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## **MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 23 SEPTEMBER 2013**

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

Also in

Attendance: Councillor Seaton, Cabinet Member for Resources

Officers in

Attendance: Steven Pilsworth, Head of Strategic Finance  
John Harrison, Executive Director Strategic Resources  
Kim Sawyer, Head of Legal Services  
Kevin Dawson, Resilience Services Manager  
Ben Stevenson, Compliance Manager  
Kirsty Nutton, Financial Services Manager - Corporate Accounting  
Karen S Dunleavy, Governance Officer

Also in

Attendance: Chris Hughes – PricewaterhouseCoopers  
Jacqui Dudley – PricewaterhouseCoopers

### **1. Apologies**

Apologies for absence were received from Councillor Sandford.

### **2. Declarations of Interest**

There were no declarations of interest or whipping declarations.

### **3. Minutes of the Previous Meeting**

#### **3.1 Minutes of the Meeting Held on 6 June 2013**

The minutes of the meeting held on 6 June 2013, were approved as an accurate and true record.

#### **3.2 Minutes of the Meeting Held on 24 June 2013**

The minutes of the meeting held on 24 June 2013, were approved as an accurate and true record.

It was agreed that item 9 would be discussed next

### **4. Risk Management: Strategic Risks**

The Resilience Service Manager introduced a report on Risk Management (RM) and Business Continuity (BC), which had recently been approved by Corporate Management

Team (CMT). In addition, Members were advised that there had been a number of new diagrams included within the Risk Management Policy.

The key points within the report included:

- Completion of operational risk profile;
- Continuation of review and revision of Service and Corporate BC plans;
- Quarterly review of Strategic (corporate) risk register by CMT;
- Coordination 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 e.g. introducing and embedding RM/BC into procurement processes, induction briefings and business plans; and
- Delivery of training aimed at ensuring Members understand the risk management process and expectations upon Officers.

The Resilience Services Manager, Head of Legal Services and Head of Strategic Finance responded to comments, concerns and questions raised by Members. In summary the comments and responses included:

- The completion of the Adult Social Care and Strategic Resources risk registers were expected shortly. In particular, the Strategic Resources register had awaited minor updates to the existing version;
- Cabinet would receive regular risk reports and any feedback recorded through the Audit Committee minutes;
- A training session would be held each year for all Members at the All Party Policy meetings regarding the Risk Registers and Business Continuity;
- There was a management mechanism in place in order for Cabinet Members to be kept informed and assess risks within their portfolio area, which was intended to aide them in building an appetite towards identifying risks;
- The Council would hold the statutory responsibility to ensure that landscape maintenance was carried out by the appointed contractors, in addition the Council would hold the responsibility if a member of public was to become injured as a result of poor landscape maintenance;
- At this point Councillor Fletcher wished for it to be noted that due to the many briars that were being left to grow to 9ft in height and across public footpaths in South Bretton, he felt that there may be a risk to the public of injury in the future if the maintenance was not carried out to an acceptable level;
- The Cabinet Member for Resources advised Members that it would be appropriate to raise concerns regarding contract issues at the Sustainable Growth Scrutiny Committee meetings that held a specific agenda item on contracts and that requests should be initiated through the Member’s Group Representative;
- The Cabinet Member for Resources also advised Members that they should receive a feedback report following any issues they had identified during their ward walks with the Enterprise Contract Officers;
- Consideration could be given in the future to provide a joined up, robust customer focussed approach in terms of dealing with grounds maintenance, providing responses to residents and conducting exercises such as tree surveys, however, the options were limited due to Officer resources;
- Councillor Lee raised a point of information in that there were two managers who inspected the work of Enterprise complaints and issues. It was also advised that their manager was the Head Of Strategic Client Services;
- The Cabinet Member for Resources advised Members that there was a fine balance in identifying the higher corporate risk priorities for the Council;
- There was a Senior Management restructure underway and it had been intended that after that process a table top exercise, to test contingency scenarios based on the

