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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 5 NOVEMBER 2012

Present: Councillors Lamb (Chairman), Harper (Vice Chairman), Arculus, Maqbool, Fletcher and Sandford

Also in Attendance: Councillor Seaton, Cabinet Member for Resources

Officers in Attendance: Steve Crabtree, Chief Internal Auditor
Steven Pilsworth, Head of Corporate Services
Helen Edwards, Solicitor to the Council
Diane Baker, Head of Governance
Louise Cooke, Group Auditor
Julie Taylor, Group Auditor
Kevin Dawson, Group Manger, Construction, Compliance & Resilience
Karen S Dunleavy, Governance Officer

Also in Attendance: Jacqui Dudley PricewaterhouseCoopers

1. Apologies for Absence

Apologies for absence were received from Councillors Lane and Knowles.

2. Declarations of Interest and Whipping Declarations

There were no declarations of interest or whipping declarations.

3. Minutes of the Meeting held on 24 September 2012

The minutes of the meeting held on 24 September 2012, were approved as an accurate and true record subject to the following amendments:

- Item 4: to state that Members were also advised of the role of external audit and their involvement in identifying significant risks, rather than executive risks;
- Item 4: to state that the Audit Commission would not continue to conduct audits after 2011/12.
- Item 4: **RECOMMENDATION** to state: As part of PwC's external audit plan for 2012/2013, 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 Councils budget policy framework, particularly in relation to the Invest to Save Scheme.

4. Risk Management Strategy, Business Continuity Strategy and Update on Risk Management: Strategic Risks

The Committee received presentation from the Group Manger, Construction, Compliance & Resilience on the progress of the Risk Management, Business Continuity and Risk Register. It was important to note that the Risk Register was currently being updated in conjunction

with Corporate Management Team (CMT) and the Strategic Improvement Team and that a report on the current risks was anticipated to be available in December 2012 and to Audit Committee in February 2013.

The key points within the report included:

- CMT workshop in November 2012 to review the Corporate Strategic Risk Register;
- Separate policies produced for both Business Continuity (BCM) and Risk Management (RM);
- Revised self assessment scores and new starter scores for strategic and project risks;
- Operation risk assessment process had assisted the review and update of Business Continuity Plans (BCP);
- Completion of an operational risk profile;
- Revision of Service and Corporate BC plans;
- Review of Strategic (corporate) risk register;
- Co-ordination of Strategic and Departmental Risk Registers;
- Regular risk “conversations” within and between services at all levels;
- Updates on Insite, web and E-Learning;
- Strategic issues such as introducing and embedding RM/BCM into procurement; and
- Processes, induction briefings and business plans.

Comments and responses to questions were as follows:

- In clarification sought over the training offered to Members, the Committee were advised that it was intended to roll out training to all PCC Councillors. Members commented that consideration should be given to deliver RM training to Members at an All Party Policy meeting for early 2013;
- Members commented that the RM policy had been produced to a clear and high standard;
- The Group Manager Construction, Compliance and Resilience advised Members that the lead Member for Risk Management was Councillor Seaton;
- The Group Manager Construction, Compliance and Resilience advised Members that BC owners were the risk champions;
- Members commented that it was good to see the introduction of training for risk management for Councillors and that consideration should be given to include a section within reports on how the RM policy had been applied.
- The Group Manager Construction, Compliance and Resilience advised Members that quarterly RM reports on high level projects was supplied to CMT on a regular basis; and
- Following clarification sought by Members over the reference of the Cabinet Member recommendation within the covering report, it was advised that the information was provided in error and that it should state that the recommendation was for the Audit Committee to consider.

ACTION AGREED:

The Committee:

1. Considered the revised Risk Management and Business Continuity Strategies; and
2. Approved the delivery of a relevant training and awareness programme to all Members, which would include both induction and ongoing training.

The Committee Further Agreed:

- That the Group Manager Construction, Compliance and Resilience, would include Members of the Audit Committee in the distribution of the quarterly Risk Management reports following agreement with CMT;
- A further update would be provided at the February 2013 meeting on the Strategic Risk Register; and
- That CMT was to confirm to Audit Committee, which Executive Director had been delegated the appropriate seniority and authority to be accountable for the BCM policy and its implementation.

5. RIPA: Progress Report to 30 September 2012 and an Update on RIPA Policy Changes

The Committee received a report from the Head of Governance on the use of RIPA powers for the three month period from 1 July 2012 to 30 September 2012.

The following key points within the report included:

- That there were no requests for authorisations either for surveillance or access to communications data during July to September 2012; and
- An update on the provisions under RIPA for Local Authorities to obtain approval from a Justice of the Peace before utilising RIPA.

