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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 29 JUNE 2015

Present: Councillors Coles (Chairman), Aitken (Vice Chairman), Over, Sharp, F Fox, Davidson, Lane, Sylvester.

Officers in

Attendance: John Harrison, Corporate Director Resources
Steven Pilsworth, Service Director Financial Services
Steve Crabtree, Chief Internal Auditor
Kirsty Nutton, Financial Services Manager - Corporate Accounting
Karen S Dunleavy, Democratic Services Officer

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Shaheed and Sandford. Councillor Davidson was in attendance as a nominated substitute.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE MEETING HELD ON MONDAY, 16 MARCH 2015

The minutes of the meeting held on Monday, 16 March 2015 were approved as an accurate and true record.

4. BUDGET MONITORING REPORT FINAL OUTTURN 2014 / 2015

The Corporate Director Resources and Financial Services Manager - Corporate Accounting introduced the report to Audit Committee on the final position for both the revenue budget and capital programme, which required the Audit Committee to approve the reserves position as part of the Council's statement of accounts.

The key points highlighted included:

- Corporate Overview;
- Financial Report – Revenue Outturn;
- Financial Report Capital;
- Financial Report – Treasury Management Activity for 2014/15;
- Financial Report – Performance Monitoring;
- Revenue Monitoring Report at End of March 2015;
- Treasury Management Strategy – Prudential Indicators – 2014/15;
- Performance Monitoring; and
- The Governments new budget announcement was due on 8 July 2015, which had been anticipated to propose spending cuts for Public Health.

The Corporate Director Resources responded to comments and questions raised. In summary responses included:

The budget pressure of £25m for 2015/16 had mainly been imposed by the Government through grant reductions, but also in relation to challenging circumstances such as an

increase in the aging population, implementation of new legislation, safeguarding for children and investment in growth for the City.

The Committee:

Approved:

1. The reserves position for the Council.
The Audit Committee also noted:
2. The final outturn position for 2014/15 (subject to finalisation of the statutory statement of accounts) of a balanced position on the Council's revenue budget, after the use of £0.6m from reserves to support the budget, which is less than forecast as actions had reduced pressures;
3. The final outturn spending of £108.8m under the Council's capital programme 2014/15;
4. The performance against the prudential indicators;
5. The performance on treasury management activities, payment of creditors, collection performance for debtors, local taxation and benefit overpayments; and
6. The forecast budget gap of over £10m for 2016/17 was expected to increase with the update of national expenditure plans, and that Cabinet may need to review 2015/16 plans in light of the budget to be released on 8th July.

5. DRAFT STATEMENT OF ACCOUNTS 2014/2015

The Corporate Director Resources and Financial Services Manager introduced a report to Audit Committee Members, which had been informed by the regular pattern of reporting on the Council's financial position. The Corporate Director Resources also advised Audit Committee Members that the accounts must be signed and certified by 30 June 2015, by the Council's Section 151 Officer (Corporate Director Resources), in accordance with the Accounts and Audit Regulations 2011.

The key points within the report included:

- Format of the Accounts;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet at 31 March 2015;
- Reserves and Balances;
- Schools;
- Audit Fee; and
- Next Steps - approval, signing, inspection and audit.

The Corporate Director Resources and Financial Services Manager responded to comments and questions raised by Members. In summary responses included:

- The increased deficit figures for pensions fund actuary assumptions had been due to the mortality rate of scheme members and investment market performance;
- The pensions fund deficit shown in the statement of accounts reflected the amount that the Council would be required to meet if pay out was required immediately;
- The pensions fund actuary had completed a valuation every three years and had recommend that the Council make a lump sum investment each year over the next three years alongside a reduced contribution rate;
- Foundation school (FS) assets had been included on the Council's balance sheet as a result of a clarification paper produced by The Chartered Institute of Public Finance & Accounting (CIPFA). This amendment to the accounts better reflected the legal position if foundation schools ceased to operate in their current form and the

responsibility for the school asset should come back into direct Local Authority control;

- The Council held a duty to monitor foundation school finances, however, cannot access school balances and reserves. The responsibility for FS funds remained with head teachers, despite the amendment in accounting treatment and presentation;
- The statement of accounts did not contain any figures on schools performance, only on the types of school within the Local Authority area;
- The £78.8m loan amount had been taken out to support the Council's capital programme, which would support initiatives such as the energy for waste project. An affordability review was produced annually as part of the Medium Term Financial Strategy (MTFS) which assessed the implications of the Council's borrowing commitments and proposals;
- The sale of Council's assets could not be relied upon to offset the Authority's borrowing amount, as there were certain buildings and assets that could not be utilised in respect of lowering the financial commitment, such as the sale of the Town Hall; and
- The Council was obliged to publish a disposal asset plan as part of the budget as contained within the Medium Term Financial Statement (MTFS).

The Committee:

Reviewed and commented on the Statement of Accounts prior to the Chief Finance Officer's certification by the 30 June 2015.

The Committee also agreed that:

That the Service Director of Financial Services would provide a briefing note to Members of the Audit Committee to outline the implications of the Bourges Boulevard developments completion delay to include:

- Estimated completion date for the works;
- How the project was being financed, including which external grants had been secured; and
- Whether the additional timescale had impacted on the cost of the scheme.

6. INVESTIGATIONS TEAM ANNUAL REPORT 2014 / 2015

The Chief Internal Auditor introduced a report to the Audit Committee which outlined a scheduled report on fraud and irregularity in accordance with the established Work Programme.