Council's ability to deliver services should Council buildings become unavailable, would be conducted by the Resilience Service;

- It was intended that CMT would undertake the necessary training in order to prepare them in dealing with any risk that may arise from the loss of Council offices;
- Departmental Strategic Registers would need to follow a standard format in order to embed a project;
- Councillor Knowles expressed that the quality of life aspect of risks should not be lost in risk assessing;
- All information technology servers were in the process of being externally backed up by a company called Sunguard. This provision was intended to maintain corporate information. The arrangement of Officers working from home had never been a substitute in providing Council services in an office base, as there was a balance to be realised. However, many Councils would see working from home becoming a normal arrangement;
- Comments and suggested improvements arising from a previous Audit Committee meeting had been fed into the Business Continuity Policy and Risk Management Strategy and it had been agreed to report the Council's position back to Audit Committee on a quarterly basis; and
- The Risk Management Strategy had also been assessed by an external organisation to ensure that it had complied with the national standards.

#### **ACTION AGREED:**

##### **The Committee**

1. Considered and noted the content of the report.

##### **The Committee also agreed that:**

1. The Head of Legal Services would liaise with the Enterprise contract manager over the concerns raised by Audit Committee regarding the potential risks highlighted over the lack of provision of maintenance/groundworks in bio- diverse areas across the city, which may cause injury to members of the public should the issue be left unresolved;
2. The Project Management Team, demonstrate an example of how managers would apply their logic in utilising the risk matrix within the Risk Management Policy when entering a new project onto the Verto system. The example was to be demonstrated at the Verto training, which was due to be held on 28 October 2013, for Members of the Audit Committee; and
3. The Resilience Services Manager would report back to CMT, Audit Committee's comments regarding whether Cabinet Members would be informed of links between the Risk Management Policy and how Cabinet could gain an appetite in becoming fully informed of current risks.

##### **The Committee also recommended that:**

1. The Resilience Services Manager would provide a report to Audit Committee outlining how Cabinet Members set the overall risk appetite for the Council and monitor the performance of management in mitigating strategic risks across all departments.

#### **5. The Invest to Save Scheme**

The Head of Legal Services introduced a report regarding projects that were funded through the Invest to Save Scheme and the principles followed in terms of allocating the funding. The Committee was also advised that there were numerous budget setting rules that the

Council had to follow which had included the Council's ability to do anything under the General Power of Competence.

The following key points within the report included:

- Establishment of the scheme;
- Allocation of monies to projects under the Invest to Save Scheme - policy and process; and
- Allocation of monies to projects under the Invest to Save Scheme - authority and legality

The Head of Legal Services and Head of Strategic Finance responded to comments and questions raised by Members. In summary the responses included:

- Renewable energy schemes were funded by a specific budget;
- There had been some funding in the past that had supported the installation of solar panels on schools;
- Each budget monitoring report for Cabinet included an update on Invest to Save Schemes, including the Cabinet meeting that morning;
- The Cabinet Member for Resources advised the Committee that the hospital had been consulted over the installation of solar panels, however the Council was advised that the roof was unsuitable for such a scheme;
- The Council's budget setting had been governed by financial procedure rules for projects that required a higher level of expenditure. The Invest to Save Scheme was permitted as long as the Council followed guidance and the appropriate approval levels set to ensure that lawful processes were in place;
- Both capital and revenue project expenditure would qualify for the Invest to Save Scheme. Both types of expenditure would be agreed following the same financial procedures for Invest to Save;
- The timescales in which to realise the return from Invest to Save projects would be assessed on a case by case basis; and
- The Cabinet Member for Resources confirmed that there was an ongoing legal dispute regarding the operation of the use of solar panels installed on the Freemans building and feedback would be provided in due course.

