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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 30 JUNE 2014

Present: Councillors Lee (Chairman), Harper (Vice Chairman), Arculus, Thulbourn, Sylvester, F Fox, Miners, Sandford and Lane.

Officers in

Attendance: John Harrison, Executive Director of Resources
Steven Pilsworth, Head Strategic Finance
Mike Rowan, Interim Head of Legal Services
Julie Taylor, Group Auditor
Carole Coe, Acting Financial Services Manager - Corporate Accounting
Ben Stevenson, Compliance Manager (Governance)
Karen S Dunleavy, Governance Officer

1. Apologies for Absence

Apologies for absence were received from Councillor Herdman. Councillor Miners was in attendance as a substitute.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of the Meeting held on 24 March 2014

The minutes of the meeting held on date 24 March 2014, were approved as an accurate and true record.

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

Members noted that there had been no use of the Regulation of Investigatory Powers Act in this quarter.

5. Compliance Team Annual Report 2013 / 2014

The Compliance Manager introduced a report to the Committee, which provided an overview of the Council's approach to combating fraud, and its delivery over the period April 2013 - March 2014. Members were also advised of the forthcoming migration of the benefit fraud services to the Department of Work and Pensions (DWP) in December 2014.

The following key points highlighted included:

- Cross Keys had continued to work with the Compliance Team to address housing/tenancy fraud;
- There had been a lower number of investigations, however higher term and longer value benefit frauds had been identified;
- The single fraud investigation service set up by the government, would affect staff involved in the housing benefit and historical council tax benefit transfer although not the local council tax support scheme. The date for transfer into this service would be 1 December 2014. This would mean that the Council would be responsible for paying but not investigating council tax fraud;

- The team continued to investigate blue badges misuse; and
- Data protection and security of information was being progressed.

The Compliance Manager responded to comments and questions raised by Members. In summary responses included:

- The reference to positive outcomes within the report had referred to instances of benefit fraud, administrative error or a misunderstanding by the claimant. In terms of recovering the money, Shared Transactional Services would administer the function;
- In terms of low value overpayments, the cost of prosecution was not financially feasible and in these instances a caution was sometimes preferable;
- The Council would apply for court costs but the recovery had been at the magistrates' discretion, which was generally based on the means of the defendant;
- It was only possible for the team to investigate viable cases of fraud and in some cases, it may be appropriate for an issue to be referred to the Department of Work and Pensions (DWP). Instances where there were no investigations may include malicious referrals or instances where there had been insufficient obvious evidence. However, an investigation that had not been launched did not necessarily mean that the issue was not considered;
- Positive outcomes referenced within the report had also included prosecutions and sanctions;
- The findings of further overpayments was a result of the work of the team, however there were other variable factors which could affect the figure. The findings had not necessarily represented a widespread increase in fraudulent claims;
- Allegations of electoral fraud were investigated in a timely manner by the police however these were low in numbers and there had been no further action required;
- Investigations into corporate fraud and partner relationships may arise from any source;
- The Council had been assured that there was no evidence of fraud by strategic partner practices in terms of charges for provision of local authority services;
- Where possible it was anticipated that cases of benefit fraud would be investigated with the DWP, however, there were laws in place, which prevented the DWP being involved in the investigation of council tax support schemes; and
- Funding for investigation of housing benefit fraud would not be affected until after 2014/2015.

The Committee:

Agreed to endorse the annual report on the investigation of fraud and other issues for the year ended 31 March 2014.

6. Internal Audit: Internal Audit Opinion 2013 / 2014

The Group Auditor introduced the Internal Audit Opinion 2013/2014 report to Members, which focused on a number of key areas such as limited assurance, performance, assurance levels and recommendations 2013/14, audit plan and executive summaries.

The following key points highlighted included:

- Fourteen reports had been finalised, which was consistent with 2012/13. There had also been a reduction in the assurance levels provided in certain areas;
- There were 35% of recommendations for high or critical area in 2013/2014 compared to 58% in 2012/13;
- Resource had been a challenge for 2013/14 due to staff on maternity leave and staff vacancies;

- 87% of the original performance plan had been achieved; and
- All high and critical recommendations had been accepted by service areas.

The Group Auditor responded to comments and questions. In summary responses included:

- Commissioning arrangements were reviewed as part of the audit plan in respect of the risks and in addition, through the strategic risk registers. However, certain elements of commissioning per se had not been reviewed, rather than the aspects of commissioning as a whole;
- With high-level risk projects, there had been a pre-audit process before implementation in order to check if the appropriate controls were in place, however, internal audit would not undertake the governance part of the process;
- Sickness levels had continued to improve and were below corporate targets;
- When the Adult Social Care provision had transferred to Peterborough City Council, it was necessary to understand what audit reviews had been undertaken. Limited information was available, resulting in the internal audit risk profile being developed since the transfer which would explain the higher proportion of work being undertaken in this area; and
- William Law had requested a due diligence review of the out of school provision as a result of taking over the management of the previous service provider.

Members of the Committee commented that consideration should be given by the report authors to revise the layout of the Internal Audit: Annual Audit Opinion report in order to improve readability.

The Committee:

Received, considered, provided, challenged and endorsed the Internal Audit: Annual Audit Opinion report for the year ended 31 March 2014.

7. Internal Audit: Review of Effectiveness

At the beginning of this item, Councillor Sandford joined the meeting.

The Group Auditor introduced the Internal Audit: Review of Effectiveness report to Members, which was conducted annually in order to comply with public sector auditing standards.

