

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT THE TOWN HALL, PETERBOROUGH ON 28 MARCH 2011**

Present: Councillors Newton (Vice Chair), Kreling, Stokes, Harrington, Goldspink and Nash

Officers in attendance: Steven Pilsworth, Head of Corporate Services
Steve Crabtree, Chief Internal Auditor
Diane Baker, Compliance and Ethical Standards Manager
Stuart Hamilton, Resilience Services Manager
Vicky Bales, Senior Business Continuity and Risk Officer
Gemma George, Senior Governance Officer

Also in attendance: Julian Rickett, PricewaterhouseCoopers
Jacqui Short, PricewaterhouseCoopers

1. Apologies for Absence

Apologies for absence were received from Councillor Simons.

Councillor Nash attended as substitute.

2. Declarations of Interest and Whipping Declarations

There were no declarations of interest or whipping declarations.

3. Minutes of the Meeting held on 7 February 2011

The minutes of the meeting held on 7 February 2011 were approved as an accurate and true record.

4. Strategic Risk Register

The Resilience Services Manager presented a report to the Committee which detailed the updated Risk Register.

Members were advised that the Directors Group had reviewed and amended the Strategic Risk Register in order to reflect the current risk environment and appetite.

The Register was subject to ongoing three monthly reviews in order to keep it current and directorates reviewed their own registers on a regular basis.

Members were invited to comment on the updated Risk Register and the following issues and observations were highlighted:

- With regards to 'Scrutiny and Engagement Processes', the current score on the register stood at 16, whereas it had previously been 6, Members queried why this was. Members were advised that there had been a number of risks from the previous register which had yet to be rescored.

The register, in its entirety, was due to be rescored after the forthcoming elections.

- A query was raised with regards to how the information was gathered for the Register and whether this information was evidence based. Members were informed that work was undertaken with Zurich and through such work feedback was gathered. Registers were also held in each directorate and the top identified risks from each area were pulled together to form the Risk Register.
- Members requested further training on the Strategic Risk Register. In response, Members were advised that further training would be provided in due course.

ACTION AGREED:

The Committee:

- (1) Considered and endorsed the Strategic Risk Register; and
- (2) Offered feedback and/or recommendations.

5. Regulation of Investigatory Powers Act 2000 (RIPA): Quarterly Report (To 31 December 2010)

The Compliance and Ethical Standards Manager presented a report to the Committee which provided an overview of the Council's approach to the Regulation of Investigatory Powers Act 2000 (RIPA) and its use of these powers over the period October 2010 – December 2010.

RIPA provided a statutory mechanism for authorising covert surveillance and the use of a 'covert human intelligence source' (CHIS). It also permitted Public Authorities to compel telecommunications and postal companies to obtain and release communications data, in certain circumstances. It sought to ensure that any interference with an individual's right under Article 8 was necessary and proportionate. In doing so, RIPA sought to ensure both the public interest and the human rights of individuals were suitably balanced.

Council officers and external agencies working on behalf of Peterborough City Council had to comply with RIPA and any work carried out had to be properly authorised by one of the Council's Authorising Officers. The powers contained with the Act could only be used for the purpose of preventing or detecting a crime or preventing disorder.

The Council had established strong governance around the use of RIPA and provided assurance to the citizens of Peterborough that the powers were only used where necessary and proportionate and in accordance with the law.

Members were advised that RIPA had been utilised four times during the third quarter of 2010 / 2011, three times for test purchasing and once for fly tipping.

Members questioned whether with all the recent cutbacks, could the service still be provided to high standards. Members were advised that the overall reduction in the enforcement teams was not known therefore comment could not be passed upon this point, however there were control mechanisms in place to ensure the service was kept up to standard.

ACTION AGREED:

The Committee received, considered and endorsed the report on the use of RIPA for the quarterly review period of 1 October 2010 to 31 December 2010.

6. External Audit: Audit Plan 2010 / 2011

Chris Hughes and Jacqui Short, External Auditors, presented a report which sought the Committee's response to the Audit Plan 2010 / 2011, as prepared by PricewaterhouseCoopers (PwC).

The Audit Plan had been prepared to inform the Council about the responsibilities of External Audit and how those responsibilities would be discharged. The report had been discussed and agreed jointly by Council representatives and External Audit.

The Plan had been developed to consider the impact of the recent key developments and risks based upon discussion with management and understanding of the City Council and the local government sector. The Plan included a number of follow ups and updates to previous reviews and also new risks which had been identified.

Members' attention was drawn to page 25 of the agenda papers which contained the summary of the results of the risk assessment undertaken and the planned responses highlighted by External Audit.