The Head of Governance advised the Committee that there were plans underway to roll out training to all PCC Officers on the new RIPA approval process, which was scheduled for 12 December 2012.

Comments and responses to questions were as follows:

- Following a question raised over the application to the Magistrates' Court for the Council to use RIPA, Members were advised by the Head of Governance that PCC were seeking clarification on the process;
- Members commented that consideration should be given to referring RIPA applications to various Magistrates rather than to the same one for every application;
- In response to a question raised regarding the regularity of the use of RIPA, the Head of Governance confirmed that RIPA would only be used as an investigation tool as a last resort and that other less intrusive methods were applied where possible; and
- Following comments from Members on the use of RIPA, the Head of Governance advised that PCC was recently commended by the Office of Surveillance Commissioner for its correct use of RIPA.

ACTION AGREED:

The Committee received, considered and endorsed the report on the use of RIPA for the three months from 1 July 2012 to 30 September 2012.

The Committee Further Agreed:

That the Head of Governance would organise a report to be provided to Members, which would detail information regarding the number of investigations that were carried out following referrals from the public, internal departments and regulatory checks.

6. Member Code of Conduct

The Committee received a report from the Solicitor to the Council on the newly adopted Member Code of Conduct. This formed part of the Committee's statutory duties, in order to adhere to regulations introduced by the Localism Act 2011.

The following key points within the report included:

- Blanket dispensations;
- Individual Dispensations;
- Sub-committee to the Audit Committee (Hearings Panel);
- The Hearings Panel functions;
- Progress of the Recruitment of Independent Person and Deputy Independent Person;
- Applications from Members seeking dispensation;
- Hearings Panel Procedure; and
- Independent Person Application Pack.

The Audit Committee was requested to consider individual Member dispensations. The applications submitted to Audit Committee for Members individual dispensations to speak and vote (however, the dispensation would not apply in any circumstances in which the common law rules of bias or where predetermination may apply) included:

- Councillor Judy Fox for contributions to debates on voluntary sector services; and
- Councillor Marion Todd to speak on matters concerning allotment land generally, unless it related to plot four Allotment, Burton Street, Peterborough.

Members also received an update from the Solicitor to the Council regarding the recruitment process for the Sub-Committee to the Audit Committee Independent Members. The Solicitor to the Council advised Members that three candidates from the Cambridgeshire area had been identified. Members were further advised that one candidate had held no previous involvement in the old standards regime, whereas the remaining two had held previous appointments to a Standards Committee.

The Solicitor to the Council proposed to Audit Committee that they consider recommending to Council the:

- First candidate with no Standards Committee involvement for immediate appointment; and
- The remaining two candidates with Standards Committee experience as deputy appointments for a period of 12 months pending Council's anticipated review of the Standards regime after the first year of operation.

Comments and responses to questions were as follows:

- Following clarification Members were advised by the Solicitor to the Council that the reference regarding ceremonial honour within the report was to cover issues such as the Freedom of the City or Honorary Alderman's status;
- Following clarification sought regarding the blanket Members dispensation to discuss school meals, the Solicitor to the Council advised Members that it may be argued that a number of Members would require a dispensation in order to allow them discuss and vote on matters regarding school meals, which would be within the public interest for them to do so;
- Following clarification sought over the ruling detailing that a Member would not be able to vote on matters regarding council tax setting if the Member was in arrears with council tax themselves, the Solicitor to the Council advised that the ruling would not be overturned by granting the blanket dispensation;

