

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT THE TOWN HALL, PETERBOROUGH ON 1 NOVEMBER 2010**

Present: Councillors Collins (Chairman), Newton (Vice Chair), Kreling, Simons, Stokes, Harrington and Goldspink

Officers in attendance: Paul Phillipson, Executive Director Operations
Steve Crabtree, Chief Internal Auditor
Kirsty Nutton, Financial Services Manager, Corporate Accounting
Gemma George, Senior Governance Officer

Also in attendance: Chris Hughes, PricewaterhouseCoopers
Councillor Seaton, Cabinet Member for Resources
Councillor Sandford, Liberal Democrats

1. Apologies for Absence

There were no apologies for absence received.

2. Declarations of Interest and Whipping Declarations

Item 6 - Councillor Collins declared that he was a Governor at Bishop Creighton Primary School, but he did not have a personal or prejudicial interest.

3. Minutes of the Meeting held on 6 September 2010

The minutes of the meeting held on 6 September 2010 were approved as an accurate and true record.

4. Minutes of the Meeting held on 27 September 2010

The minutes of the meeting held on 27 September 2010 were approved as an accurate and true record.

5. Regulatory of Investigatory Powers Act (2000) (RIPA) Quarterly Report July – September 2010 / 2011

The Chief Internal Auditor presented a report to the Committee which outlined the revised Regulation of Investigatory Powers Act 2000 (RIPA) Policy.

This revised policy incorporated the changes to RIPA from April 2010 and provided an overview of the Council's use of RIPA powers over the period July to September 2010.

The Committee was advised that RIPA provided a statutory mechanism for authorising covert surveillance and the use of a 'covert human intelligence source' (CHIS) e.g. undercover agents. It also permitted public authorities to compel telecommunications and postal companies to obtain and release communications data, in certain circumstances. It also sought to ensure that any interference with an individual's right under Article 8 was necessary and proportionate. In doing so, RIPA sought to ensure that both the public interest and the human rights of individuals were suitably balanced.

Council officers and external agencies working on behalf of Peterborough City Council had to comply with RIPA and any work carried out had to be properly authorised by one of the Council's authorising officers. The powers contained within the Act could only be used for the purpose of preventing or detecting crime or preventing disorder.

The Council had established strong governance around the use of RIPA and provided assurance to the citizens of Peterborough that the powers were only used where necessary and proportionate and in accordance with the law.

The Committee was further advised that the Compliance and Ethical Standards Manager had organised training for Peterborough City Council (PCC) Officers six months ago and the revised policy reflected the future training needs of both PCC Officers and elected Members who would, going forward, have a scrutiny role in the use of RIPA.

Members were invited to comment on the report and revised RIPA Policy and the following issues and observations were highlighted:

- Members questioned how many times RIPA had been used recently. Members were advised that RIPA had been used 4 times in the last 4 months for test purchase exercises.
- Members queried how it was decided when RIPA was to be utilised. Was it intelligence led? Members were informed that it was intelligence based however, it was also used routinely used around bonfire night.
- Members sought clarification as to the test purchasing process. The Director of Operations addressed the Committee and stated that test purchases were intelligence led and usually conducted over one night, over more than one premise, for more than one type of item e.g. alcohol and fireworks.
- A query was raised regarding whether there was any specific criteria used for choosing the children that took part in the test purchase sessions and also what processes were in place to protect them. The Director of Operations once again addressed the Committee and stated that the children used were volunteers and children of staff members. There was a dedicated team of adults around them at all times in order to protect them and if the children were required to enter a public house, an adult would be with them at all times. They would never be left alone and they would never undertake a test purchase session in an area near to where they lived.
- Members sought clarification as to whether there had been any major changes to the policy. Members were informed that there had been no major changes to the policy, it was a refresh in light of the previous inspection that had taken place and in it was also in line with new codes and guidance which had been recently published.

ACTION AGREED:

The Committee received, considered and endorsed the report on the revised RIPA Policy and use of RIPA for the quarterly review period of 1 July 2010 to 30 September 2010.

6. Internal Audit: Quarterly Report 2010 / 2011 (To 30 September 2010)

The Chief Internal Auditor presented a report to the Committee which set out the Internal Audit performance and progress with regards to the 2010 / 2011 Audit Plan, which had been approved at the Audit Committee meeting held on 29 March 2010.

