



**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT THE TOWN HALL, PETERBOROUGH ON 16 MARCH 2015**

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

Officers in

Attendance: Kim Sawyer, Director of Governance
Steven Pilsworth, Service Director Financial Services
Steve Crabtree, Chief Internal Auditor
Julie Taylor, Group Auditor
Louise Cooke; Group Auditor
Ben Stevenson, Compliance Manager
Kevin Dawson, Head of Resilience
Karen S Dunleavy, Democratic Services Officer

Also in

Attendance: Julian Rickett, PricewaterhouseCooper

1. Apologies for Absence

Apologies for absence were received from Councillors Arculus, and Harper.

Councillor Lamb and Casey were in attendance as substitute.

2. Declarations of Interest

There were no declarations of interest.

In a response to a question raised by Councillor Sandford, the Director of Governance advised that the agenda item order was determined by the order in which items were received.

3. Minutes of the Meeting held on 2 February 2015

The minutes of the meeting held on 2 February 2015, were approved as an accurate and true record.

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

The Compliance Manager introduced a report which provided Members of the Audit Committee with details regarding a request to use the Regulation of Investigatory Powers Act 2000 for a covert surveillance operation in relation to a test purchase for the underage sale of tobacco at five shops in Peterborough.

In response to a questions Raised by Members, the Compliance Manger confirmed that the RIPA Policy was being updated and would be presented at a future meeting of Audit Committee.

The Committee:

Considered and endorsed the report on the use of RIPA for the two months from 1 January to 28 February 2015.

It was agreed that agenda item 6, External Audit: Draft Audit Plan 2014 / 2015 would be discussed next.

5. External Audit: Draft Audit Plan 2014 / 2015

Julian Rickett from PwC introduced a report to Members of the Audit Committee, which outlined the responsibilities of the external auditors within the External Audit, Draft Audit Plan 2014 / 2015 to inform the Council about how these would be discharged.

Key points within the report included:

- The key responsibilities of Audit Committee;
- Financial Statement Risks – Management override of controls;
- Property valuation and accounting for capital;
- Risk of inappropriate accounting for schools' non-current assets and the elevated risk;
- Materiality amount;
- Risk of fraud; and
- The transfer of external audit duties, which were due to be handed over to Ernst & Young for 2015 /16.

The External Auditor Julian Rickett, Service Director Financial Services and the Director of Governance responded to comments and questions raised. In summary responses included:

- The Audit Commission had appointed the Council's external auditors by way of a framework agreement;
- The Council had no involvement in the selection of the Council's future external auditors, however, it had been envisaged that there may be some involvement in the future by way of an independent panel appointing auditors;
- There would often be a difference in opinion in relation to the audit of accounts between auditing organisations;
- Any issues highlighted by the new external auditors that related to previous years audits, would involve the assistance of PwC to provide a resolution to resolve;
- There were varied audit processes applied to schools with Free Schools, Academies or Faith Schools status, in relation to the assets owned by the Local Authority;
- Internal Audit may receive a request to include a piece of work within the plan to audit the control measures or financial management for schools that had been classed as directly Local Authority funded;
- The External Auditor's would not use an algorithm or calculation to determine that the Council had provided 'Value for Service'. The service delivery was evidence based and Members would need to judge for themselves what they deemed as value for money; and
- Free School funding was received directly from the Government, whereas Academies were funded on a grant basis.

The Committee:

1. Considered the External Audit Plan for 2014/15 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; and
 - Approve proposed audit fees for the year;

2. Provided comment on any amendments necessary; and
3. Approved the Plan.

The Committee Also Agreed:

That the Service Director Financial Services would explore what rights the Council had to audit or intervene in the financial management at Free Schools or Academies.

6. Risk Management: Strategic Risks

The Head of Resilience introduced a report to Members of the Audit Committee on Risk Management (RM) and Business Continuity (BC) as a routine planned item in line with the Committee's Work Programme.