- In clarification sought by Members over declarable interests, the Chair of Audit Committee advised that Members would seek advice from the Solicitor to the Council if they were unsure over the relevancy of disclosures;
- Following a question regarding complaint referrals, the Solicitor to the Council advised that she would be responsible for initial complaints and that matters of a more serious nature would be referred to the Sub-Committee of the Audit Committee;
- Following clarification sought over the composition of the Sub Committee of the Audit Committee, the Solicitor to the Council advised Members that selection would be based on the availability of Members and the Independent Person. Members were further advised that it was intended to ensure that a good political balance was adopted at hearings and that if any Member had a good reason to believe that an appointed panel Member may not be able to judge fairly, these views would be taken into consideration;
- Members raised a question regarding whether consideration should be given to approach a candidate of the right calibre for the Sub-Committee to the Audit Committee rather than advertise for one, the Solicitor to the Council advised Members that any recommendations would be welcomed, subject to the candidate meeting the relevant criteria including not being in allegiance to any political party;
- The Solicitor to the Council confirmed that three candidates had been shortlisted for the panel, one of whom had no previous involvement with the Standards regime, and the other two candidates had experience as Chairs of Standards Committees. Members were further advised that the independent persons would be appointed subject to the Audit Committee's recommendation and followed by agreement at Council;
- Members commented that they should not rush into making recommendations for the three appointments put forward, particularly in relation to the two candidates that had been involved in the previous standards regime. The Solicitor to the Council advised Members that it was sensible to appoint at least two Independent Panel Members to the Sub-Committee to the Audit Committee as the person accused of misconduct also had a right to consult the Independent person, and it would be preferable for it not to be the same person as the one consulted by the Monitoring Officer or Deputy Monitoring Officer, in order to maintain a fair process. In addition, Members were advised that there would also be an opportunity for Independent Members to be available to political groups, to offer advice to group meetings to discuss behavioural issues; and
- Following clarification sought by Members over the timescale of dispensations granted to speak and vote at meetings, the Solicitor to the Council advised that requests for dispensations could be made for either one meeting or until an elected term of office ends up to a maximum four years. If a Member was re-elected, following an election, the dispensation would require a new application.

ACTION AGREED:

The Committee:

1. Recommended the first candidate for immediate appointment subject to approval by Council;
2. Recommended that the applications of the candidates who held previous involvement with the old Standards Committee regime were to be put on hold in order to explore further potential applications;
3. Agreed that Members of the Audit Committee would be consulted over the appropriateness of Member nominations put forward for a Sub-Committee to the Audit Committee hearing panel;
4. Granted a general dispensation to all Members who may have a disclosable pecuniary interest in any business of the authority where that business relates to the functions of the authority in respect of:

- i Housing, where you are a tenant of your authority provided that those functions do not relate particularly to your tenancy or lease;
 - ii School meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;
 - iii Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;
 - iv An allowance, payment or indemnity given to Members;
 - v Any ceremonial honour given to Members; and
 - vi Setting council tax or a precept under the Local Government Finance Act 1992
5. Considered and granted applications made by Members with a disclosable pecuniary interest seeking individual dispensations to speak and vote;
 6. Approved the process by which a sub-committee to the Audit Committee is selected and review the Hearings Panel procedure; and
 7. Received an update on the progress made regarding the recruitment of the Council's Independent Person and Deputy Independent Person.

The Committee Further Agreed:

1. That a further recruitment exercise was to be conducted in order to invite applicants for the vacant Deputy Independent Member positions.

It was advised that the Solicitor to the Council would circulate details to Audit Committee Members of the first candidate recommended for appointment to the Sub-Committee to the Audit Committee, prior to seeking approval at Council.

7. Treasury Management: Update

The Committee received a report from the Head of Corporate Services regarding the Treasury Management Strategy Prudential Indicators for 2012/13. The report was presented as part of the Public Services, Code of Practice, which was intended to provide a mid-year performance review to the Committee.

Members of the Audit Committee were also advised by the Head of Corporate Services that the Council did not borrow money to finance day to day activities, such as the payment of salaries or to run Committees. Members were informed that those costs were balanced by the income that the Council received.

The following key points within the report included:

- The 2012/13 Prudential Indicators;
- Impact by the continuing Eurozone crisis and the down grading of British Banks credit rating;
- Credit rating of the Council's own banking provider; and
- Reduction of the amount held in the Council's call account to £5m from £15m.

Comments and responses to questions were as follows:

- In clarification sought by Members over the Invest to Save scheme and the rolled over budget amounting to £96.8m, the Head of Corporate Services advised Members that capital programme expenditure, once agreed, would be set over a ten year period and would automatically slip forward for continued use, unless there was a specific decision to remove it. Members were also advised that the rolled over amount would be included in the full capital programme and would appear in the

budget presented to Council in February, where Members would be given the opportunity to comment accordingly.

ACTION AGREED:

The Committee reviewed and noted current performance against the Treasury Management Strategy (TMS) set in the Medium Term Financial Strategy (MTFS).

8. Internal Audit: Mid Year Progress Report

The Committee received a report from the Chief Internal Auditor on the Mid Year Progress Report. The report was submitted to Audit Committee as a routine planned report within the work programme of the Committee. In addition, the report had set out Internal Audit performance and progress with regards to the 2012 / 2013 Audit Plan.

The purpose of the report was to inform Members of the Audit Committee on Internal Audit activities and performance progress against the Annual Audit 2012 / 2013 as at 30 September 2012.

