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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 4 NOVEMBER 2013

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

Officers in

Attendance: Steve Crabtree, Chief Internal Auditor
Steven Pilsworth, Head of Strategic Finance
Kim Sawyer, Director of Governance
Ben Stevenson, Compliance Manager
Louise Cooke, Group Auditor
Julie Taylor, Group Auditor
Karen S Dunleavy, Governance Officer

1. Apologies for Absence

There were no apologies received for absence.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of the Meeting Held on 23 September 2013

The minutes of the meeting held on 23 September 2013, were approved as an accurate and true record.

4. Internal Audit: Mid Year Progress Report

The Chief Internal Auditor introduced a report on the Internal Audit performance and progress with regards to the 2013/2014 Audit Plan (Audit Committee approval: 27 March 2013). The purpose of the report was to inform the Committee on Internal Audit activities and performance progress against the Annual Audit 2013/ 2014 as at 30 September 2013.

The key points within the report included:

- The team activities had focussed on grants claim verification which had restricted works in other areas; and
- There are a number of departmental reports that were currently in draft format which would be presented to Audit Committee at a later date.

The Chief Internal Auditor responded to comments and questions raised by Members. In summary responses included:

- The Adult Social Care audit in relation to the compliance eligibility criteria database, would be progressed by the end of the year;

- Generally the Audit Team works would concentrate against higher risk services areas;
- Recruitment had taken place for one of the vacant posts in the Audit Team;
- The Audit Committee had been sent an email outlining the outcome of the audit regarding the Enterprise Bus Contract. It had not been possible to include the information within the half year report as it was concluded after the cut-off date. Enterprise established that the cost of the Bus Contract was greater than the initial transfer value. Enterprise had highlighted the issue to the Council, however, they were unsuccessful in obtaining further funding. A recent tender exercise undertaken by Atkins had verified that the recent increase in priced bids which had been received for the renewal of the Bus Contract were comparable. Evidence had shown that Enterprise had conducted the necessary amount of due diligence; and
- The whistleblowing case highlighted within the report was subject to review in line with corporate processes.

The Committee

1. Received the Internal Audit Update Report to 30 September 2013 and noted in particular:
 - a. The progress made against the plan and the overall performance of the section.

5. Treasury Management

The Head of Strategic Finance introduced a report on Treasury Management in the Public Services. The Code of Practice 2011 recommended that Members received reports on its treasury management policies, practices and activities, including, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

The annual strategy was approved by Council as part of the Medium Term Financial Strategy (MTFS) and the final performance against the strategy was reported to Audit Committee in June 2013 alongside the Statement of Accounts. The report formed the mid-year review.

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

- The Council currently had not undertaken any variable interest rate borrowing; and
- The Sector Treasury had been part of the Captia Group for a number of years.

7.17pm at this point Councillor Arculus joined the meeting

- The Council currently had no investments for longer than 12 months. There was however, a treasury investment of £2m under the Local Authority Mortgage (LAM) Scheme;
- The Council would not be advantageous in property or company investments due to the small amount of lending percentage return compared to the amount that the Council would need to pay on the loan;
- An investigation would be conducted if the Council's Operational Boundary borrowing was likely to exceed a temporary arrangement, the findings of the investigation would also be reported to Audit Committee due to its responsibility to monitor treasury management;
- The amount the Council was required to borrow for its Capital Programme would appear lower in the earlier part of the year than the latter. As capital scheme projects

became more established later in the year, an acceleration of borrowing would particularly occur;

- When the Council pay for capital works it uses framework agreements, which had been a good example of the Council resources. Capital works would be paid for when the appropriate level of work had been completed by the contractors;
- the prudential indicators were set at a rate that was determined by the amount of borrowing for the current and future years programmes in order to gain the best borrowing rate; discussions would also take place to review whether the operational boundary was set at the appropriate rate;
- Members commented that the annualised operational boundary was set every two years and that Audit Committee would receive a report before the amount of boundary borrowing was exceeded;
- The Council's anticipated rate of planned expenditure that was set at 85%, was an estimated figure. The Council's income account would be utilised before it was necessary to borrow funds;
- The Capital Financing Requirement (CFR) was driven by the Council's budget and capital spend in the current financial year;
- The Council's cash income flow was generally higher in the first part of a financial year;
- The Council was in discussions with Lloyds and Treasury Sector regarding the Local Authority Mortgage (LAM) and Help to Buy Schemes (HBS) in regards to offering one scheme to help a first time buyer purchase a property. The first tranche of applications had released £1m and had helped 40 new home buyers. Applications had continued to be received and mortgages were anticipated to start in January 2014;
- Members felt that the two schemes (LAM and HBS) should remain in place for first time buyers until the Council was assured that first time buyers could be accommodated by the option of one of the schemes;
- The Council continued with their work with the National Steering Committee regarding the funds locked into the Iceland banks. The Council had been successful in initiating the release of three quarters of funds and continued to work with administrators to retrieve the remainder.