Key points within the report included:

- Completion of a review of current risk management procedures by the Council's Internal Audit team;
- Quarterly review of Strategic (corporate) risk register by Corporate Management Team;
- Coordination of Strategic and Departmental risk registers;
- Continuation of review and revision of Service BC Plans;
- Regular risk "conversations" within and between services at all levels;
- Updates on Insite, web and E-Learning; and
- Strategic issues e.g. introducing and embedding RM/BCM into procurement processes, induction briefings and business plans.

The Head of Resilience also confirmed to Members of the Audit Committee that the departmental risk registers were constantly reviewed and that the Business Continuity returns received a 100% completion rate.

The Head of Resilience and Director of Governance responded to comments and questions raised by Members. In summary responses included:

- The risk measure highlighted within the Risk Register in regards to school places, had related to Local Authority run schools. Other Free Schools and Academies would also be required to adhere to a strict admission policy and were duty-bound to offer places to local children;
- External advice on Risk and Business Continuity was offered by the Resilience Team to Free Schools and Academies as requested by them;
- Council Partners such as Amey had provided the Council with a copy of their BC plans;
- There was a revised information technology recovery plan being developed through Serco, a business partner of the Council;
- A stress test exercise had been conducted on the transfer of Council's data into the Cloud;
- The Service Director Financial Services held responsibility of overseeing Serco and their BC plans;
- Risk Management training had been delivered at Cabinet and All Party Policy; and
- A Work Programme was presented and agreed at each Audit Committee meeting in order to set forthcoming agenda items. A draft Work Programme was due to be presented to Audit Committee in June 2015.

The Committee:

Considered and noted the content of the report.

The Committee Also Agreed:

That:

1. The Head of Resilience would provide a report to Audit Committee on the Business Continuity plans in place by Council partners, which should also include what reassurances were provided in regards to the appropriate level of resilience in order to conduct Council business; and
2. The Service Director Financial Services would provide further information with regards to the comparisons between Free Schools and Academies and their rules around school admissions policy.

The Committee Recommended:

That the Risk Register should be presented to Audit Committee annually without exception.

7. Internal Audit: Draft Internal Audit Plan 2015 / 2016

The Chief Internal Auditor introduced a report to Members of the Audit Committee on the Draft Internal Audit Plan 2015 / 2016, which outlined the audit activity for the next audit year.

Key points within the report included:

- Audit Plan Strategy;
- AP Charter;
- Performance Indicators; and
- Internal audit strategy and Audit Plan.

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

- There had been a number of activities undertaken to provide assurances of the Council's governance and assurance levels such as anti-fraud, partnership governance and the review of risk management in order to ensure that targets were being met;
- The annual governance statement was included within the final accounts, which had contained the policies and process that the Council utilised, which the Audit Team would review with depth tests;
- The Governance statement would not review the effectiveness of Scrutiny Committee, however there had been a report presented to Audit Committee annually to measure the effectiveness;
- Members of the Audit Committee could raise issues with areas of the service that they felt required audit attention;
- Audit Committee Members could request an item to be included on an agenda if it fell within the remit of the Committee, however, the Committee should not undertake a 'backdoor' Scrutiny exercise;
- Depending on the type of audit, the Council's priorities would be referenced as appropriate.

The Committee:

Examined the draft Internal Audit Plan for 2015 / 2016 and:

1. Identified any 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 update the Internal Audit Plan to:

1. Remove any number alignment to Strategic Priorities referenced within the Internal Audit Plan; and
2. Reflect the 2015/16 objectives of the Council.

8. Draft Annual Audit Committee Report

The Chairman of Audit Committee introduced a report to Members of the Audit Committee on the Draft Annual Audit Committee Report, which outlined the work of the Audit Committee during 2014/2015. The report was due to be presented at Council.

The Director of Governance also updated the Committee that there had been no complaints referred to the Independent Person of the Council for investigation in 2014/15.

Key points within the report included:

- Background to the Committee, its roles, responsibilities and membership;
- An overview and coverage of the Audit Committee's remit included Internal Audit, Accounts and Financial Management, External Audit, Risk Management, Control Assurance, Corporate Governance, Fraud and Irregularities; and
- Training provided to Members of the Audit Committee to ensure that suitable challenge and scrutiny was adopted.