The following key points within the report included:

- Assurance Opinion;
- Status of the higher risk assessed activities;
- Status of the specific management requests;
- Operational Plan that was agreed by the Audit Committee on 26 March 2012 i.e. the Audit Plan;
- Carry forward activities for 2011 / 2012;
- Reserve list of audits progress; and
- Other internal performance monitoring such as days sickness per person and post audit customer satisfaction questionnaires.

Comments and responses to questions were as follows:

- Members praised the work conducted by the Audit team and commented on the high standard shown in the production of the report provided;
- In clarification sought by Members over the case of a Peterborough City Council (PCC) ex-employee that had accessed information regarding a procurement exercise, the Group Auditor advised that there were adequate procedures in place for PCC's removal of the ex-employees access, however, there was a one off compromise of the web based procurement system. Members were also advised that further analysis was underway to revise Council procedures in relation to web based systems access;
- In clarification sought by Members over the data compromised, the Group Auditor confirmed that the information was in relation to a tender exercise and was archived data rather than "live" data. Members were also advised that the procurement system accessed had a very good in-built auditing system, where it was possible to review the types of information that had been accessed;
- In clarification sought by Members over the breach of access to procurement data, the Group Auditor advised that the ex-employee had received a formal caution by the Police;
- In clarification sought by Members over the company identified as being in receipt of compromised tender information in relation to a contract, the Group Auditor confirmed that the company had withdrawn from the bidding process;
- Members commented that the company in receipt of the compromised tender information should not be included in any further tender exercises for PCC. The Cabinet Member for Resources advised Members of the Audit Committee that it was

clear throughout the investigation, that the company in receipt of the compromised tender information was unaware how the information had been obtained and that they had relied on a consultant to produce the bidding documentation;

- Members commented that companies invited to tender by PCC, should be under an obligation to implement procedures in order to provide assurances that the information they were receiving was from a legitimate source;
- The Group Auditor further advised that the ex-employee that had accessed the tender information had admitted to the Police that the company was unaware how the information had been obtained;
- In response to a question raised by Members regarding introduction of a system where companies were required to prove that their information had been provided by a legitimate source, the Cabinet Member for Resources advised that such a system would be difficult for companies to administer;
- In clarification sought over the costs for the hire of a single supplier for the City Water Festival, the Chief Internal Auditor advised that the actual cost was £15k, excluding VAT; which had been made up of two payments of £7,500;
- Members were informed by the Chief Internal Auditor that the total costs for the City Water Festival had reached £25k, which had included VAT and other sundry costs such as barriers, security, provision of toilets, general advertisement and posters;
- Members sought clarification over the discrepancies that had been highlighted within the report which related to direct payments and whether the issues had been resolved. The Group Auditor confirmed that a follow up report was underway and that an update on the various actions in place, would be presented to a future meeting of Audit Committee;
- In response to a question by Members on how the number of issues highlighted within the report and the level of high priority for each issue had been identified, the Chief Internal Auditor advised that management teams and their risk registers were often consulted in order to identify high risks and to develop a robust audit plan;
- Members were also informed by the Chief Internal Auditor that there were areas within PCC that the Audit team would receive information for, which would build a flavour for what issues the Council may be experiencing; and
- The Cabinet Member for Resources highlighted that repeat audits should be conducted on PCC travel and subsistence in order to ensure that the correct procedures were being followed.

ACTION AGREED:

The Committee

Received the Internal Audit Update Report to 30 September 2012 and noted in particular:

1. Progress made against the plan and the overall performance of the section.

The Committee Further Agreed:

- That the Group Auditor would provide Members of the Audit Committee with the appropriate details surrounding who had put together the tender information for the company identified as being provided with an unfair advantage over a tender bidding exercise following an ex-employees access to procurement systems;
- Provide the audit report to Members of the Audit Committee, which had detailed the investigation into the City Water Festival payment allegations; and
- The Group Auditor would provide Members with details of the critical action identified for Direct Payments.

9. Use of Consultants

The Committee received a report on the use of Consultants from the Head of Corporate Services. The report was submitted to Audit Committee following the Sustainable Growth Scrutiny Committee review into Peterborough City Council's use of consultants, the subsequent endorsement of their recommendations by Cabinet, and the agreement of Audit Committee to undertake an on-going monitoring role.

The following key points within the reports included:

- The information included within the report was that specifically requested by Audit Committee at its meeting in March 2012;
- The Consultancy report objectives;
- Recommendations of the Consultancy Review Group and the adoption by Cabinet;
- Progress of the recommendations implemented;
- Comments of the Sustainable Growth Scrutiny Committee on the draft policy guiding the use of consultants and interims;
- Cabinets approval of the policy guiding the use of consultants and interims;
- Training on the Council's Contract Regulations, which had included the policy guiding the use of consultants and interims;
- On-going monitoring of the use of consultants;
- Recent figures on the use of consultants;
- List of consultancy companies used in the last year; and
- Spend by department and example projects.