The report was comprised of two sections which included:

- Appendix A - Progress of Audit Plan 2010 / 2011 (To 30 September 2010) and;
- Appendix B - Audit Reports Issued in Quarter 2: Limited / No Assurance

The Chief Internal Auditor provided the Committee with an overview of the report and highlighted the main areas of concern and the progress made against the Plan.

With regards to performance matters, the Committee was advised that previous issues with sickness had been reduced as two members of staff who had been off long term sick had now returned to work, however one had returned on reduced hours.

With regards to external work, the Committee was informed that Internal Audit had been in discussion with a number of authorities in relation to selling audit services to other areas of the public sector. Two small pieces of external work had been secured, one with a Leicestershire School and the other with another local authority. Progress on these pieces of work would be reported back to the Audit Committee in due course.

Members were invited to comment on the report and its appendices and the following issues and observations were highlighted:

- With regards to 'Systems Activity Financial Systems: Managed Audit' highlighted in Appendix A, Members expressed concern at the 'Accounts Payable – Central Controls' Audit, which had rolled forward from 2009 / 2010, having limited assurance. This was highlighted as a main area and could be open to fraud issues, therefore what assurance could be given going forward. Members were informed that the draft audit had been issued and the key weaknesses identified. As the audit had been identified as limited assurance, a further update on its progress would be brought back to the Audit Committee via the Executive Summary.
- Highlighted in Appendix A under 'Strategic and Operational Risks' was the 'Sale of goods on Ebay'. Members requested further clarification on this point and they were advised that there had been a request received from the Mayor's office and a further request received from another service area to sell surplus items on Ebay. This activity had always been resisted in the past however, guidelines for future use were to be produced and it was highlighted that the Mayor's Office could possibly trial the process going forward.
- Highlighted in Appendix A under 'Contracts and Projects', Members queried why the PFI (Secondary School) Contract had been removed from the Plan. Members were informed that the Plan had been discussed with the Head of Corporate Services and at the time it had been felt that this contract could be postponed. Members were further informed that the contract would be included on the Plan for the forthcoming year as it had only been deferred and not deleted completely.
- In Appendix B, 'Audit Reports Issued: Opinion of Limited Assurance or No Assurance', Members queried why the three schools had only received limited assurance. Members were informed that with regards to the schools undertaking their self assessments, there were processes in place. However, Internal Audit had drilled down further and identified weaknesses. Initially the assessments had shown good work but in practice it had been identified that there were issues.
- Members expressed concern at the schools receiving limited assurance. The schools budget was one of the largest and progress remained slow, therefore what assurance could be given that issues, such as submitting requested documentation on time, would be looked into. Members were informed that the schools were all assessed on a three yearly cycle and they were to be revisited again. The previous issues highlighted were expected to be well embedded and well documented. Members were further advised that when the Financial Management Standards in Schools (FMSis) had been incorporated into the

Internal Audit Programme, the schools had been assisted more than they should have been. This assistance had since been cut back as it had been identified that the processes should be embedded. The schools would not be credited if they received large amounts of assistance and therefore this could cause issues going forward.

- Members questioned whether specific reasons could be attributed to the schools failing to submit their evidence on time. Members were advised that it was difficult to pinpoint specific reasons for this, however the processes were starting to improve. The Cabinet Member for Resources addressed the Committee and stated that the Governors of the schools were becoming more attuned to the requirements of the assessments and they were challenging the managers.

The Committee congratulated the Internal Audit Team on the additional external work which had been undertaken and secured, however it was requested to be noted that core actions should not suffer in the stead of any additional works.

ACTION AGREED:

The Committee received the Internal Audit Update Report to 30 September 2010 and noted:

- (1) that the Chief Internal Auditor was of the opinion that based on the works conducted during the 3 months to 30 September 2010, internal control systems and governance arrangements remained generally sound;
- (2) the progress made against the plan and the overall performance of the section; and
- (3) the revision of the 2010 / 2011 Audit Plan

7. Annual Governance Statement – Update

The Chief Internal Auditor submitted a report to the Committee which explained how the Council delivered good governance and reviewed the effectiveness of those arrangements.

