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## **MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 7 NOVEMBER 2011**

Present: Councillors Lamb (Chairman), Stokes (Vice Chairman), Goldspink Kreling, Harper, and Lane

Officers in Attendance: Steven Pilsworth, Head of Corporate Services  
Steve Crabtree, Chief Internal Auditor  
Ben Stevenson, Compliance Manager  
Karen S Dunleavy, Governance Officer

### **1. Apologies for Absence**

Apologies for absence were received from Councillor Nash.

### **2. Declarations of Interest and Whipping Declarations**

There were no declarations of interest or whipping declarations.

### **3. Minutes of the Meeting Held on 26 September 2011**

The minutes of the meeting held on 26 September 2011 were approved as an accurate and true record, subject to the following amendment being made:

Item 4 Report to Management on the Interim Audit for the 2010/11 Accounts:

- Implementation for a disaster recovery plan should refer to the Academy system and not the Oracle system.

Matters Arising:

- Members sought clarification over the property database and whether the data input had been completed? *The Head of Strategic Resources confirmed that the project was ongoing, and was a significant piece of work to complete.*
- Members sought clarification over why the Risk Management and Strategic Risk Reports were not included on the agenda for the meeting? *Members were advised that the Risk Management and Strategic Risk Reports were currently under construction and that clarification was being sought from Zurich Municipal over the layout of the Risk Register following on from a senior managers meeting. The reports would also need to be approved by Corporate Management Team. Once completed, it was expected that the reports would be presented at the February meeting of the Audit Committee.*

### **4. Internal Audit: Half Year Update 2011 / 2012**

The Audit Committee received a routine planned report on the Internal Audit performance and progress with regards to the 2011 / 2012 Audit Plan from the Chief Internal Auditor. The report detailed the half year position of the Audit Plan.

Key points within the report were highlighted:

- Reflection on progress against the Audit Plan that had been presented in March 2011;
- Sickness statistics, which highlighted a vast improvement to 0.67 days per person compared to 5.6 for the same period last year;
- Provision of various audit reports where assurance levels were below standard;
- Limited assurance reports and an action plan which had been put into place;
- Developing arrangements, including a move for further use of the audit automated system by Cambridge City Council; and
- Post audit customer satisfaction questionnaires for audit reviews, which highlighted that Internal Audit was meeting the needs of the organisation with an average score of 4.46 (out of 5).

The Committee received the Internal Audit Update Report to 30 September 2011 and was asked to note in particular the following points within the report:

- (a) That the Chief Internal Auditor was of the opinion that based on the works conducted during the 6 months to 30 September 2011, internal control systems and governance arrangements remained generally sound; and
- (a) The progress made against the plan and the overall performance of the section.

During consideration, the Members of the Audit Committee made the following comments and observations:

- Members sought clarification regarding the resources available in order to complete audits from the reserve list and whether there were any risks involved? *The Chief Internal Auditor advised Members that there had previously been a substantial amount of officer time involved in training a trainee auditor post, however, the trainee officer had subsequently become less reliant on officer time which had allowed staff to take on jobs from the reserve list.*
- Members sought clarification over whether there had been any new measures brought in to reduce the sickness levels within the Audit Team? *The Chief Internal Auditor advised that no new measures to improve sickness levels had been introduced.*
- Members sought clarification as to whether any loans had been applied for in order to introduce an incinerator in the city? *The Head of Strategic Resources advised Members that an update on this item would be given further on in the meeting.*
- Members sought clarification over what role the Audit Team had in providing services for Vivacity? *Members were advised by the Chief Internal Officer that the services that the Audit Team provided to Vivacity were chargeable and based on agreed coverage with their management team.*
- Members sought clarification over the support provided by the Audit Team for Opportunity Peterborough (OP), Peterborough Development Partnership (PDP) and queried whether there were any benefits to the Council for the Audit Team conducting services for Vivacity? *The Chief Internal Auditor advised Members that the team were working with OP and PDP to ensure effective governance arrangements and control measures had been put into*

*place. Members were also advised that services provided to Vivacity were completed under a Service Level Agreement. The Head of Strategic Resources also advised Members that the Council was one of the main grant funders of Vivacity and that support service costs provided by the Council were taken into account when calculating the grant funding. This resulted in no overall benefit being received back to the Council from Vivacity.*

