

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT THE TOWN HALL, PETERBOROUGH ON 24 MARCH 2014**

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

Officers in

Attendance: Kim Sawyer, Director of Governance
Steve Crabtree, Chief Internal Auditor
Leigh Dunbar, Business Continuity & Risk Officer
Louise Cooke, Group Auditor
Julie Taylor, Group Auditor
Karen S Dunleavy, Governance Officer

Also in

attendance: Jacqui Dudley, PricewaterhouseCoopers LLP

1. Apologies for Absence

No apologies for absence were received.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of the Meeting held on 3 February 2014

The minutes of the meeting held on 3 February 2014, were approved as an accurate and true record.

4. Risk Management: Strategic Risks

The Business Continuity & Risk Officer introduced the report which provided Members with an update on Risk Management and Business Continuity. The Committee was advised of the recent review of the current Strategic Risk Register. The Committee was also advised of the Corporate Business Continuity Policy and the revision of the international standards, which was considered by CMT on 18 March 2014.

Comments and responses to questions were as follows:

- There would be a report submitted to Members on the CMT business continuity exercise in order to see how CMT and the executive dealt with issues.

The Committee:

Noted the report.

The Committee Also Agreed:

That the Business Continuity & Risk Officer would provide a report on the outcome of the Business Continuity exercise undertaken by the Corporate Management Team (CMT).

5. External Audit Plan

Jacqui Dudley, from PwC introduced a report on the External Audit Plan, which requested Members to consider and respond to the Audit Plan for 2013/14 from PricewaterhouseCoopers (PwC), the Council's external auditors.

Key points within the report included:

- Fraud risks which were required to be identified as significant, were management override of controls and revenue recognition;
- There were further elevated risks identified which were in relation to the council tax benefit reform, savings targets and property valuation and accounting for capital;
- There were changes in national non-domestic rates for 2013/14 however, these did not represent a significant or elevated risk given the balances were not material; and
- There was also an update on the Local Authority Mortgage (LAMS) scheme. No significant or elevated risks were anticipated however, an update would be provided in the ISA 260 report.

Jacqui Dudley, PwC responded to comments and questions raised by Members. In summary the responses included:

- Regarding overseas processing of information, there were now more areas performed offshore which had been in line with other professional services firms;
- There should be no cause for alarm in terms of security for processing of information overseas;
- The information processing centres had operated for several years;
- Balances over the triviality threshold would be investigated by the Council, but balances under, were not deemed significant for the purposes of the audit;
- The triviality figures were set in conjunction with external audit and internal PCC officers;
- The overall materiality level was 2% of the Council's expenditure and was a PwC benchmark, which had been similar across the industry. The triviality level benchmark was normally 5% of overall materiality (which would be c.£500,000), however as this was set at £250,000 in 2012/13 a smaller increase was proposed to £350,000; and
- Figures below the triviality threshold would nonetheless be discussed with management.

The Committee:

1. Considered the External Audit Plan for 2013/14 and considered points raised by PwC in the document:
 - Proposed scope, comfortable with the audit risks, and approach;
 - Considered and responded to matters relating to fraud;
 - Considered and responded to the PwC view on the value of trivial misstatements;
 - Approved proposed audit fees for the year;
2. Provided comment on any amendments necessary; and
3. Approved the Plan.

The Committee Also Agreed:

- That the Executive Director of Resources would provide Audit Committee Members with details of the amount of council tax retrieved for taking non-payment cases to court;

- That the Executive Director of Finance would provide Audit Committee Members with a report over why the £350,000 triviality limit was deemed an acceptable amount by the Resources Department; and
- That the external auditors PwC, would provide Audit Committee Members with a report outlining the cost implications to the Council if the triviality limit was set at a lower threshold.

6. Internal Audit: Draft Internal Audit Plan 2014/2015

The Chief Internal Auditor, introduced a report to Members on the Draft Internal Audit Plan for 2014/2015, which was part of the Committee's work programme.