Comments and responses to questions were as follows:

- In a question raised by Members, the Head of Corporate Services advised that the list of consultant companies used by PCC were detailed within the report, however, it would not list individual consultants who were sourced by the Council as interims appointments;
- The Head of Corporate Services confirmed to Members that PCC held a framework contract for Amtec in the periods covered by the report;
- Members sought clarification over a list which had detailed personnel as well as companies and whether it would be sensible to identify those personnel that were engaged as consultants. The Head of Corporate Services advised Members that in some cases individuals were named due to the status of sole traders and that all services procured through them were for contracted services and not for staff;
- In a concern raised by Members over capturing National Insurance (NI) payments for interims, the Head of Corporate Services advised that where personnel were employed as members of staff and were fulfilling posts within the PCC structure on an interim basis, the details had been disclosed separately in order to capture any NI element of such payments;
- In a question raised by Members regarding the appointment arrangements of the current Executive Director of Adult Social Care, the Head of Corporate Services advised that the appointment was made through Veredus;
- Members commented that it would be useful to include the list of companies used to provide interims within the list of the consultancy companies used by PCC;
- Members commented that the Sustainable Growth Scrutiny Committee (SGSC) had developed the definition on use of consultants, which was intended to include the details of interims and consultancy companies to be reported together, however, the detail had not appeared in the report to Audit Committee. The Head of Corporate Services advised that PCC had followed the definition provided by SGSC in that it would not include companies such as Atkins, which were used for highways service arrangements;

- Members commented that the definition on the use of consultants developed by SGSC was intended to identify personnel that ought to be employees rather than be consultants of the Council;
- Members commented that they were pleased to see the numbers on the use of consultants was decreasing;
- The Head of Corporate Services advised Members that the content in the use of consultants report was taken from the SGSC recommendation and through the recommendations of Audit Committee. Although the report was intended to include those firms that fitted the definition of consultancy, information on the use of interims was available on the Council's website;
- In response to comments raised by Members over the use of consultants for projects, the Head of Corporate Services advised that the spend on projects was dependant on what Council had agreed to deliver for transformation of service delivery and the level of expertise required;
- In a question raised by Members regarding the transition of public health the, Head of Corporate Services advised that it was intended to cover most transition activities to date within the Council's existing resources, however, a project plan was in place to capture the additional resources required in order to cover the delivery. In addition Members were advised that it was anticipated that a small grant was expected from Government, which would cover some of the remaining costs;
- Members commented that the Council had expected to receive skills transference through the appointment of consultants and interims;
- Following a question raised by Members over the interim appointment to the post of Head of Human Resources, the Cabinet Member for Resources advised Members that the employee had been appointed to work for the Council for two days a week and that it would not be financially viable to employ a permanent member of staff to the post; and
- Members were advised that the recruitment of a permanent Head of Business Transformation was underway.

ACTION AGREED:

The Committee considered and noted the update report on the use of Consultants.

The Committee Further Agreed:

That the Head of Corporate Services would provide Members of the Audit Committee:

1. With a link to the public information on the Council's website, which detailed the use of interims and their fee;
2. Future reports to Committee would include:
 - A information on consultants and interims that had been in post at PCC for over a year; and
 - Further information regarding what services each of the consultancy companies had provided.

In additions, the Cabinet Member for Resources would approach the Chief Executive to seek comments over whether it would be possible to employ a permanent post for the Head of Human Resources, utilising a Local Authority shared services scheme.

10. Feedback Report

The Committee received an update report from the Chief Internal Auditor regarding items considered or questions asked at previous meetings of the Committee. It also provides an

update on any specific matters which were of interest to the Committee or where Committee have asked to be kept informed of progress.

Key item within the report were as follows:

- Feedback responses which had included feedback on investigative operations for test purchasing and fly tipping offences ;and
- Response to Audit Committees request for a review of the governance arrangements for expenditure of the Council's Budget Policy Framework, particularly in relation to the Invest to Save Scheme.

11. 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.

The following items were to be included on the Work Programme:

- Risk management training will appear on the next plan;
- The effectiveness of Audit Committee was to move from Feb 2013 to March 2013; and
- Consultant report be presented in February 2013, including the further information requested by Audit Committee at its meeting of 5 November 2012.

ACTION AGREED:

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

7.00pm–9.14pm
Chairman

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