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

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

Officers in

Attendance: Kim Sawyer; Director of Governance  
Steven Pilsworth, Head of Strategic Finance  
Steve Crabtree, Chief Internal Auditor  
Ben Stevenson, Compliance Manager  
Karen S Dunleavy, Governance Officer

Also in

Attendance: Julian Ricket, PricewaterhouseCoopers  
Paul Richards, Serco  
Amanda Stevens, Serco

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

Apologies for absence were received from Councillor Fletcher.

### **2. Declarations of Interest**

There were no declarations of interest.

### **3. Minutes of the Meeting held on 4 November 2013**

The minutes of the meeting held on 4 November 2013, were approved as an accurate and true record subject to the amendment of the wording in relation to item 5 Treasury Management: Members felt that the two schemes (LAM and HBS) should remain in place for first time buyers until the Council was assured that first time buyers could be accommodated by the option of one of the schemes.

### **4. External Audit: Annual Audit Letter, Report to Management and Annual Certification.**

Julian Ricket of PricewaterhouseCoopers introduced a report on the External Audit Reports in relation to the 2012 Annual Audit Letter, Grant Claims: Annual Certification Report and the Report to Management: Interim and Final Audit 2012/13.

Key points highlighted within the report included:

- Purpose of the Annual Audit Letter and PwC's responsibility;
- PwC's issue of the completion certificate on 25 September 2013, in accordance with the requirements of the Audit Commission Act 1998;
- Audit findings, which included accounting for new academy schools, valuation of property and accounting for the Local Authority Mortgage Scheme (LAMS);
- Final PwC fees;
- There were no major issues highlighted within grant claims and returns;
- PwC recommendations for prior years management reports had been implemented and there were no issues carried forward;
- Ten new control issues had been highlighted for 2012/13;
- There were no high priority categorisation for Peterborough's internal controls;

- The Annual Certification report summarised the work undertaken by PwC on claims and returns for housing council tax benefit, national non domestic rates and teachers pensions agency return;
- The number of errors identified had been in relation to the teachers' pension which had been due to the new certification instructions issued quite late in the process; and
- PwC's fees in relation to the claims compared the previous year.

Julian Ricket PwC and the Head of Strategic Finance responded to questions and comments raised by Members. In summary responses included:

- The audit fee of £183k, had included audit work undertaken by PwC on audit of the statement of accounts, conclusion on arrangements for use of resources and certifying claims and returns. The fee had been reduced compared to the 2011/12 charges;
- The summary of ten errors highlighted within the Report to Management although categorised at medium or low, had been highlighted for shared transaction services. It was not unusual for Local Authorities to experience a breakdown in transition;
- PCC had demonstrated good management responses to the issues highlighted and PwC had been reassured by the comments that the actions would be followed up in 2013/14;
- The number of issues highlighted within the external audit report had been inherited issues arising from the outsourced shared transaction services that transferred to Serco;
- Although inherited issues, Serco would be required to demonstrate that they were dealing with the issues highlighted by PwC and provide PCC with assurances that improvements were being implemented;
- Issues that related to the audit data control integrity would be undertaken by PCC's Audit Team. A data breach would be reported to the Compliance Team in accordance with the data breach policy, which would also be reviewed by PCC's Audit Team;
- The Council Tax support issues currently being experienced due to an increase in residents being expected to pay council tax, had overwhelmed the resources teams in terms of dealing with telephone queries. Going forward, Serco was exploring ways in which to improve customer services in relation to Council Tax support;
- The additional certification fee of £9,960 in 2012/13, had been due to additional testing performed as a result of errors in the initial sample tests conducted by PwC;
- PCC was currently in discussions with Serco in order to recover the additional fees incurred due to errors. It was envisaged that the fee recovery from Serco would result in the reduction of errors being experienced going forward; and
- The grant funded arrangement for Council Tax had ended in 2013/14, which would also provide a reduction of costs from PwC.

#### **The Committee:**

Endorsed the final reports produced by external audit namely:

- i) 2012/13 Annual Audit Letter
- ii) Grant Claims; Annual Certification Report; and
- iii) Report to Management: Interim and Final Audit 2012/13.

#### **5. Whistleblowing Policy**

The Director of Governance introduced a report to Members on the Council's Whistleblowing Policy, which outlined the processes in place for employees to follow in order to highlighting concerns, such as health and safety, bullying and harassment or suspected cases of fraud

and corruption. Members were also advised by the Director of Governance that the Whistleblowing Policy had also been extended to partners such as Serco in order to provide them with the opportunity to raise any issue or concern they may have regarding the Council's conduct. In addition, the partner's policies would apply to their employee.

The following key points within the report included:

- The policy enabled employees to raise concerns through their line manager or via an alternative confidential route if they believed their line manager was involved;
- The update to the Whistleblowing Policy had been due to the recent changes introduced by the Enterprise and Regulatory Reform Act 2013; and
- The recent legislation change had seen a slight difference in the test applied for reporting concerns. The change meant that an employee was able make a malicious complaint, as long as it was within the public interest to do so.

The Director of Governance provided responses to comments and questions. In summary responses included:

- PCC had received two referrals, one of which was of a serious nature and had been referred to an external investigator;
- The Public Interests Disclosures Act 1998 would apply to all employers, which was aimed to provide protection for all employees; and
- Going forward, an annual report would be presented to Audit Committee outlining the number of Whistleblowing referrals PCC had received.

#### **The Committee:**

- i) Reviewed the updated Whistleblowing Policy; and
- ii) Recommended the policy for approval by the Joint Consultation Forum and Employment Committee.

#### **The Committee also recommended:**

That the Director of Governance would review Whistleblowing policies of partner organisations in order to ensure that adequate provision was in place to deliver services on behalf of PCC.

## **6. Anti-Bribery Policy**

The Director of Governance introduced a report to Members in relation to the Council's Anti-Bribery Policy. Members were also advised that the policy was being introduced as part of the adoption of the Bribery Act 2010 and was aimed to highlight any incidents of bribery or corruption within the Council and to provide a process for reporting such incidents.

Members of the Committee were also advised that, to date, there had been no incidents or complaints reported under the current procedure.

#### **The Committee**

Recommended that the Cabinet Member approve the Anti-Bribery Policy.

## **7. Feedback Report**

The Chief Internal Auditor introduced a report on the feedback of actions that had arisen from the Audit Committee meeting held on 4 November 2013. The Chief Internal Auditor advised Members that outstanding action points included:

- Information in relation to the Local Authority Mortgage Scheme;
- Report on interim arrangements for the Head of Human Resources; and
- Advertising of the benefit fraud campaign and use of bus shelters.

The Head of Strategic Finance advised Members that a request had been made to Lloyds Bank in order to provide guidance for Members over LAMS, which would be distributed once available.

The Director of Governance advised Members that options in terms of the interim arrangements for the Human Resources posts were being explored and a report would be presented to Corporate Management Team.

The Compliance Manger advised Members that the use of bus shelters for the benefit fraud campaign would cost in total £30,000 for a two week period within the City Centre. It was felt that the option had not been financially viable due to the anticipated number of referrals.

**AGREED ACTION:**

The Director of Governance confirmed that the recruitment arrangements for the interim Human Resources positions would be presented to Audit Committee in the near future.

**8. Work Programme**

The Chief Internal Auditor submitted the latest version of the work programme for the municipal year 2013/14 for consideration and approval. The Committee was advised that training opportunities relating to Effectiveness of Audit Committees were being explored.

7.00pm – 7:50pm  
Chairman