



**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT THE TOWN HALL, PETERBOROUGH ON 3 NOVEMBER 2014**

Present: Councillors Lee (Chairman), Arculus, Lamb, Thulbourn, F Fox, Herdman, Sandford and Lane.

Officers in

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

1. Apologies for Absence

Apologies for absence were received from Councillor Harper.

Councillor Lamb was in attendance as a substitute.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of the Meeting held on 22 September 2014

The minutes of the meeting held on 22 September 2014, were approved as an accurate and true record.

4. Use of Regulation of Investigatory Powers Act 2000 (RIPA)

The Committee noted that there were no RIPA authorisations in this quarter.

5. Internal Audit: half Year Update 2014/15

The Group Auditor introduced a report on the Internal Audit: Half Year Update 14/15, to the Members of the Audit Committee, which outlined the progress of the internal audit plan and overall performance of the section up to 30 September 2014.

The key points within the report included:

- Audit activities;
- Progress against audits;
- Status of audits and the details of recommendations; and
- Assurance opinion.

The Group Auditor, Chief Internal Auditor and Head of Strategic Finance responded to comments and questions raised. In summary responses included:

- The significant assurance level given to the payroll systems, were interpreted as good. The Audit commenced in the previous financial year and had carried over to the current financial year;

- The Audit Team's exploration of further income streams was in relation to expanding the shared audit services currently undertaken with Cambridge City Council (CCC) and South Cambridgeshire District Council (SCDC);
- There had not been an income stream per se generated from shared services with CCC and SCDC, although the service had provided a reduction in costs for the authorities;
- When an Audit is conducted on grant funding, the Team certify that the spend was in accordance with the terms of the grant rather than reviewing strategic decisions around the use of the grant funding;
- When the Audit Team conducted an audit service for Vivacity, a partner organisation, of the Council, the outcome would be reported to the Vivacity's Audit Committee;
- The reference to Vivacity audits within the report were included to demonstrate the Audit Team's time allocation in terms of conducting the audit function; and
- The whistleblowing investigation in relation to alleged irregularity was currently ongoing. Although the Audit Team had conducted their part of the investigation, there was further work required from another party involved. On conclusion of the investigation, the Director of Governance would decide what further action would be required and would report back to Audit Committee if appropriate to do so.

Members of the Audit Committee commented that it was imperative to include Health and Wellbeing for the citizens of Peterborough, as an important priority on the Council's Strategic Priorities list.

The Committee:

Noted the progress update.

The Committee also agreed:

1. That the Chairman of Audit Committee would write a letter to the Cabinet to request consideration be given to include within the Council's Strategic Priorities the following: 'To achieve the Best Health and Wellbeing for the City'; and
2. The Chief Internal Auditor would ensure that future reports exclude (from the table detailing audit progress) the work carried out by the Council's Audit Team on behalf of other organisations.

6. Use of Consultants

The Head of Strategic Finance introduced a report to Audit Committee Members, on the Use of Consultants, which had outlined the yearly comparisons of expenditure including the first six months of 2014. The report had been submitted to Audit Committee as part of an ongoing monitoring responsibility.

The key points within the report included:

- Review of the Use of Consultants;
- The spend trend over the last five years, which had shown a significant reduction;
- A list of companies used within the last year including a project breakdown;
- Spend by department; and
- Consultants/interims that had been in place at the Council for more than one year.

The Head of Strategic Finance and Director of Governance responded to comments and questions. In summary responses included:

- Serco were the main contracted framework supplier for consultants that were commissioned to provide resources for most of PCC's projects;

- The cost of consultants on projects such as Westcombe Management and Honeywell would be recorded separately within the Consultancy Report;
- The Audit Committee Members were in a position to scrutinise the costs in relations to each project at any time using the Council's project management system Verto;
- The consultancy support provided for a Senior Human Resources (SHR) post had reduced significantly compared to previous years; and
- It had proved difficult to recruit to public sector SHR posts due to the high level of expertise and knowledge in local government law required.

The Committee:

The Audit Committee considered the update report on the Use of Consultants.

The Committee also agreed that:

The Head of Strategic Finance would provide Audit Committee Members with further narrative within future reports on the Use of Consultants costs per project, in particular to ones that were supported by Serco.

7. Treasury Management

The Head of Strategic Finance introduced a report to Members of the Audit Committee, which provided an overview of the mid-year progress report on the Council's Treasury Management policies, practices and activities including, the annual strategy and plan.

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

- The majority of indicators were set by PCC's Capital Programme. The Council would set its boundaries and would authorise limits within the Capital Programme in order to set the level of borrowing to gain the best interest rates for future financial years;
- Expenditure met by the Council's Invest to Save Scheme would be approved by the Key Decision and Cabinet Member Decision (CMDN) making process where required;
- It was envisaged that there was to be a degree of investment return for Axiom Housing;
- The Council would not publicise the value of assets prior them being advertised for disposal;
- The income generated as a result of the sale of assets could only be spent on capital expenditure;
- The business cases for Invest to Save projects were evaluated for feasibility by the Head of Strategic Finance and would require his approval; and
- The Capital Programme would detail any forthcoming expenditure for projects, however, it was not possible to provide the same level of detailed expenditure for projects to be financed by the Invest to Save Schemes. The reason was that the ISS funding would provide the opportunity for the Council to enter into further investments for the City that were not amenable at the time of agreeing the Council's budget at Full Council.

Councillor Arculus stated that he wished for it to be recorded in the minutes that he did not agree with the principles of Invest to Save Scheme setting and funding.

The Committee:

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

The Committee also agreed:

That the Head of Strategic Finance would:

1. Hold a discussion session with Audit Committee Members with regards to the Invest to Save Scheme, which was subject to budget approval by Council and further approval by the Key Decision and CMDN processes, in order to formulate a proposal for further transparency on forthcoming projects intended to be funded by the ISS;
2. Report the conclusion of any transparency proposal identified regarding the ISS to a future meeting of Audit Committee; and
3. Arrange a briefing session for Audit Committee Members to discuss the processes of asset disposal.

8. Feedback report

The Governance Officer introduced the 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 Chairman provided an update on the progress of the Review of the Risk Register and the Code of Conduct Review and advised Members that both items would be presented to Audit Committee in January and March 2015.

9. Work Programme

The Governance Officer submitted the latest version of the Work Programme for the Municipal Year 2014/2015 for consideration and approval. The standard report provided details of the proposed Work Programme for the Municipal Year 2014/2015 together with any training needs identified.

The Committee:

Noted and approved the 2014/2015 Work Programme.

The Committee also agreed:

A Report back to Audit Committee on the Invest to Save Scheme and the further transparency proposal.

7.00pm – 8:09pm
Chairman