The Director for Governance responded to comments and questions raised by Members. In summary responses included:

- The Code of Conduct (CoC) Review Group had not had the opportunity to meet to discuss the Audit Committee's recommendation arising from its meeting held on 22 September; and
- The responsibility for the CoC template review had transferred to the Member Officer Working Group to take forward.

In general, Members of the Audit Committee felt that the responsibility for the review of the CoC template should remain within the remit of Audit Committee.

The Committee:

The Audit Committee approved the draft Annual Audit Committee Report for submission to Council.

The Committee Also Agreed:

That reference would be included within the report to Council with regards to:

- The responsibility of the Code of Conduct template review would transfer to a new group to consist of Councillors Lamb, Lane and Sandford.

9. Effectiveness of the Audit Committee

The Chief Internal Auditor introduced a report to Members of the Audit Committee on the Effectiveness of the Audit Committee, which outlined the results of the review of the Committee's effectiveness, which had been carried out using the principles established by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

- Decision notices which would include the Council's write-off amounts were published within a Cabinet Member Decision Notice (CMDN). In addition the information would be highlighted in an executive decisions report, which was presented to Council;
- The Sustainable Growth and Environment Capital Scrutiny Committee held responsibility for decision call- in for financial issues;
- The Council's financial regulations included the rules of the Council's write-offs amounts, however, the Audit Committee could consider the inclusion of a standard item on their agenda, which would be in line with CIPFA guidance;
- The Audit Committee's review of the Council's finance 'write-offs' would check that the Council Policy was been adhered to; and
- Information on Council write-offs was included within the management of accounts report received by Audit Committee annually.

The Committee:

- a) Considered and approved the review and its conclusion that the Committee was operating effectively in all material respects.

The Committee Also Agreed:

That a standing item would be included on future agendas of Audit Committee in order to receive information on the number of write-offs over the value of £10,000 (in line with the threshold in financial regulations), which would also include the procedure and approval process followed.

10. Ivatt Way – Enterprise

The Director of Governance introduced a report to Members of the Audit Committee which provided an update on the current status of the Ivatt Way solar panel project and the outcome of the recent legal proceedings with Enterprise.

Key points within the report included:

- The procurement exercise undertaken;
- Type of contract such as time of the essence pursued;
- Failures within the contract price reduction;
- Legal, mediation and adjudication proceedings undertaken following the failure of contract deadlines;
- Actual loss claimed for;
- Counter claim from Enterprise for non-payment by the Council;
- Actual loss figures of 100% were recoverable; and
- Further court action and litigation risks were considered by the Council.

The Director of Governance responded to comments and questions raised by Members of the Audit Committee. In summary responses included:

- The TESAM feed in tariff registration was delayed whilst the legal process was being conducted, however, the registration would be initiated and with back-dated income to be recovered;
- The risks of the contract in particular to the issues of the installation on the TESAM roof had been outsourced to Enterprise as part of the procurement process. All of the contract requirements had been set out within the procurement processes and documents; and
- The legal and professional fees were non recoverable by the Council due to consumer law;
- The inclusion of time constraints applied within a contract was standard practice and would not weaken it;
- The Council had robust management procedures, risk assessment and audit processes in place to monitor all contracts;
- Sensitivity tests were conducted prior to the procurement process to ensure that timelines could be met.

The Committee

The Audit Committee noted the outcome of the proceedings between the Council and Enterprise Managed Services Ltd.

11. Feedback report

The Governance Officer and the Head of Strategic Finance 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 following responses to action points were discussed:

- An asset disposal briefing had been held; and
- The CMDN for the Invest to Save Scheme had been circulated for comment.

Members of the Audit Committee commented that they were satisfied with the response in regards the Invest to Save Scheme and the Cabinet Member Decision Notice utilised to report the expenditure.

7.00pm – 21:00pm
Chairman