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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 9 NOVEMBER 2015

Present: Councillors Aitken (Chairman), Over (Vice Chairman), F Fox, Shaheed, Lane and Scott OBE.

Also Present: Councillor Seaton Cabinet Member for Resources

Officers in

Attendance: Steven Pilsworth, Service Director Financial Services
Ben Stevenson, Compliance Manager (Governance)
Steven Crabtree, Chief Internal Auditor
Karen S Dunleavy, Democratic Services Officer

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Sylvester.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE MEETING HELD ON MONDAY, 21 September 2015

The minutes of the meeting held on Monday, 21 September 2015 were approved as an accurate and true record.

4. Internal Audit: Mid-Year Progress Report

The Chief Internal Auditor introduced the report to Audit Committee Members, which outlined the six monthly Internal Audit performance and progress with regards to the 2015 / 2016 Audit Plan report as at 30 September 2015.

Key points highlighted included:

- Closing down Audits;
- Finalising Audits;
- Audit programme; and
- The progress of integration of the Council's new financial system Agresso, and assurances that access rights had been correctly migrated.

The Chief Internal Auditor and Service Director Financial Services, responded to comments and questions raised by Members. A summary of responses included:

- The audit highlighted on page 31 of the report had been identified by Children's Services, which had triggered an unannounced visit by the Audit Team. Following the audit, an action plan had been put in place for the Local Authority run school;
- The cost of audits conducted by the team were not charged directly to individual schools;
- The issue highlighted for the school that had been audited was in relation to proper procurement processes, which had not been followed by them, rather than the issue being due to an overspend;

- There were financial rules and regulations that Head Teachers and Bursars were required to follow. There had also been a member of Peterborough City Council's finance team conducting regular visits to schools as part of the monitoring budget. Any issues highlighted to the Audit Team would launch an audit investigation in order to identify the issues, set actions and ensure that actions were completed;
- Ultimately, finance decisions were a matter for the governing bodies, however, if there were no changes made by the school following the Audit Team's recommendations made, then there would be an appropriate level of escalation in order to ensure that audit actions were being met and completed;
- Closure completion of previous reviews had related to audits that had rolled over to the following financial year, which had been due to dates set for action points rather than an Audit Team resource issue;
- The Audit Team would undertake a feasibility review of projects in order to assess whether projects would meet the outcomes anticipated; and
- Reports and memos had been drafted following the petty cash recommendations to schools involved in recent audits, and a response from schools was expected imminently. An update on the completion of actions would be recommended to Audit Committee at a later date.

The Committee:

Noted the progress made against the plan and the overall performance of the section.

5. Use of Consultants

The Service Director Financial Services, introduced the report to Audit Committee Members as part of their ongoing role to monitor and review the Council's spend on the use of consultants. The Committee were also informed that the report had demonstrated a consistent downward trend on the use and spend on consultants.

The Service Director Financial Services, responded to comments and questions raised by Members. A summary of responses included:

- Members commented that the report produced for the use of consultants was very clear;
- The request to monitor the use of consultants and interims within the consultancy reports had arisen out of the original review conducted by Sustainable Growth Scrutiny Committee;
- Members raised concerns over the level of detail behind consultancy work undertaken on projects such as the Football Club, Peterborough Environment City Trust (PECT) for the Zero CO2 Project, Olsen Partnership Limited for Branding and the Frog Life Trust and that a fuller description of the work undertaken should be included;
- The Frog Life Work had involved an environment statement undertaken in conjunction with the Fletton Parkway widening, and the £11k spend was in conjunction with the football skills centre;
- There had been a formal process followed such as completion of a business case for each project, which was approved by the Corporate Director Resources and the Cabinet Member for Resources before consultants could be commissioned to undertake a piece of work for the Authority;
- The spend on WESTCO Trading Limited was in relation to the work undertaken as part of a project in conjunction with Westminster City Council and resources for communications;
- Serco was the main provider for the Authority's staff. In order to commission consultancy staff, there was a stringent sign off process such as a business case, PCC interview and approval process before the resource required could be supplied;

- The Axiom Housing Interim Housing Finance Lead was commissioned to conduct a series of work carried out over a short period of time, and could have been classed as an interim or a consultant; and
- Consultant or interim contracts would include an indemnity clause, which could be initiated if the service provided had been found to be not fit for purpose. The contractor or interim would receive a notice to terminate if they had not provided the correct advice or service required.