The following key points highlighted included:

- Peer review arrangements for internal audit effectiveness were being explored. There was a requirement for the peer reviews to be conducted once within a five year period; and
- There had been discussions held as to the appropriate organisation to undertake the peer review and it was likely to be either a reciprocal arrangement with a neighbouring authority, which was not included within the Internal Audit shared service arrangement or a professional audit services provider.

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

- There was an escalation process in place in the event that an audit recommendation had not been actioned by a department. However, it would be exceptional if a department, which had undertaken an audit, did not rectify a critical issue that had been highlighted by the team.

The Committee:

Agreed to endorse the annual review of the effectiveness of Internal Audit 2013 / 2014.

8. Draft Annual Governance Statement

The Group Auditor introduced the Draft Annual Governance Statement 2013 / 2014 (AGS) report to Members, which was presented prior to inclusion in the final accounts. The report detailed governance arrangements and provided an overview of procedures and processes that were not necessarily financial. In addition, the report identified the progress made on the issues highlighted within the AGS 2012/2013 report.

The Executive Director of Resources responded to comments and questions raised by Members. In summary responses included:

- Peterborough City Council Management were responsible for the implementation of appropriate systems for commissioning – it was not the remit of internal audit to implement;
- It was possible to withhold money from third parties in the event of poor service contract performance;
- There had been no specific requests for a review into the effectiveness of scrutiny; however there was a pending review agreed by Full Council on 16 June 2014, which would explore the retention of the current Cabinet model verses an alternative decision making process; and
- The Serco contract would be reviewed, which should outline the savings targets and achievements in terms of the medium term financial plan.

The Committee:

1. Noted the arrangements for compiling, reporting on and signing the Annual Governance Statement;
2. Reviewed and commented on the Annual Governance Statement, which included any areas for amendment; and
3. Subject to changes identified, agreed and approved the draft statement for inclusion in the audited statement of accounts, published by 30 September 2014.

The Committee Also Agreed:

That the description, which referred to the Serco contract within the Draft Annual Governance Statement should be expanded within future reports in order to capture the full scope and range of service provided by them.

9. Budget Monitoring Report Final Outturn 2013 / 2014

The Executive Director of Resources introduced the Budget Monitoring Report Final Outturn 2013 / 2014 to Members.

The following key points highlighted included:

- There had been pressures around balancing the budget for Children's Centres, yet the Council had managed to reach their financial limit; and
- There was a report on the performance of prudential indicators, which should be noted.

The Executive Director of Resources responded to comments and questions raised by Members. In summary responses included:

- There had been no major issues highlighted by Cabinet at their recent meeting; and
- There had been no reason behind the lateness in release of the unexpected grant from government.

The Committee:

APPROVED:

1. The reserves position for the Council, and noted:
2. The final outturn position of £622k under spend on the Council's revenue budget 2013/14 of which £291k was a government grant received on the 28 March 2014 to return 'held back' local government funding;
3. The final outturn position of £90.9m on the Council's capital budget 2013/14;
4. The performance against the prudential indicators; and
5. The performance on treasury management activities, payment of creditors, collection performance for debtors, local taxation and benefit overpayments.

10. Draft Statement of Accounts 2013 / 2014

The Executive Director of Resources introduced the Draft Statement of Accounts 2013 - 2014 report, which outlined the authority's accounts. In addition, the Executive Director of Resources advised that the standard of accounting was very exceptional and whilst there was likely to be a few alterations within internal audit, it was still of a high quality.

The Executive Director of Resources responded to comments and questions raised by Members. In summary responses included:

- Blue Sky Peterborough was not currently trading;
- Termination benefits, over £1.6 million had been spent on redundancy costs for people leaving the organisation, most of which was on efficiency drive and reducing head count. The money saved was roughly £3 million per year;
- There were a number of pension schemes across the organisation. The Local Government Pension scheme was managed by a pool of funds, which was required to meet the liabilities. The funding was currently in a deficit position;
- The mortality assumptions went against widely held beliefs about life expectancy in Peterborough;
- External debts were on fixed interest rates and advisors alerted the authority to opportunities to offset the authority's debts; and
- The suggestion in the report that there were 15 officers earning over £100,000 was not correct as the figure included all redundancy payments. In addition, one third of the payments were from schools.

The Committee:

1. Reviewed and commented on the Statement of Accounts prior to the Chief Finance Officer's certification by the 30 June 2014.

The Committee Further Agreed:

For the Head of Strategic Finance to report the reason for the movement in the income from Commercial Properties from £1,790k in 2012/13 to £1,127k in 2013/14, an overall movement of £663k.

11. Feedback Report

The Head of Strategic Finance introduced the report, which provided feedback on items considered or questions raised at previous meetings of Audit Committee. It also provide 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:

Agreed that all responses to actions would be included as an appendix to the Feedback Report agenda item in future.

12. Work Programme

The Governance Officer introduced the report, which was a standard timetable of items that would be presented to Committee throughout the year 2014 / 2015. Members were also invited to request agenda items or specific training needs.

Comments and responses to questions were as follows:

- The code of conduct item was due to be presented to Audit Committee which would fall within the governance report's part of the timetable, however this would be investigated further; and
- Reports detailing Serco's service contract performance would be received by the Sustainable Growth and Environment Capital Committee.

The Committee:

AGREED:

1. For a report to be presented to Audit Committee detailing the outcome of the Code of Conduct working group;
2. For the Governance Team to consider the most appropriate route to deliver training to Audit Committee Members on the Council's Commissioning function; and
3. Hold a meeting between Lead Officers and the Chairman of Audit Committee in order to discuss the processes behind audits, with the intention of producing a report to Audit Committee on the fundamentals.

7.00pm – 8.54pm

Chairman