#### **ACTION AGREED:**

##### **The Committee:**

- Reviewed the update provided in respect of the Invest to Save Scheme's decision making process; and
- Considered guidance on the Council's authority to allocate money to projects such as the Invest to Save Scheme.

##### **The Committee also agreed that:**

The Head of Strategic Finance would provide Audit Committee with the details of the recent report submitted to Cabinet, and further information on the projects relating to solar panels.

## **6. Revised Contract Rules**

The Head of Legal Services introduced a report to the Committee on the revised Contract Rules. Members were also informed that the existing Contract Regulations set out under Part 4, Section 11 of the Constitution were last reviewed in 2007 and needed to be replaced. There had also been some developments around procurement law, changes in the way the

Council had contracted with and through strategic partners and suggestions made by Officers to improve service delivery. The Committee were informed that Legal Services revised the Contract Rules to improve Council processes for its purchasing, so that procurement was more efficient and effective. Furthermore, to assist the Council to meet the current challenges and its corporate priorities.

The Head of Legal Services and Head of Strategic Finance responded to comments and questions raised by Members. In summary responses included:

- The decision making powers and financial limits had not changed within the revised Contract Rules. The revision was intended to explain the rules in an easier way for Officers to follow;
- Researching the market for framework agreements to provide a specific service should involve the procurer identifying the best level of framework required. There was a question for the Council over whether it wanted to use frameworks and that would be covered by the overarching Procurement Strategy;
- A nine month procurement process would take up time and involve substantial costs involving a team of Officers, whereas a framework solution would take considerably less time and costs, as the procurement function had already been conducted (usually at nil cost to the Council);
- The Council utilised framework agreements that were free and not sold to them;
- There were procurement costs that would be built into the framework bid, however, the difference was that the company offering the frameworks would attract more than one client, meaning that the procurement costs would be shared;
- There were elements of competition within framework offers and generally further discounts would be sought by the Council;
- The 'Ready Reckoner' within the Contract Rules was not scientific but used to provide Officers with a ball park figure so that the correct procurement procedure should be followed;
- There had been no differential between whether a project was funded by revenue or capital expenditure. The works value contract thresholds would be considerably higher than a service contract; and
- It was a Cabinet matter to decide the Procurement Strategy of the Council as it was an Executive function.

Councillor Lee commented that revised Contract Rules were very easy and clear to understand.

#### **AGREE ACTION:**

##### **The Committee**

1. Noted the contents of the report relating to the revised Contract Rules; and
2. Recommended that Council should be asked to include the Contract Rules within the Constitution to replace the current Contract Regulations

## **7. Compliance Team Annual Report 2012 / 2013**

The Compliance Manager introduced the Compliance Team Annual report to the Committee, which outlined the fraud and irregularity in accordance with the established Work Programme 2012/2013. The report enabled the Audit Committee to continue to monitor the Council's approach to the areas for fraud dealt with by the Investigations team.

Key points highlighted within the report included:

- The Compliance Team had begun to work with Cross Keys Homes on allegations of social housing fraud and also Blue Badge fraud cases. There had been a high success of prosecutions experienced as a result of the team's work; and
- Work was underway in the Compliance Team to improve electoral integrity.

The Compliance Manger responded to comments and questions raised by Members. In summary the responses included:

- The highest risk benefit fraud cases would receive the team's attention. This was due to limited resources within the team. The team would decide whether an allegation could be malicious; an example would be whether a person had been living at a property where the owner was receiving benefits opposed to whether they had just been sighted there;
- In relation to the six cases of reported corporate fraud, three remained under investigation;
- The Chief Executive would hold the decision making responsibilities over how the Compliance Team were resourced;
- Media was utilised as the best route to publicise what measures were in place and the success stories in combatting benefit fraud; and
- Councillor Harper commented that consideration should be given towards investing funds for staffing levels if the work was aimed towards saving the Council money.