- *Members raised a question about whether an audit of the use of information technology security for Neighbourhood Committees had been conducted and whether the result had identified the need to employing extra IT resources? The Chief Internal Auditor advised Members that an exercise was currently being conducted to ensure that the correct security was in place regarding information sharing and that processes were in line with Government Connect requirements. No extra IT resources were required.*
- *Member raised a question about Neighbourhood Committees being included on the reserve list, and whether the Audit Team would be conducting an audit in the near future? The Chief Internal Auditor advised Members that if a potential risk was highlighted, then a higher priority would be adopted and an audit for the Neighbourhood Committees would be captured within the Audit Work Programme.*
- *Members raised a question about the audits being conducted for primary schools, and what the term 'Work in Progress' meant and when they would be completed? The Chief Internal Auditor advised Members that a number of jobs within the report marked as 'Work in Progress' were included to provide a snap shot view of the work being conducted by the Audit Team and that some tasks were now complete. Members were also advised that a report providing an update on the audits conducted would be produced for the end of the year and would be presented to the Audit Committee in due course.*
- *Members sought clarification over what 'Final Memo' meant? The Chief Internal Auditor confirmed that a 'Final Memo' would be issued if there were minimal issues highlighted following an audit exercise. This was instead of issuing a full audit report.*
- *Members sought clarification over the audit arrangements for Manor Drive following the transfer of services? The Chief Internal Auditor advised Members that following the Manor Drive transfer, audit arrangements would be captured in the same way as other outsourced services had been, and that audit control mechanisms would be put in place and conducted by the Council's Audit Team.*

#### **ACTION AGREED:**

The Committee noted:

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

## 5. Treasury Management: Update

The Head of Strategic Finance presented a report to Audit Committee on 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 key points within the update were highlighted:

- The borrowed money to fund capital programme to meet any cash shortfalls;
- There were three main reports that were produced each year regarding treasury management;
- Audit Committee and Cabinet had received a report on the performance figures mid year;
- All indicators for finance were on track; and
- Appropriate provisions had been set out for the Council's accounting policy.

The Committee was asked to consider the following points within the report:

- 1) To review current performance against the Treasury Management Strategy set in the Medium Term Financial Strategy (MTFS); and
- 2) To approve the revised Prudential Indicators included in the Prudential Code and Treasury Management Strategy 2010 updated for International Financial Reporting Standards (IFRS) impact on the Council's accounting policy with regard to lease arrangements

During consideration, the following comments, questions and observations were raised by Members:

- Members sought clarification over the value of the figures used within the report? *The Head of Strategic Resources confirmed that the figures used in the report were represented in pounds and pence and set out the indicator position for the Council tax increase.*
- Members sought clarification on the financial position of the Icelandic banks? *The Head of Strategic Resources confirmed that the Icelandic banks were not part of the Council's active treasury management. Members were also advised that the financial position of the Icelandic banks had been reported to Committee in March 2011.*
- Members sought clarification over the indicator for Estimates and Actual Capital Expenditure for 2011/12 and asked why the indicator was different to the outturn? *The Head of Strategic Resources advised Members that the indicator had been agreed in February and was only a best estimate for the year for Capital Expenditure.*
- Members sought clarification over the External Debt Prudential Indicator and who would agree the revised authorised limit? *The Head of Strategic Resources advised Members that the change to the authorised limit fell under the remit of the Audit Committees.*
- Members sought clarification about whether Full Council would need to approve the recent £3.2m increase under the Chartered Institute of Public Finance (CIPFA) Codes of Practice? *The Head of Strategic Resources advised Members that Audit Committee had the authority to approve the technical amendment of the £3.2m increase as part of their delegated powers. Members*

*were also advised that if a significant change was required, then agreement would need to be sought through Full Council.*

- Members asked a question about why the Council did not invest capital sums for more than a year and whether it was done that way in case the Council needed to spend the money later on within the financial year. *The Head of Strategic Resources advised Members that because interest rates changed, the Council kept the capital sum readily at hand.*
- In a question asked by Members regarding capital spend for incinerated waste projects, the Head of Strategic Resources advised that there was a tender process underway, however, the Council did not foresee that the exercise would be complete by the end of the year and that it was not anticipated that any costs would be made in the current financial year.

#### **ACTION AGREED:**

The Committee:

- 1) Reviewed current performance against the Treasury Management Strategy set in the Medium Term Financial Strategy (MTFS); and
- 2) Approved the revised Prudential Indicators included in the Prudential Code and Treasury Management Strategy 2010 updated for International Financial Reporting Standards (IFRS) impact on the Council's accounting policy with regard to lease arrangements.

#### **6. Regulation of Investigatory Powers Act (2000) - Quarter 2 Usage**

The Audit Committee received a second quarter update on the Regulation of Investigatory Powers Act 2000 from the Compliance Manager.