There were two aspects to the work of External Audit, these being:

- Accounts including a review of the Annual Governance Statement; and
- Use of Resources

The Committee was advised that External Audit were required to issue a two-part audit covering both of these elements.

With regards to Accounts, the Committee was advised that External Audit had proposed to treat misstatements less than £100,000 as being trivial and agreement upon this figure was sought from the Committee.

The Committee was further advised that based upon the level of management's control procedures, External Audit considered whether there were any significant risks of fraud that may have a material impact on the financial statements and audit procedures were adapted accordingly. Following on from this, if Members felt that there were any specific areas of concern with regards to fraud they could identify these for External Audit to consider.

With regards to fees, Members were advised that the total was around the same as the previous year and was below the audit fee levels provided by the Audit Commission for the 2010 / 2011 financial year.

Members were invited to comment on the Plan and the following issues and observations were highlighted:

- 2010 / 2011 was highlighted as being the first year of reporting under International Financial Reporting Standards (IFRS) and Members

commented that this would lead to a higher risk of error. Members were advised that this would be the same situation as with any new system.

- Members questioned whether previously highlighted IT issues, the majority of which lay with SERCO, were to be progressed forward. Members were advised that the issues were to be progressed and a review was to be undertaken with regards to actions taken so far and actions to be taken going forward.

Following debate with regards to the level of misstatements being set at £100,000, Members agreed to this being the set level.

Members further stated that there were no specified areas they wished to highlight to External Audit for consideration with regards to fraud.

ACTION AGREED:

The Committee:

- (1) Considered the External Audit Plan for 2010 / 2011 and provided comment on any amendments necessary; and
- (2) Agreed the £100,000 set level for misstatements.

7. Internal Audit: Strategy and Plan 2011 / 2012

The Chief Internal Auditor presented a report to the Committee which sought its approval for the proposed Annual Internal Audit Strategy and Operational Plan for 2011 / 2012.

Members were advised that the Audit Strategy documented the way in which Internal Audit intended to deliver the service and how it ensured that work complied with the standards contained in the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. In particular, it stated how the work of Internal Audit would provide the assurances required for the production of the statutory Annual Governance Statement.

The Annual Operational Plan described the individual audit reviews to be undertaken during the year. To determine the scope of the plan for 2011 / 2012 a systematic risk assessment of all auditable areas had been undertaken. This was informed by the review of the risk registers where available, Director and Heads of Service consultation, council and government initiatives and the Medium Term Financial Strategy. The work required to fulfill statutory s.151 responsibilities had also been determined.

Members were invited to comment on the Strategy and Plan and the following issues and observations were highlighted:

- It was highlighted in the Operational Audit Plan 2011 / 2012 that with regards to schools, a replacement to the FMSiS standard was being consulted upon and Members queried what had been done so far. Members were informed that FMSiS had now been abolished and the new standards which had been published were easier to work to as the schools now undertook their own assessments.
- Members queried whether the shared service agreement in place with Cambridgeshire County Council was of benefit to the audit service.

Members were advised that any savings generated would be used to implement additional improvements in the service as identified through business plans as well as going back to the corporate pot to assist in meeting future budget pressures.

- Members further questioned whether, if more contracts were won, would there be enough resources to cover the work required to be undertaken. Members were advised that if additional contracts were won, there would be the potential to recruit further members of staff.

ACTION AGREED:

The Committee considered, endorsed and approved the proposed Annual Internal Audit Strategy and Operational Plan for 2011 / 2012.

8. Feedback Report

The Chief internal Auditor submitted the latest Feedback Report for consideration.

Members had requested analysis to be provided on outstanding invoices and the reasons as to why these invoices were still outstanding. A detailed overview was presented to the Committee and it was highlighted that the number of invoices on hold as at 25 February 2010 was found to be 1,659. By 14 February 2011 this had fallen to 496, a reduction of approximately 70%. Members were further advised that the number of invoices on hold for more than 90 days had reduced by just over 80%.

There were a number of reasons for the invoices being on hold, the highest percentage of these invoices could be attributed to the quantity billed exceeding the quantity ordered and the quantity billed exceeding the order received.

Members were invited to comment on the analysis and positive comments were raised with regards to the reduction in numbers of invoices on hold.

ACTION AGREED:

The Committee noted the Feedback Report.

9. Work Programme 2011 / 2012

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

Members were advised that the meeting dates for the next municipal year had yet to be agreed by Full Council.

Members were further advised that training would be provided at the first meeting of the Audit Committee.

The Committee expressed its gratitude to the hard work undertaken by Officers over the previous year.

ACTION AGREED:

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

7.00pm - 7.45pm
Chairman