The following key points within the report included:

- The Internal Audit Charter;
- The Code of Ethics;
- The Internal Audit Strategy and Audit Plan; and
- Performance Indicators.

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

- The resources within the plan were based on staff in post at the start of the year;
- If further staff were taken on, additional works could be delivered and this would be reflected in the plan;
- The Chief Internal Auditor stated that the plan incorporated his time at PCC only and that the rest was fully recharged out to others. If there were additional calls on his time, for example, significant issues at other authorities, then appropriate adjustments would be made;
- Income generation activities related to Vivacity as well as looking to build on the existing shared arrangements;
- The plan presented had included a number of reviews planned in relation to PCC's partner organisations such as Serco;
- Auditors undertaking confidential work for Vivacity and auditors reviewing the code of ethics would be kept separate; and
- Members felt that it was disappointing that health was not a major item within the Strategic Priorities.

The Committee:

1. Identified areas for further consideration;
2. Approved the draft Audit Plan and Audit Strategy;
3. Noted the contents of the Internal Audit Charter;
4. Noted the contents of the Code of Ethics; and
5. Noted the performance indicators set for the service.

The Committee also:

Agreed that the Chief Internal Auditor would:

- Amend the Draft Internal Audit Plan 2014/2015 to define audit services income streams for the Council to reflect all areas of work besides Vivacity; and
- Highlight to Cabinet, Audit Committees comments regarding the Strategic Priorities, and consider the placement of health issues as a higher priority.

7. Draft Annual Audit Committee Report

The Chairman of Audit Committee introduced a report to Members which outlined the work of the Audit Committee for 13/14.

The key points in the report included:

- Membership and meetings of the Audit Committee;
- Key activities and training undertaken;
- Internal control and corporate governance;
- Annual accounts;
- Risk management;
- Counter-fraud and irregularities;
- Member code of conduct; and
- Training.

Members commented that there was currently a working group reviewing the Council's code of conduct.

The Committee:

Approved the Annual Audit Committee Report for submission to Council.

The Committee Also Agreed:

That the Governance Officer would include within the work of Audit Committee report, reference to updates on the progress of the working group, which was currently revising the Council's code of conduct.

8. Regulation of Investigatory Powers Act 2000 (RIPA): Quarterly Report 3

The Director of Governance introduced a report on the Regulation of Investigatory Power Act 2000, which provided an overview of the Council's use of RIPA powers in the three months from 1 October 2013 to 31 December 2013.

Key points highlighted included:

- There had been no use of RIPA during the time noted;
- There had been a recommendation therefore to scale back the frequency of the reports to six monthly;
- There were strict internal controls around the use of RIPA and this needed to be authorised;
- Resources were not an issue in refusal of RIPA powers;
- There needed to be a close monitoring of the powers used to ensure that they were being applied for their intended purpose; and
- There had been a good report received from the Interception of Communications Commissioners Office.

The Director of Governance advised that although Audit Committee (AC) was asked to consider a recommendation to receive six monthly reports on the use of RIPA, they may wish to consider approving an alternative reporting mechanism to be included on all AC agendas. The Committee was also advised that the information agenda item would state whether there had been any use of RIPA to report.

The Committee:

1. Received, considered and endorsed the report on the use of RIPA for the three months from 1st October 2013 to 31st December 2013; and
2. The Committee considered and agreed the alternative recommendation put forward by the Director of Governance on the alternative reporting mechanism for the Use of RIPA. The reporting mechanism would introduce a standing information item on each Audit Committee agenda, which would state whether there had been:
 - i. Use of Regulation of Investigatory Powers Act 2000 (RIPA), (in this case the Committee would receive a report); or
 - ii. Use of Regulation of Investigatory Powers Act 2000 (RIPA), 'The Committee is asked to note that there is nothing to report'

9. Feedback Report

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

The Committee:

Noted the report.

7.00pm – 8.15pm

Chairman