The Committee:

Reviewed the current performance against the Treasury Management Strategy (TMS), which was set in the Medium Term Financial Strategy (MTFS).

The Committee also agreed:

That the Head of Strategic Finance would:

- Provide a percentage representation against the rate of variable interest borrowing for the Council within the future Treasury Management reports;
- To make it clearer within the Treasury Management Strategy that Audit Committee would be notified if the Council's operational boundary borrowing had been exceeded, and would receive a report explaining the issues at the available next meeting; and
- Circulate to Members of the Audit Committee an outline of the key differences between the Local Authority Mortgage and the Help to Buy Schemes.

6. Use of Consultants

The Head of Strategic Finance introduced a report on Peterborough City Council's use of consultants, which was part of the Audit Committee's role to undertake on an on-going

monitoring role. The Committee was also advised by the Head of Strategic Finance that the spend on the use of consultants was on a downward trend and that future use would be determined by the projects the Council had underway. The report provided an overview of the companies used and projects, which had been broken down by department and had also included a list of consultants/interims that had been utilised by the Council for more than one year since the end of January 2013.

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

- The interim figure of 0.7 had been due to the expenditure on resources to support Adult Social Care commissioning. When the services were transferred to PCC there had been a number of contracts that were not in place and there had been a need to provide resources for these service areas;
- There had been a number of cases where interims were contracted for a period of more than one year. In some cases it had been appropriate to cover the posts whilst situations such as restructures were conducted. However, the list of interims had reduced significantly since the first report had been received by Audit Committee;
- It had not been intended to demonstrate within the reports to Audit Committee, what the benefits of expenditure had been on commissioning consultants and interims;
- Serco was the main framework provider for the commissioning consultants for the Council and would apply best value and market research throughout the procurement process;
- The Head of Strategic Finance would highlight with Serco if it had been felt that the best value for money was not being sought for the provision of consultancy services;
- Some consultants would be contracted through a service company, which was the only way to commission some specialist pieces of work;
- There would be no overhead costs to the Council if a consultant was on annual or sick leave;
- A consultant commissioned to undertake a piece of work for the Council would be required to produce a report, which would provide an overview of the work they had undertaken within the month, in order for the Council to pay the invoice; and
- Implementing a fixed term contract for a specialist piece of work was very resource intensive.

Some Members felt that although there had been an understanding the Council was required to acquire the right skill set to provide its services, consideration should be given to training permanent members of staff rather than seek the services of a consultant. Members also expressed that the commissioning of consultants through service companies seemed unfair due to the difference in tax treatments for the person that was commissioned.

The Cabinet Member for Resources advised the Committee that there were some exit strategies that could be included within the consultancy report where it was appropriate to do so.

The Committee:

1. Considered the updated report on the use of Consultants.

The Committee also agreed that:

Audit Committee Members would be provided with a report detailing the reasons why the Head of Human Resources had been in an interim post at the Council for more than 12 months.

7. Regulation of Investigatory Powers Act (2000): Quarterly Report 2

The Compliance Manager introduced a report, which provided an overview of the Council's use of Regulation of Investigatory Powers Act (RIPA) powers in the three months from 1 July 2013 to 30 September 2013.

The Committee was also advised that the Council continued to investigate reported cases of fly tipping and would apply the use of RIPA where appropriate, however, it had not been necessary to use RIPA in the second quarter.

Following a question by Members of the Audit Committee, the Compliance Manager advised that cameras were not used for surveillance by PCC in Council owned car parks in order to highlight parking offences unless there had been an application made to do so.

The Committee:

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

8. Feedback Report

The Chief Internal Auditor introduced a report on the feedback of action that had arisen from the Audit Committee meeting held on 23 September 2013.

The Head of Strategic Finance provided Members of the Audit Committee with a report and copies of a recent Freedom of Information response following the action point raised over the request to provide further information on projects relating to solar panels.

The Director of Governance updated the Committee with regards to the research work in terms of advertisement campaigns aimed to outline the Council's approach on benefit fraud, highlighting the implications for fraudsters.

The Committee:

Noted the update report.

The Committee also agreed that:

- The Director of Governance would organise a private meeting for Members of the Audit Committee to receive an update on the solar panel matters and the Freemans building legal case; and
- Explore the option of utilising bus shelters as an advertisement tool for the benefit fraud campaign.

9. Work Programme

The Chief Internal Auditor submitted 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 any training needs identified.

The Committee:

- Noted and approved the 2013/2014 Work Programme; and

- Agreed that the outcome of the Freemans building solar panels would to be discussed when the legal case had been resolved.

CHAIRMAN
7.00 - 8.20 pm