The Committee:

1. Noted the update report on the use of Consultants for the period 1 October 2014 – 30 September 2015.

The Committee Also Agreed:

That the Service Director Financial Services would include further commentary to the Committee over the use of interims and consultants and highlight work they had been commissioned to undertake when conducting Council projects.

6. Treasury Management

The Service Director Financial Services introduced the Treasury Management report to Audit Committee Members, which outlined the Council's 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 Service Director Financial Services, responded to comments and questions raised by Members. A summary of responses included:

- The Authority's investments were with the Bank of Scotland and not the Royal Bank of Scotland;
- An amount of £2.7m had been recovered from the Iceland Banks, however, the remaining recovery amount of 10% provided more of a challenge to the Authority, but would be pursued;
- The investment ratings were highly dependent on the level of Government support;
- The Council made sure that they had only invested money in high rated investments;
- The Iceland investments were made in 2007 and 2008;
- Short term investment could be moved around banks as necessary and the treasury strategy should be reviewed as part of that process;
- The Council's current majority profile was usually taken out over a 10 year period and would run over the life span of the asset. The Council would commit to a short term loans where necessary;
- The indicator set for the borrowing structure had been factual and issues may occur when the Council needed to repay what the interest rates were at that time of the repayment;
- The Council aimed to not pay too many loans back at the same time;
- There was chart within the report which demonstrated the Council's loan payment timelines;
- The Council employed the services of Capita experts to provide advice on the loan profiling; interest rates forecast, daily updates on credit ratings and loan re-profiling;
- Capita would utilise a team of 12 people to pull the financial information together. The Authority would not be in a position to provide the same services in house at the same level for the treasury management work;
- The treasury management function was undertaken by the treasury management team, which consisted of four staff. The treasury management team held a

knowledge of treasury management and there were financial staff skilled to provide appropriate cover in the case of staff absence; and

- The reference to TSB should be removed from the Local Authority Mortgage Scheme at indicator point 11 within the report.

The Committee:

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

The Committee Also Agreed:

That the Service Director Financial Services would provide:

1. The current Bank of Scotland loan ratings to Members of the Audit Committee; and
2. A graphical chart that outlined the payment timeline for the next 50 years for loans associated to PCC borrowing.

INFORMATION AND OTHER ITEMS

10. USE OF REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

The Compliance Manager (Governance) introduced the RIPA report for the period 1 March 2015 to Committee Members, which outlined the use of the Council's covert surveillance to investigate issues such as fly tipping. The Committee were advised that there had been no use of RIPA.

The Compliance Manager (Governance) also introduced a report to Members of the Committee, which outlined the action plan put in place by the Office of Surveillance Commissioner (OSC) following a recent inspection of the Council's use of RIPA.

The key points highlighted included:

- The training recommended as an outcome of the inspection;
- Inspection of the RIPA Policy;
- Guidance around the Council's use of RIPA;
- Guidance around when RIPA did not apply;
- Use of social media in investigations; and
- Data Retention and Investigatory Powers Act 2014, which was introduced by the Government to deal with the abuse of data protection and the prosecution applicable.

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

- Members commented that the care quality commission recommend on their website that they could use covert surveillance;
- It was important that Council staff understood when the use of RIPA could be undertaken; and
- The inspector did not comment over the amount of RIPA the Council undertook.

The Committee:

1. Received, considered and endorsed the report and the recommendations of the OSC inspection; and
2. Approved the revised corporate RIPA policy.

The Committee Also Agreed:

That the Compliance Manager (Governance) would provide feedback to Audit Committee Members over the current guidance the Care Quality Commission had provided on their website over the use of RIPA and how the guidance aligned with the Data Retention and Investigatory Powers Act 2014.

11. APPROVED WRITE-OFFS EXCEEDING £10,000

The Committee noted that there had been no write-offs for the Council exceeding £10,000.

12. FEEDBACK REPORT

The Chairman introduced a report, which provided feedback on items considered or questions raised at the previous meeting of Audit Committee. It also provided an update on specific matters which were of interest to the Committee or where the Committee had requested to be kept informed of progress.

The Committee:

Noted that there was nothing to report.

13. WORK PROGRAMME

The Chairman submitted the latest version of the Work Programme for the Municipal Year 2015/2016 for consideration and approval. The standard report provided details of the proposed Work Programme for the Municipal Year 2015/2016 together with any training needs identified.

The Committee:

Noted and approved the 2015/2016 Work Programme.

7:00pm – 7:52pm
Chairman

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