The key points highlighted included:

- The fraud value of £188m identified by the Audit Commission for local government bodies;
- The Council would submit data to the Audit Commission on a two yearly basis;
- Some of the issues highlighted were not necessarily due to fraud, but to data error;
- All irregularities highlighted would be investigated; and
- Types of investigations included internal investigations, some benefit fraud and blue badges;
- A lot of cases of benefit fraud were intercepted before it happened;
- Council tax overpayments; and
- Some of the fraud work had transferred over to the single fraud investigations within Department of Work & Pensions (DWP).

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

- Out of the 17 disciplinary cases investigated by the Council, five cases were upheld and valid;
- In the main, blue badge fraud investigations were conducted by Council officers undertaking inspection of car parks;
- The investigation costs and time taken were recoverable over a length of time, such as for cases of housing benefits fraud. These costs had been recoverable by attaching them to the prosecution costs incurred or surcharges attached to sanctions imposed by means of benefit reductions applied to the claimant, which was spread over a period of time;
- The DWP fraud cases could ultimately result in a custodial sentence, which may include sanctions such as community service, plus the recovery of costs; and
- A deceased persons list issued by the DWP would be utilised to cross reference against entries on the benefit claims checking system. However, in some cases a time lapse could be experienced in receipt of the information from the DWP, to when the information was relied upon.

The Committee:

Received, considered and endorsed the annual report on the investigation of fraud and other issues for the year 2014 / 2015.

7. INTERNAL AUDIT: ANNUAL AUDIT OPINION 2014 / 2015

The Chief Internal Auditor introduced a report which provided detail of the performance of Internal Audit during 2014 / 2015 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the Council. The Chief Internal Auditor also informed Members of the Audit Committee that there had been some audit areas, which had flagged up as limited or no assurance.

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

- The recommendations made by the Audit Team over high risk issues would be followed up after a six month period;
- The Audit Team held a service level agreement with vivacity to undertake private internal audit services for the Council's partner company, however the information pertaining to the outcome of the audit would not be included within the PCC Audit Opinion report; and
- An action plan was produced as a matter of course for the service manager where a high risk level had been identified following an audit. It was within the service manager's best interest to comply with the action plan.

The Committee:

Received, considered, provided challenge to and endorsed the Chief Internal Auditor's annual report for the year ended 31 March 2015.

8. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT – 2014 / 2015

The Chief Internal Auditor introduced a report to Members of the Audit Committee on the Annual Review of the Effectiveness of Internal Audit – 2014 / 2015, which was submitted as part of the Audit Committee Work Programme for 2015 / 2016. The Chief Internal Auditor advised Members of the Audit Committee about the work currently being undertaken in order to prepare for all Councils audit peer reviews in 2015 / 2016.

Key points highlighted included:

- Internal Audit Effectiveness;
- Staff Resources;
- Training and Experience;
- External Audit Opinion;
- Public Sector Internal Audit Standards (PSIAS);
- Statement of Role of Head of Audit;
- Risk Management and governance arrangements;
- Audit Committee; and
- Compliance and Quality Improvement Plan.

In response to a question raised by Members of the Audit Committee, in regards to Council shared services, the Chief Internal Auditor advised that an option to use external auditors for peer reviews would be for all Councils to procure and appoint as appropriate.

The Committee:

1. Considered and endorsed the annual review of the effectiveness of Internal Audit 2014 / 2015.

9. DRAFT ANNUAL GOVERNANCE STATEMENT

The Chief Internal Auditor introduced a report to Members of the Audit Committee which was submitted as part of the annual closure of accounts process and was included in the Audit Committee Work Programme for 2015 / 2016.

The key points highlighted included:

- Self-assessments conducted throughout all Council departments;
- Scope of the annual governance statement;
- Arrangements for compiling the annual governance statement;
- Supporting evidence;
- Audit questions posed across the Council followed by depth testing;
- Significant Governance issues, such as the counter fraud transfer of staff to DWP and the recent ward boundary commission; and
- Service delivery models and the Governance arrangements.

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

- Performance management covered all aspects of the Council's work such as the effectiveness of monitoring the budget, debt levels and staff sickness levels;
- Procurement arrangements would check that the contract standing orders had been correctly applied for the Council's buying activities; and
- The sample test issues that had been included within the report were ongoing, in addition to new ones identified.

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 including any areas which should be amended; and

3. Subject to changes identified, agreed and approved the draft statement for inclusion in the audited statement of accounts, published by 30 September 2015.

INFORMATION AND OTHER ITEMS

10. USE OF REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

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

The Chief Internal Auditor advised Members that a report was due to be presented to Audit Committee following a recent Surveillance Commission inspection.

11. APPROVED WRITE-OFFS EXCEEDING £10,000

The Committee noted that there had been no write-offs for the Council exceeding £10,000.

12. FEEDBACK REPORT

The Democratic Services Officer introduced a 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 Committee: Noted the report.

13. WORK PROGRAMME

The Chief Internal Auditor submitted the latest version of the Work Programme for the Municipal Year 2015/2016 for consideration and approval. The standard report provided details of the proposed Work Programme for the Municipal Year 2015/2016 together with any training needs identified.

In clarification sought by Members of the Audit Committee (AC), the Service Director of Financial Services confirmed that the Council's external auditor responsibility, would transfer to Ernst and Young mid-year and that they were expected to be in attendance at the AC meeting, which was due to be held on 21 September 2015.

The Committee:

Noted and approved the 2015/2016 Work Programme.

The Committee also agreed that:

The Service Director of Financial Services would provide an update to Members of the Audit Committee outlining any implications for the Council following the pending July 2015 budget announcements.

7.00pm – 8:16pm
Chairman