

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT THE TOWN HALL, PETERBOROUGH ON 24 SEPTEMBER 2012**

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

Officers in

Attendance: John Harrison, Executive Director Strategic Resources
Steve Crabtree, Chief Internal Auditor
Steven Pilsworth, Head of Corporate Services
Ben Stevenson, Compliance Manager
Karen S Dunleavy, Governance Officer

Also in

Attendance: Julian Ricket, External Auditor PwC
Jacqui Dudley, External Auditor PwC

Also in Attendance: Councillor Seaton – Cabinet Member for Resources

1. Apologies for Absence

Apologies for absence were received from Councillors Fletcher and Sandford.

2. Declarations of Interest and Whipping Declarations

There were no declarations of interest or whipping declarations.

3. Minutes of the Meeting held on 25 June 2012

The minutes of the meeting held on 25 June 2012, were approved as an accurate and true record.

4. Audit of Statement of Accounts and Report to Those Charged With Governance

The Committee received a report from the Executive Director of Strategic Resources, which detailed the final statement of accounts for the year ended 31 March 2012 and the annual report to those charged with Governance following their scrutiny by External Audit. The Committee was also advised that the purpose of the meeting was for Members to scrutinise the External Auditors report which had been submitted by PricewaterhouseCoopers (PwC).

The Committee was informed by the PwC representative that the draft accounts and supporting documentation which had been received from Peterborough City Council (PCC) were of a very high standard. Members were also advised of the role of external audit and their involvement in identifying executive risks.

Audit Committee was requested to:

1. Receive and approve the "Report to those charged with governance (ISA260) 2011/12 Audit" from PricewaterhouseCoopers (PwC), the Council's external auditors;
2. To make any necessary recommendations in light of the report; and
3. Receive and approve the audited Statement of Accounts 2011/12.

Key points within the report to those charged with governance included:

- Executive summary;
- The purpose of the report and any significant matters and areas to be drawn to the audit committee's attention;
- Significant audit and accounting matters;
- Significant risks - identification of significant risks identified in the audit plan and the audit action taken in respect of each one;
- Accounts – the outstanding matters on which PwC had not completed their audit by the time the report was issued;
- Accounting Issues - which consisted of:
 - Accounting for the transfer of Adult Social Care;
 - Valuation of property, plant, and equipment; and
 - Local Authority Mortgage scheme (LAMS);
- Misstatements and signification audit adjustment, of which there were no unadjusted misstatements above the agreed reporting level of £250k;
- Significant accounting principles and polices;
- Judgements and accounting estimates – there were no challenges by PricewaterhouseCoopers (PwC) to any judgements or accounting estimates made by the Council;
- Accounting Issues – new requirements in 2011/12 Code of Practice – three new changes had been considered by PwC, Heritage Assets, Carbon Reduction Commitment, and exit packages – no issues were highlighted to the Committee;
- Management representation letter;
- Related parties;
- Audit Independence;
- Risk of fraud – no issues were highlighted to the Committee; and
- Statement of accounts 2011/12.

Comments and responses to questions were as follows:

- Members thanked Officers for a very comprehensive report;
- Members were advised that under international standards, management held responsibility within the authority for any management override of controls. PwC had undertaken audit work in relation to this risk, and there were no matters to be drawn to attention of the Members;
- PwC had not reviewed Cabinet Decisions regarding funding allocation towards efficiency schemes over £100m in 2011-2012, as the actual expenditure would be incurred in the 2012/13 financial year and therefore would be included in the Annual Audit Plan for 2012/2013;
- Members were advised that PwC would report to the Members if there were unadjusted misstatements of amounts over £250k within the Statement of Accounts;
- Members were advised that although trust funds were referred to within the External Audit report, the figures would not appear on the balance sheet, due to the fact that PCC acted as trustee only for the amounts and did not receive benefit from the funding and had no control other than that as trustee over the balances held;
- Members were informed that the Audit Commission in house audit practice was being wound down and would not continue to carry out audits after 2012/13. The Audit Commission will continue to oversee statutory functions, but would be significantly smaller;
- Members were advised that the PwC audit fee was set within the Audit Commissions scale fee;
- Members were advised that the pension strain contribution for redundancies was dependent on the age of the person;
- Following clarification sought by Members, the Executive Director Strategic Resources advised that pension strains were negotiated at a national policy level and

the redundancy payment was set at a local level and were independent of each other;

- Following clarification sought by Members over the audit process for authorisation levels for projects over 100m, the Executive Director of Strategic Resources advised that when Council approved the budget, they also approve the budget policy framework. The decision making on the allocation of expenditure would then be passed onto Cabinet. Members were also advised that there was nothing within the constitution to state that Council would reserve any matter within the budget policy framework.