The Audit Committee was asked to consider the results of the following covert surveillance operations for the second quarter on three test purchasing authorisations:

- Two sales of alcohol to a person under the age of 18, which resulted in penalty charge notices from the police;
- Three sales of alcohol and one sale of tobacco to a person under the age of 18, which resulted in police prosecution; and
- One case of unauthorised street trading resulting in an ongoing investigation.

The Committee was asked to endorse the report on the use of RIPA for the second quarter of 2011 – July to September 2011.

During consideration the following comments, questions and observations were raised by Members of the Audit Committee:

- Members sought clarification over the regularity of the covert operations throughout the year? *The Compliance Manager advised Members that the number of inspections conducted varied throughout the year.*
- Members raised a question about fly tipping and whether there were any plans to target the hot spot areas? *The Compliance Manager advised Members that the Regulatory Services Team was due to arrange interviews under caution for people that had recently been suspected of fly tipping in order to identify whose rubbish it was. Members were also informed that recent investigations*

*had resulted in five prosecutions and that three cases were awaiting a court hearing.*

#### **ACTION AGREED:**

The Committee endorsed the report on the use of RIPA for the second quarter of 2011– July to September 2011.

## **7. Follow Up / Feedback Reports**

### **7.1 RIPA issues relating to fly tipping**

The Audit Committee received an update report from the Compliance Manager on the issue relating fly tipping enforcement.

Members of the Audit Committee were asked to note the following points within the report:

- The penalty charge notices issued by the police for test purchasing; and
- An update on the fly tipping case which had been aborted due to an arson attack on the CCTV equipment.

During consideration, the following comments, questions and observations were made by the Audit Committee:

- Members raised a question about the £100 fixed penalty notice and whether anyone had been subject to this penalty? *The Compliance Manger advised Members that the Regulatory Team was currently investigating the option of using the Environmental Protection Act to apply the charges to some current cases.*
- Members raised a question about CCTV equipment being used in fly tipping hotspot areas and why the Council was considering using cameras in places where they had been subject to arson attacks and vandalism? *The Compliance Manager advised Members that the Neighbourhood Enforcement Team was considering using hidden cameras.*
- Members sought clarification over who had responsibility for decommissioning the recent fly tipping investigations? *The Compliance Manger advised Members that the responsibility was held with the Regulatory Team within the Operations department.*

### **7.2 Progress on control actions from PwC report to management**

The Audit Committee received an update on the progress of the actions within the PricewaterhouseCoopers (PwC) Report to Management – Interim Audit for those charged with Governance, following a request of the Audit Committee on 26 September 2011.

Members were asked to note the following points within the report:

- Control and system issues identified by PwC;
- Update on the Senior Management actions against each recommendation raised by PwC; and
- Progress on all recommendations;

During consideration, the following comments, questions and observations were made by the Audit Committee:

- Members requested that a running report on the progress of actions should be provided at future meetings on the Report to Management – Interim Audit for those charged with Governance. *The Head of Strategic Resources confirmed that he would provide the report in the format requested.*
- Members sought clarification over why the deadline for the user rights review for Resource-Link had lapsed? *The Head of Strategic Resources advised Members that the recommendation had been to action the completion of the review by the end of October 2011 and that the action had now been completed.*
- Members sought confirmation over the completion of the PwC recommendation to implement a disaster recovery system for the Academy system? *The Head of Strategic Resources advised Members that the team had worked through a number of scenarios in order to ensure that there was a recovery system in place for the Academy, Revenues and Benefits system, in order to cover emergency situations.*
- Members sought clarification over why the security for the Information Technology (IT) system had not been updated? *The Head of Strategic Resources advised Members that security policies were in place; however, the information communication technology service provider had made a recommendation to update current policies to make provision to cover new technology. Members were also advised that policies were currently being updated to include new technology and were scheduled for completion by the end of the year.*

**ACTION AGREED:**

The Head of Strategic Resources would produce a running report on Report to Management – Interim Audit for those charged with Governance.

**8. Work Programme 2011 / 2012**

The Chief Internal Auditor submitted the latest version of the Work Programme for the municipal year 2011 / 2012 for consideration and approval.

Members were advised that the following items would appear on the agenda for the scheduled Audit Committee meeting on 6 February 2012:

- Risk Management and Strategic Risk. Training would also be provided before the meeting;
- Use of Consultants Review;
- Annual Governance update;
- Information Governance – data security; and

**ACTION AGREED:**

The Committee noted and approved the 2011 / 2012 Work Programme.

CHAIRMAN  
7.00 - 7.52 pm

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