance on treasury management activities, payment of creditors in services and collection performance for debtors, local taxation and benefit overpayments.

The following key points within the report included:

- Final Outturn 2011/12;
- Medium Term Financial Strategy;
- Financial Report – Revenue;
- Financial Report – Reserves;
- Financial Report – Capital;
- Financial Report – Treasury Management Activity for 2011/12; and
- Financial Report – Performance Monitoring.

Comments and responses to questions were as follows:

- Members sought clarification over the treasury management activities listed within the report and whether the Council had lent money to Lloyds Bank as part of the Local Authority Mortgage Scheme? The Head of Corporate Services advised Members that the Council was participating in the Local Authority Mortgage Scheme with Lloyds and had placed an indemnity payment of 1 million pounds, with the bank. Members were also advised that the expenditure was classed as capital spend, which was why details were not included in the treasury part of the budget monitoring report.
- In clarification sought by Members, the Executive Director of Strategic Resources advised that the recovery of rates position for Icelandic banks was improving.

#### **ACTION AGREED:**

The Committee noted:

1. The final outturn position on the Council's revenue budget 2011/12 of £678k overspend, including the improvement of £1,431k since the provisional outturn position;
2. The final outturn position on the council's capital budget 2011/12;
3. The reserves position for the Council, which was to be approved by Cabinet;
4. The performance against the prudential indicators; and
5. The performance on treasury management activities, payment of creditors in services and collection performance for debtors, local taxation and benefit overpayments.

#### **9. Statement of Accounts for the Year Ended 31 March 2012**

The Committee received a report on the Statement of Accounts for 2011/12. The Committee was also advised that the report was to form part of the regular pattern of reporting on the Council's financial position.

The Executive Director of Strategic Resources highlighted some typographical errors, within the report, which would be corrected in the final Statement of Accounts report to Auditors.

During consideration of the report, the Audit Committee was asked to:

1. Review and comment on the Statement of Accounts prior to the Chief Finance Officer's certification by 30 June 2012.

The following key points within the reports included:

- Format of the Accounts 2011/12;
- Explanatory foreword, which provided an understandable guide to the most significant matters reported in the accounts;
- Statement of responsibilities, which set out the responsibilities of the Council and the Chief Financial Officer in respect of the Statement of Accounts;

- Comprehensive Income and Expenditure Statement, which showed the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation;
- Movement in Reserves Statement – the statement showed the movement in the year on the different reserves held by the Council;
- Balance Sheet, which showed the value of the assets and liabilities recognised by the Council as at 31 March 2012;
- Cash Flow Statement, summarised the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2011/12;
- Notes to the Financial Statements - the various statements were supported by technical notes and by the Statement of Accounting Policies;
- The Collection Fund & Notes, which showed the transactions of the Council in relation to Council Tax and National Non-Domestic Rates;
- Statement of Accounting Policies, which outlined the accounting policies adopted by the Council;
- Annual Governance Statement ;
- Schools Balances;
- Collection Fund;
- Balance Sheet at 31 March 2012; and
- Reserves and Balances.

Comments and responses to questions were as follows:

- Members sought clarification over what measures the Council were putting in place to monitor borrowing against the upper and authorised limits. The Executive Director of Strategic Resources advised Members that the Council aimed to follow the prudential code, which had set the ceiling on the maximum amount the Council was able to borrow for capital investment. Members were also advised that the current borrowing rate was set at 4.2%.
- Members sought clarification over whether the Council was comfortable with the rate of borrowing limits that was currently set? The Executive Director of Strategic Resources advised that over the last few years the borrowing limits had increased significantly. Members were also advised that the increase was due to non PFI schemes, investment in energy for waste scheme, invest to save for projects such as installing Photovoltaic panels on schools.
- The Head of Corporate Services advised Members that an updated report on the Treasury Management Strategy was provided to Audit Committee every six months, which would include an overview of the Council's borrowing activities. Members were also advised that the next report was due in November 2012.

#### **ACTION AGREED:**

The Committee:

1. Reviewed and commented on the Statement of Accounts prior to the Chief Finance Officer's certification by 30 June 2012.

#### **10. Work Programme 2012/2013**

The Chief Internal Auditor submitted the latest version of the Work Programme for the municipal year 2012/2013 for consideration and approval. The standard report provided details of the proposed Work Programme for the Municipal Year 2012/2013 together any training needs identified.

The Chief Internal Auditor advised Members that additions to the Work Programme, arising from June 2012 meeting had been included and would appear on Monday, 24 September 2012 agenda as follows:

- Strategic Risks: Adult Social Care; and
- Strategic Risks: Children's Services

**ACTION AGREED:**

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

Chairman  
7.00pm – 8.08pm