The Committee was also asked to note and agree the PwC suggested amendments to the final accounts, which comprised:

- i. Comparative 2010/11 finance costs of £10m were added:
 - Depreciated Replacement Cost – had been used to arrive at ‘existing use value’ where specialised property was valued. It was the least cost of purchasing remaining service potential of the asset at the date of valuation and had included £19m of finance costs in the 2011/12 revaluation (£10m in 2010/11); and
- ii. Accounting Policies – Property, Plant and Equipment Statement had changed to read:
 - Assets were initially measured at cost, comprising:
 - The purchase price;
 - Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
 - The initial estimate of the costs of dismantling and removing the item and restoring the site on which it was located.

ACTION AGREED:

The Committee agreed and approved the following:

1. The “Report to those charged with governance (ISA260) 2011/12 Audit” from PricewaterhouseCoopers (PwC), the Council’s external auditors;
2. To make any necessary recommendations in light of the report; and
3. The audited Statement of Accounts 2011/12.

The Committee also noted and agreed the PwC suggested amendments to the final Statement of Accounts:

- i. Comparative 2010/11 finance costs of £10m were added:
 - Depreciated Replacement Cost – had been used to arrive at ‘existing use value’ where specialised property was valued. It was the least cost of purchasing remaining service potential of the asset at the date of valuation and had included £19m of finance costs in the 2011/12 revaluation (£10m in 2010/11); and
- ii. Accounting Policies – Property, Plant and Equipment Statement had changed to read:
 - Assets were initially measured at cost, comprising:
 - The purchase price;
 - Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
 - The initial estimate of the costs of dismantling and removing the item and restoring the site on which it was located.

The Committee also agreed the following recommendation:

RECOMMENDATION:

It was agreed that, as part of PwC's external audit plan for 2012/13, PwC would discuss with officers and the Audit Committee an appropriate scope of work to review the governance arrangements with respect to elements of the allocation of expenditure within the Council's budget policy framework.

5. Regulation of Investigatory Powers Act (RIPA): Annual Report 2011/2012

The Committee received a report on the use of RIPA powers over the year 2011 – 2012 and the period ending 30 June 2012. Members were also informed of the recent inspection conducted over Peterborough City Council's use of RIPA, which was commended by Doctor Colbert, Assistant Surveillance Commissioner with the Office of Surveillance Commissioner.

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

- Receive, consider and endorse the report on the use of RIPA for the annual review of 2011 to 2012 and for the three months to June 2012.

The following key points within the report included:

- Test Purchasing of the sale of alcohol, unauthorised Street Trading and Taxi Licensing between July 2011 and January 2012;
- Fly tipping offences 2011 – 2012;
- Applications for access to communications data between April 2011 to 31 March 2012 and from April 2012 – June 2012;
- RIPA Tool Kit;
- RIPA training; and
- Protection of Freedoms Act – the new policy guidance was due to be presented at the next Audit Committee.

Comments and responses to questions were as follows:

- Following clarification sought over the limited amount of inspections conducted and the cost implications involved, the Compliance Manager advised Members that a recent inspection had highlighted that PCC were quite restrained in the use of some investigations. Members were also informed that a briefing note had previously been compiled and circulated which detailed the types of surveillance that had been conducted;
- Members were advised that the purpose of the report to Committee was to inform of the authorised covert operations that had taken place using RIPA and that it would be the responsibility of the respective PCC departments to report on the monitoring underway to identify potential test purchasing and fly tipping offences;
- Following clarification sought by Members, the Compliance Manager advised that PCC authorising officers for covert surveillance using RIPA had included:
 - The Chief Executive;
 - Head of Operations;
 - Head of Governance;
 - Strategic Regulatory Services Manager; and
 - The Compliance Manager
- Following clarification sought, Members were informed that Cabinet Members were not directly updated regarding the use RIPA authorisation; and
- Members were advised that recent laws had been introduced for RIPA, which would seek authorisation from the magistrate's courts for all Authorities. The recent change was intended to ensure that each Council had taken appropriate and fair action over their use of RIPA for covert operations.

ACTION AGREED:

The Committee:

- Received, considered and endorsed the report on the use of RIPA for the annual review of 2011 to 2012 and for the three months to June 2012.

It was agreed that the Compliance Manager would:

- Provide clearer explanations within the report to Committee, over the different types of RIPA investigations used; and
- Request a briefing note from Operations regarding the current monitoring underway across the City to identify potential test purchasing and fly tipping offences.

6. Progress / Update Report

The Committee received a report from the Chief Internal Auditor regarding the actions arising from the previous meeting of Audit Committee and the outcome of those actions.

The following key points within the report included:

- Any areas of non-compliance for the Internal Audit progress reports would be reported to Members. The next progress report was due at Audit Committee on 5 November 2012; and
- The next progress report on progress on schools that had poor control measures for the use of credit cards would be reported to Audit Committee in November 2012.

Comments and responses to questions were as follows:

- Following clarification sought by Members the Chief Internal Auditor confirmed that the issues identified for schools in their use of credit cards had been addressed.

ACTION AGREED:

The Committee noted the Progress / Update Report.

7. 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 with any training needs identified.

Comments and responses to questions were as follows:

The Members code of conduct would appear as an agenda item on 5 November 2012.

ACTION AGREED:

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

7.00pm – 7.50pm
Chairman