The Annual Governance Statement (AGS), included within the Statement of Accounts for 2009 / 2010, was first presented to the Audit Committee in June 2010. Following its approval it was subject to audit and verification by PricewaterhouseCoopers (PwC). The AGS was subsequently endorsed within the report presented to the Audit Committee by PwC in September 2010.

Six months had elapsed since the original statement had been produced and a number of governance changes had occurred, or were in the process of changing across the Council, these changes were due to be reflected in the next Statement.

The Committee was advised that since March 2010, and the change in government, a number of issues potentially emanating from the new coalition government would have an impact on the governance arrangements within the Council in the current year and subsequent years. These included issues around constitutional areas and the spending review and austerity budget.

The Committee was further advised of the progress made on governance issues as identified in the Annual Governance Statement. Areas of specific improvement were highlighted and the progress made to date on each area.

One of the areas highlighted for improvement was sickness absence. With the reductions in the workforce, Members were advised that there was the potential for additional pressures on remaining staff to deliver services and if this was not carefully

managed there may be an increase in sickness levels. Progress to date highlighted that there had been monthly reports submitted to the Corporate and Departmental Management Teams (DMTs) and there was the ongoing use of Occupational Health in order to coordinate return to work for officers who had been off for longer periods of time. Robust systems were also in place for managers to follow in order to monitor, act on and report absences.

Members stated that the figures for sickness tended to be skewed by a small number of people being off sick for longer periods of time, therefore would it not be beneficial for a report to be produced which did not incorporate the figures for long term sickness. In response to this query, Members were advised that the monthly reports which were submitted to the DMTs separately identified short term and long term sickness.

A further area highlighted for improvement was effective recruitment checks. Members were informed that further procedures were required to cover the area of recruitment in order to ensure that all appropriate pre-employment checks were completed prior to employees commencing work. Quarterly reports were produced and circulated to all departments and there had been recent legislative changes which impacted on recruitment. A review had also been commissioned by Internal Audit and the findings were due to be reported back to the Audit Committee in due course.

Shared services and other delivery options were also highlighted as an area for improvement. The Council was embarking on a programme of shared services and other delivery options which were expected to generate financial savings and other benefits. Progress to date involved a controlled programme which had been developed which would monitor the implementation and delivery of services through those arrangements. Governance arrangements had been adopted for the purpose of monitoring the ICT contract and other service provision had seen the Leisure Trust created in May 2010. There had also been an announcement on 14 October that there were two companies left in the running to form a strategic partnership to deliver household waste and recycling collection, street cleaning and grounds maintenance. Furthermore, there had been the marketing of back office functions to other councils. Robust governance arrangements would be required in order to ensure service delivery was met. Members commented that Shared Services was an area of focus and it needed to be monitored and progressed forward.

Grants were also highlighted as an area for improvement as were Neighbourhood Councils, Data Quality and Managing Resources.

With the agreement of the Committee, Councillor Nick Sandford from the Liberal Democrat Group questioned how, when it had been proposed to cut the budget for Neighbourhood Councils from £25,000 each to £0, the areas for improvement which had been highlighted and the progress made to date were consistent and relevant with the budget proposal? Councillor Sandford was informed that at the time of compiling the committee report, the proposed budget cuts for Neighbourhood Councils had not been put forward. In order to address the proposed changes, Neighbourhood Councils would be revisited.

ACTION AGREED:

The Committee:

- (1) noted the progress on the significant governance issues reported in the Annual Governance Statement 2009 / 2010, and;
- (2) considered whether additional areas of assurance were required.

8. Feedback Report

The Chief Internal Auditor submitted the latest Feedback Report for consideration.

Items which had been actioned and completed at previous Audit Committee meetings were highlighted and Members were informed that there were no outstanding items requiring follow up or further action.

ACTION AGREED:

The Committee noted the Feedback Report.

9. Work Programme 2010 / 2011

The Chief Internal Auditor submitted the latest version of the Work Programme for the municipal year 2010 / 2011 for consideration and approval.

Members were advised that there were no training proposals highlighted for the next meeting of the Audit Committee. The Chairman of the Committee stated that if any Member had any specific training requests they could contact him directly and he would relay the request to the Chief Internal Auditor.

ACTION AGREED:

The Committee noted and approved the 2010 / 2011 Work Programme.

7.00pm - 7.35pm
Chairman