#### **AGREED ACTION:**

##### **The Committee:**

Received, considered and endorsed the annual report on the investigation of fraud and other issues for the year ending 31 March 2013.

##### **The Committee also agreed:**

That the Head of Legal Services would:

1. liaise with internal communications on raising the advertising profile in tackling benefit fraud and the actions that were currently being undertaken by the Council; and
2. provide Audit Committee with information over the budget setting process for staff funding, verses income and savings made as a result of benefit fraud work.

#### **8. Regulation of Investigatory Powers Act (2000): Quarterly Report 1**

The Compliance Manager introduced a report on the Regulation of Investigatory Powers Act (2000) quarterly report. The Committee were advised that the Regulation of Investigatory Powers Act 2000 (RIPA) provided a statutory mechanism for authorising covert surveillance and the use of a 'covert human intelligence source' (CHIS).

The current investigation utilising RIPA powers had obtained subscriber details of a mobile phone number which identified the operator concerned and established a link with an unlicensed taxi driver. The files were submitted to the Legal Department for prosecution.

The Compliance Manager responded to comments and questions raised by Members. In summary the responses included:

- In order to utilise the RIPA tool the Compliance Team were required to seek judicial approval; and

- There had been no investigations on fly tipping that had required the use of RIPA, however, the Neighbourhoods Team had continued to carry out their day to day monitoring of fly tipping issues.

#### **AGREED ACTION:**

##### **The Committee**

Received, considered and endorsed the report on the use of RIPA for the three months from 1 April 2013 to 30 June 2013.

### **9. Audit of Statement of Accounts To Those Charged with Governance**

The Executive Director of Strategic Resources introduced a report on the audit Statement of Accounts to Those Charged with Governance. The Committee was also informed of the changes that had been applied following the external audit, which was conducted by PricewaterhouseCoopers (PwC).

Chris Hughes, External Auditor from PwC presented the report to the Audit Committee and invited Members to provide comments over the content of the report and any risks that PwC had identified.

The following key points within the reports included:

- Executive summary;
- Audit Approach;
- Significant audit and accounting matters;
- Internal Controls;
- Risk of Fraud;
- Fees update;
- Management representation letter; and
- Statement of Accounts 2012/13.

The External Auditor, PwC and the Executive Director of Strategic Resources responded to comments and questions raised by Members. In summary the responses included:

- There would not be a significant material difference between the account figures of PwC and PCC valuers, however, it would be more advantageous for both parties to agree the same methodology going forward. PCC had demonstrated sufficient evidence in how it had arrived at their account figures; and
- The Audit Committee handbook had outlined Members' responsibility of assessment of whether there were enough systems in place to minimise the risk of fraud to the Council. However, more support would be provided going forward to Committee Members in identifying fraud.

##### **The Committee**

1. Received and approved the "Report to those charged with governance (ISA260) 2012/13 Audit" from PricewaterhouseCoopers (PwC), the Council's external auditors; and
2. Received and approved the audited Statement of Accounts 2012/13

## **10. Feedback Report**

The Head of Strategic Finance provided an update to the Committee on the action points that had arisen from the Audit Committee meeting held on 24 June 2013. The verbal updates included:

- There had not been a requirement to disclose the amounts in respect of compromise agreements under £50k, however the total figure paid was included within the statement of accounts;
- The valuation date of agricultural land had been conducted in 2009 and was due for revaluation in 2014, however, the Council would be entitled to request that a valuation was conducted at any time for its own information purposes; and
- The Committee received a memo outlining the position of Westcombe Industries.

## **11. Work Programme 2013-2014**

The Chairman of Audit Committee introduced a report on the latest version of the Work Programme for the municipal year 2013/2014 for consideration and approval. The standard report provided details of the proposed Work Programme for the Municipal Year 2013/2014 together with any training needs identified.

### **AGREED ACTION:**

The Committee noted and approved the 2013/2014 Work Programme.

CHAIRMAN  
7.00 - 9.00 pm