

Minutes of a meeting of the ESPO Finance and Audit Subcommittee held at County Hall, Glenfield, Leicestershire on Monday, 23 February 2015.

PRESENT

Mr. J. Clarke CC (in the Chair)

Dr. R. K. A. Feltham CC
Mr. I. Monson CC

Mrs. S. Rawlins CC

70. Apologies.

Apologies were received from David Seaton CC (Peterborough) and Roger Hickford CC (Cambridgeshire).

71. Minutes of the meeting held on 17 November 2014.

The minutes of the meeting held on 17 November 2014 were taken as read, confirmed and signed.

72. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.

There were no urgent items for consideration.

73. Declarations of interest in respect of items on the agenda.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

74. Management Accounts to December 2014.

The Subcommittee considered a report of the Director and Consortium Treasurer setting out the results of the first nine months of trading from April to December 2014. A copy of the report, marked 'agenda item 4', is filed with these minutes.

Arising from discussion the Subcommittee was advised:-

- (i). As had been reported at previous meetings, total sales were behind budget due to lower gas sales. Members were informed that this was primarily due to a mild winter resulting in approximately 14% lower usage and was not as a result of customer loss;
- (ii). Although energy prices were significantly lower the benefits of this would not be immediate due to forward purchasing and that the benefits would be seen in the next contract round;

- (iii). Rebate income was higher as these were being collected quarterly as opposed to on an annual basis. This would mean a lower rebate collection figure would be reported in April/May than in previous years;
- (iv). Expenditure had increased due to an increased use of agency staff to alleviate the pressure experienced during the summer. Whilst the hourly rate of agency staff was higher than staff directly employed by ESPO, the employment of agency staff provided greater flexibility in terms of responding to short-term peaks and should also be seen as an investment in improved customer service;
- (v). Changes in the warehouse had been made which had improved efficiency though more needed to be done (the warehouse had not been behind on orders since the start of the year which was a considerable achievement);
- (vi). ESPO followed the same arrangements as Leicestershire County Council as the servicing authority in regards to all HR matters including pensions, and employees of ESPO were able to opt-out of the pension scheme.

RESOLVED:

That the contents of the report be noted.

75. Progress against the Internal Audit Plan.

The Subcommittee considered a report outlining the progress of Leicestershire County Council's Internal Audit Service against the internal audit plan, and any audit work where high importance recommendations had been made. A copy of the report, marked 'Agenda Item 5', has been filed with these minutes.

The Subcommittee was updated on progress that had been made against the audits outlined in the position statement (attached as 'appendix 2' to the report).

RESOLVED:

That the progress against the internal audit plan be noted.

76. Change to the order of business.

RESOLVED:

The Chairman sought and obtained the consent of the Subcommittee to vary the order of business to that set out on the agenda.

77. Exclusion of the Public.

RESOLVED:

That under Section 100(A)(iv) of the Local Government Act 1972 the public be excluded from the meeting on the grounds that it will involve the likely disclosure of exempt information during consideration of the following item of business entitled 'Internal Audit Highlight Report – GEMS Replacement' as defined in paragraphs 3 and 10 of Schedule 12A of the Act; and, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.'

78. Internal Audit Highlight Report - GEMS Replacement.

The Subcommittee received an exempt report of the Consortium Treasurer setting out the highlighted action points that needed to be addressed for the GEMS replacement. A copy of the exempt report, marked 'Agenda Item 11', is filed with these minutes.

RESOLVED:

That the Internal Audit Highlight Report be noted.

(THE MEETING THEN RECONVENED INTO PUBLIC SESSION).

79. Internal Audit Charter.

The Subcommittee considered a report of the Consortium Treasurer outlining the Internal Audit Charter for ESPO and to inform the Subcommittee of the progress against the Quality Assurance and Improvement Programme. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

The Subcommittee was informed that the common terms found throughout the Public Sector Internal Audit Standards were interpreted to fit the arrangements of ESPO. The Finance and Audit Subcommittee was deemed to be the 'Board' and the Director of ESPO, the Consortium Secretary and Consortium Treasurer were considered to be the 'Senior Management'.

RESOLVED:

- a) That the report on the Internal Audit Charter and the update on the Quality Assurance and Improvement Programme be noted;
- b) That the Internal Audit Charter be recommended for approval to the Management Committee.

80. Governance Over Managing the Risk of Fraud.

The Subcommittee considered a report of the Consortium Treasurer containing the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, and the progress made against the adoption of the Servicing Authority's policies and procedures against fraud and corruption (including the recently revised Employee Code of Conduct). A copy of the report, marked 'Agenda Item 8' is filed with these minutes.

Arising from discussion members were advised:-

- (i). As an organisation that undertook extensive procurement, the risk of fraud and corruption within ESPO was inherently greater than in other businesses;
- (ii). ESPO had volunteered to take part in the National Fraud Initiative which was run by the Audit Commission. ESPO had recently received reports back from the Audit Commission based on data submitted by ESPO which was being further analysed. Members expressed their support for ESPO for taking part in this initiative;
- (iii). The revised Employee Code of Conduct for Leicestershire County Council would be adopted to reflect the circumstances prevailing at ESPO;

- (iv). The Consortium Secretary had met with the senior management team at ESPO to discuss the Employee Code of Conduct. The Director would be meeting with ESPO managers on Friday to discuss the internal publicity and roll out of the revised Employee Code of Conduct;
- (v). ESPO kept very little cash on site and only occasionally received cash payments. With regard to money laundering ESPO was mindful of its responsibilities and any suspicious activity would be drawn to the attention of the law enforcement agencies.

RESOLVED:-

- a) That the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption be recommended for approval by the Management Committee;
- b) That the progress made in adopting the Servicing Authority's anti-fraud policies and revised Employee Code of Conduct be noted.

81. Date of next meeting.

RESOLVED:

It was noted that the next meeting of the Committee would be held on 9 June 2015 at 10.30am at County Hall.

82. Exclusion of the public.

RESOLVED:

That under Section 100(A)(iv) of the Local Government Act 1972 the public be excluded from the meeting on the grounds that it will involve the likely disclosure of exempt information during consideration of the following item of business entitled 'Forecast Outturn 2014/15 and draft MTFS 2015/16 – 2018/19' as defined in paragraphs 3 and 10 of Schedule 12A of the Act; and, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

83. Forecast Outturn 2014/15 and draft MTFS 2015/16 - 2018/19.

The Subcommittee received an exempt report of the Director and Consortium Treasurer updating the Subcommittee on the financial implications of the draft Four Year Medium Term Financial Strategy 2015/16 - 2018/19, and to present the draft budgets. A copy of the exempt report, marked 'Agenda Item 10', is filed with these minutes.

RESOLVED:

- a) That the draft four year medium term financial strategy be noted;
- b) That the forecast outturn for 2014/15 and draft budgets for 2015-16, 2017-18, 2018-19 be noted;
- c) That the forecast outturn and draft MTFS 2014/15 – 2017/18 be brought to the attention of the Management Committee.

10.28 am - 12.00 pm
23 February 2015

CHAIRMAN

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